NAMING'OMBA TEA ESTATES LIMITED

FINANCIAL STATEMENTS

For the year ended

31 March 2018

NAMING'OMBA TEA ESTATES LIMITED

FINANCIAL STATEMENTS
For the year ended 31 March 2018

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NAMING'OMBA TEA ESTATES LIMITED

DIRECTORS' REPORT
For the year ended 31 March 2018

The Directors have pleasure in presenting their report together with the audited financial statements of the company for the year ended on 31March 2018.

NATURE OF BUSINESS

Naming'omba Tea Estates Limited (the company) is involved in growing, processing and selling tea, macadamia nuts, forestry products and tobacco.

INCORPORATION AND REGISTERED OFFICE

The Company is a limited liability company incorporated under the Companies Act, 2013 of Malawi and its registered office is at Naming'omba Tea Estate, P.O. Box 2, Thyolo, Malawi.

FINANCIAL PERFORMANCE

The results and state of affairs of the Company are set out in the statements of financial position, profit or loss and other comprehensive income, changes in equity, cash flows and the notes to the financial statements.

The directors have made an assessment and have formed an opinion that the company will remain a going concern at least for the next twelve months from the date of approval of the financial statements.

BOARD OF DIRECTORS AND SECRETARY OF THE COMPANY

The Directors and secretary of Naming'omba Tea Estates Limited who served during the year:

Name	Position	Duration	Nationality
Mr. Vijay Kumar	Managing Director	Whole year	Indian
Mr. Bithal Kumar Kothari	Director	Up to 19 January 2018	Indian
Mr. Arthur Alick Msowoya	Director	Whole year	Malawian
Mr. William Chibwe	Director	Whole year	Malawian
Mr. Remmie Ng'omba	Director	Whole year	Malawian
Mrs. Susan Mkandawire	Secretary	From 27th December 2017	Malawian

LEGAL ADVISORS

Wilson and Morgan
P O Box 527
Blantyre

AUDITORS

Messrs. KPMG, Chartered Accountants (Malawi) have expressed their willingness to continue in office as auditors in respect of the Company's 31 March 2019 financial statements and a resolution proposing their appointment will be tabled at the forthcoming Annual General Meeting.

AUTHORISED DIRECTOR

Vijay Kumar
AUTHORISED DIRECTOR

24th May ,2018

NAMING'OMBA TEA ESTATES LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT
For the year ended 31 March 2018

The directors are responsible for the preparation and fair presentation of the financial statements of Naming'omba Tea Estates Limited, comprising the statement of financial position at 31 March 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013 of Malawi. The Directors are also responsible for the preparation of the Directors' report.

The Companies 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, 2013 of Malawi.

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

The directors have made an assessment of the Company's ability to continue as a going concern and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi.

These financial statements were approved by the Company's Board of Directors on ..24th..**May 2018** and were signed on its behalf by:

AUTHORISED DIRECTOR

24th May, **2018**

Vijaykumar
AUTHORISED DIRECTOR

KPMG

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

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

Opinion

We have audited the financial statements of Naming'omba Tea Estates Limited (the Company) set out on pages 5 to 33, which comprise the statement of financial position as at 31 March 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Naming'omba Tea Estates Limited as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi.

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 the International Ethics Standard Board for Accountants'Code for Ethics for Professional Accountants(IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Directors' Responsibilities Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by Companies Act, 2013 of Malawi and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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.

NAMING'OMBA TEA ESTATES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
For the year ended 31 March 2018

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 the directors.

- Conclude on the appropriateness of the directors' 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 the directors 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.

KPMG

KPMG

Andre Appel
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi

25 MAY 2018

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 March 2018
In thousands of Malawi Kwacha

	Notes	2018	2017 * Restated	2016 * Restated
ASSETS				
Non-current assets				
Property, plant and equipment	7	**15,837,754**	14,597,194	13,340,163
Biological assets	8	-	-	-
		15,837,754	14,597,194	13,340,163
Current assets				
Biological assets	8	**612,526**	323,978	238,680
Future crop expenditure	9	-	-	-
Inventories	10	**786,007**	596,821	366,355
Trade and other receivables	11	**681,599**	590,186	452,960
Amounts due from related parties	12(a)	-	997,280	449,045
Income tax recoverable	11(a)	-	12,095	3,346
Cash and cash equivalents	13(a)	**8,869**	856	999
		2,089,001	2,521,216	1,511,385
Total assets		**17,926,755**	17,118,410	14,851,548
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	14(a)	**7,618**	7,618	7,618
Share premium	14(b)	**54,876**	54,876	54,876
Capital reserve	14(c)	**264,412**	264,412	264,412
Property revaluation reserve	14(d)	**11,110,108**	9,908,740	8,852,637
Biological asset revaluation reserve	14(e)	**261,692**	59,709	-
Retained (accumulated losses)/ earnings		**(6,367,272)**	297,214	(308,256)
		5,331,434	10,592,569	8,871,287
Non-current liabilities				
Deferred tax liabilities	21	**4,979,751**	4,361,548	3,892913
Borrowings	13(b)	**4,830,867**	724,296	853,647
		9,810,618	5,085,844	4,746,560
Current liabilities				
Bank overdraft	13(a)	**881,783**	534,315	636,221
Trade and other payables	15	**204,412**	272,760	150,358
Provisions	16	**244,925**	231,885	223,378
Income tax payable	11(a)	**149,150**	-	-
Amount due to related parties	12(b)	**219,334**	219,963	223,744
Borrowings	13(b)	**1,085,099**	181,074	-
		2,784,703	1,439,997	1,233,701
Total liabilities		**12,595,321**	6,525,841	5,980,261
Total equity and liabilities		**17,926,755**	17,118,410	14,851,548

* Refer to note 23 for more details on the restatement.

These financial statements were approved by the Company's Board of Directors on 24 May 2018 and were signed on its behalf by:

AUTHORISED DIRECTOR

Vijaykumar

AUTHORISED DIRECTOR

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2018
In thousands of Malawi Kwacha

	Note	2018	2017 * Restated
Revenue	17	**4,280,797**	3,302,223
Cost of sales		**(1,964,246)**	(1,616,437)
Gross profit		**2,316,551**	1,685,786
Other income	18	**13,651**	85,396
Fair value on revaluation of biological assets	8	**288,548**	85,298
Selling expenses		**(83,332)**	(101,953)
Administration expenses	19	**(987,175)**	(870,025)
Operating profit		**1,548,243**	884,502
Impairment loss	12(a)	**(7,095,761)**	-
Net finance costs	20	**(650,362)**	(203,305)
Profit before income tax expenses		**(6,197,880)**	681,197
Income tax expenses	21	**(264,623)**	(16,018)
Profit after income tax expenses		**(6,462,503)**	665,179
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation surplus		**1,716,240**	1,508717
Deferred Tax thereon		**(514,872)**	(452,615)
Total other comprehensive income		**1,201,368**	1,056,102
Total comprehensive income for the year		**(5,261,135)**	1,721,281

* Refer to note 23 for more details on the restatement.

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2018
In thousands of Malawi Kwacha

2018	Share Capital	Share Premium	Revaluation reserve	Capital reserve	Biological asset revaluation reserve	Retained earnings	Total
Balance as at 1 April 2017	7,618	54,876	9,908,740	264,412	59,709	297,214	10,592,569
Total comprehensive income							
Revaluation surplus for the year	-	-	1,716,240	-	-	-	1,716,240
Deferred tax on revaluation surplus for the year	-	-	(514,872)	-	-	-	(514,872)
Profit for the year	-	-	-	-	-	(6,462,503)	(6,462,503)
Total comprehensive income	-	-	1,201,368	-	-	(6,462,503)	(5,261,135)
Transfers within reserves							
Transfer from retained earnings	-	-	-	-	288,548	(288,548)	-
Deferred tax thereon	-	-	-	-	(86,565)	86,565	-
Total transfers within reserves	-	-	-	-	201,983	(201,983)	-
Balance as at 31 March 2018	7,618	54,876	11,110,108	264,412	261,692	(6,367,272)	5,331,434
2017							
Balance as at 1 April 2016 (as previously reported)	7,618	54,876	2,178,473	264,412	6,674,165	(168,359)	9,011,185
Restatement	-	-	6,674,165	-	(6,674,165)	(139,897)	(139,897)
Balance as at 1 April 2016 (as restated)	7,618	54,876	8,852,638	264,412	-	(308,256)	8,871,288
Total comprehensive income							
Transferred from Retained Earnings	-	-	1,508,717	-	-	-	1,508,717
Deferred Tax	-	-	(452,615)	-	-	-	(452,615)
Profit for the year	-	-	-	-	-	665,179	665,179
Total comprehensive income	-	-	1,056,102	-	-	665,179	1,721,281
Transfers within reserves							
Revaluation surplus for the year	-	-	-	-	85,298	(85,298)	-
Deferred tax on revaluation surplus for the year	-	-	-	-	(25,589)	25,589	-
Total transfers within reserves	-	-	-	-	59,709	(59,709)	-
Balance as at 31 March 2017	7,618	54,876	9,908,740	264,412	59,709	297,214	10,592,569

Note: Capital reserve presents liabilities settled by the former shareholder Barrow Investments Limited and NBS Bank Limited, at the time when the Company was not able to do so.

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 March 2018
In thousands of Malawi Kwacha

	Note	2018	2017 * Restated
Cash flows from operating activities			
Profit before income tax expenses		(6,197,880)	681,197
Adjusted for:			
Depreciation	7	570,731	483,933
Impairment loss	12(a)	7,095,761	-
Fair value gain on biological assets	8	(288,548)	(85,298)
Profit on disposal of property, plant and equipment	18	(2,363)	-
Unrealised exchange loss on long term loan	13(b)	(951)	51,723
Unrealised exchange loss on bank overdraft	20	(19,808)	31,396
Interest expense	20	636,499	129,922
Operating profit before working capital changes		1,793,441	1,292,873
Decrease/(increase) in future crop expenditure		-	-
Increase in trade and other receivables		(91,413)	(137,226)
Increase in amount due from related parties.		(9,324)	(548,235)
Increase in trade and other payables and provisions		(55,308)	130,909
(Decrease)/increase in amounts due to related parties		(629)	(3,781)
Cash generated from operating activities		1,447,581	504,074
Taxation paid	11(a)	(47)	(8,749)
Net cash from operating activities		1,447,534	495,325
Cash flows to investing activities			
Proceeds from sale of assets		2,798	-
Development expenditure	7	(49,961)	(45,226)
Acquisition of property, plant and equipment	7	(45,526)	(187,020)
Net cash used in investing activities		(92,689)	(232,246)
Cash flows from financing activities			
Loan repayments	13(b)	(1,077,609)	-
Interest paid	20	(636,499)	(129,922)
Net cash (used in)/from financing activities		(1,714,108)	(129,922)
Net increase in cash and cash equivalents for the period		(359,263)	133,157
Cash and cash equivalents at the beginning of the period		(533,459)	(635,220)
Effect of movements in exchange rate on cash balances		19,808	(31,396)
Cash and cash equivalents at the end of the year	13(a)	(872,914)	(533,459)

* Refer to note 23 for more details on the restatement.

1. General Information

Naming'omba Tea Estates Limited grows, processes and sells tea, macadamia nuts, forestry products and tobacco. The company has farm land and factories in Thyolo District and sells its products within Malawi as well as outside the country.

The company is a limited liability company incorporated in Malawi. It is a subsidiary of Group Developments Limited a company incorporated in Malawi.

2. Basis of preparation

2.1 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 Companies Act, 2013 of Malawi.

2.2 Going concern

The financial statements have been prepared using the going concern basis of accounting.

2.3 Basis of measurement

The annual financial statements have been prepared on the historical cost convention and revalued at periodic intervals. Biological assets, bearer plants and certain items of property, plant and equipment are measured at fair value.

2.4 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 6.2 and 21	-	Recognition of deferred tax assets, availability of future taxable profit against which carry forward tax losses can be used.
Note 6.4 and 7	-	Review of useful asset lives and impairment testing.
Note 6.3 and 8	-	Key assumptions underlying in the biological asset model.
Note 3.10	-	Impairment test: assumptions underlying recoverable amounts.
Note 3.16 and 16	-	Recognition and measurement of provisions.

3. 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.

3.1 Foreign currency translation

3.1.1 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.

3.1.2 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 recognised in profit or loss within finance income or cost.

3. Significant accounting policies (Continued)

3.2 Revenue recognition

3.2.1 Revenue

Revenue comprises the fair value of the consideration received or receivable from the sales of tea, macadamia, and tobacco. Revenue is shown net of value added tax, returns, rebates and discounts.

Revenue from sales is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of goods; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the company; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.2.2 Other income

Other income comprises net revenue on other farm produce, rental income (including due to a fellow subsidiary), management fees, and sundry revenue, and is accounted for on an accruals basis.

3.2.3 Interest income

Interest income is recognised using the effective interest rate method. When a loan or receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

3.3 Development cost

Establishment costs in respect of tea and macadamia plantations, including expenditure on the necessary infrastructure, are capitalised as biological assets as they are incurred. Establishment costs do not include the cost of clearing and stumping, terracing or irrigation work for new plantations, which are classified as land development costs within property, plant and equipment.

Replanting and in-filling costs are expensed when incurred.

3.4 Property, plant and equipment

Items of property, plant 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 capitalised as part of that equipment.

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

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

Increase in the carrying amount arising on revaluation are recognised 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 realised on disposal. All other decreases are recognised in profit or loss.

Subsequent costs

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

Ongoing repairs and maintenance are expensed in profit or loss as incurred.

3. **Significant accounting policies (Continued)**

3.5 **Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is recognised 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 Company 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%
Motor vehicles	-	8% - 17%
Office equipment	-	10% - 20%
Furniture and fittings	-	10%
Bearer plants	-	1.05% - 16.67%

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

3.6 **Biological assets and Bearer plants**

Tea, timber and macadamia 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. Effective 1 April 2016, biological assets are reported under the provisions of IAS 41, Agriculture as current assets while Bearer plants are reported under the provisions of IAS 16, property, plant and equipment and are depreciated over their remaining useful life using straight line method

3.7 **Future crop expenditure**

The Company's financial year end and crop seasons are not altogether concurrent. Accordingly, effective 1 April 2016, fertiliser application and other costs other than establishment costs of biological assets incurred prior to the reporting date in respect of crops which will be harvested in the subsequent financial year are now being fully charged to the profit and loss as opposed to being carried forward in the statement of financial position in order to be consistent with the accounting policy being applied at the Head Office.

3.8 **Inventories**

Inventories including stores, made tea and macadamia stocks are stated at the lower of cost and net realisable value. Cost is determined using weighted average cost method. The cost of made tea and macadamia comprise direct labour, other direct costs and the related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.9 **Trade and other receivables**

Trade and other receivables are amounts due from customers for goods sold in the ordinary course of business. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, 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 the 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.

3.10 **Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3. Significant accounting policies (Continued)

3.11 Financial assets

3.11.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company does not currently have any financial assets other than trade and other receivables, amounts due from related parties and cash and cash equivalents.

3.11.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 month after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables and amounts due from related parties reported in the statement of financial position.

3.11.3 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade - date - the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The transaction differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities as classified available-for-sale are transferred to a fair value reserve.

3.11.4 Offsetting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

3. Significant accounting policies (Continued)

3.12 Impairment of financial assets

3.12.1 Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of one or more events that occurred after the initial recognition of the assets (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligant;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the debtors financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measureable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  -Adverse changes in the payment of borrowers in the portfolio;

  - National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

The amount of the loss is then measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the reversal of the previously recognised impairment loss is recognised in the comprehensive income statement.

3. Significant accounting policies (Continued)

3.13 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise cash on hand; deposits held at call with banks, other short-term highly liquid investments with original maturities of threemonths or less and bank overdrafts. Bank overdrafts are disclosed as current liabilities in the statement of financial position.

3.14 Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity.

Current tax

The current income tax charge is calculated on the basis of tax rates and laws enacted or substantively enacted at the reporting 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 authorities.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax assetis realised or the deferred tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

3.15 Pension

The Company participates in a defined contribution scheme to which both the Company and eligible employees contribute. The company has no further payment obligation once the contributions have been paid. The company's contributions are recognised as an employee benefit expense when they are due.

3.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligations has been reliably estimated. Where it cannot be, the obligation is disclosed as a contingent liability.

3.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 month after the reporting date.

3.18 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.

3. Significant accounting policies (Continued)

3.19 Equity

Ordinary shares, share premium, revaluation and indexation surpluses, non-distributable and distributable retained earnings are classified as equity.

3.20 Net finance income/cost

Finance income includes exchange gains and interest on the bank loans

Finance costs

Finance cost includes exchange losses and interest on loans and bank overdraft.

4. **New Standards and Interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

- ***IFRS 9 Financial instruments***
  This replaces existing guidance in *IAS 39 Financial Instruments: Recognition and measurement*
  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.

  IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

  The Company is assessing the possible impact on its financial statements resulting from the application of IFRS 9.

- **IFRS 15 *Revenue from contracts with customers***
  This establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue,* IAS 11 *Construction contracts* and IFRIC 13 *Customer Loyalty Programmes.*

  IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018 with early adoption permitted.

  The company is assessing the possible impact on its financial statements resulting from the application of IFRS 15.

- **IFRS 16 Leases:** IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

  The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

- **IFRIC 22 Foreign Currency Transactions and Advance Considerations**
  When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item.

  This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

  The Group and Company do not expect the application of IFRIC 22 to result in significant differences in the translation of foreign currency transactions.

  The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

- **IFRIC 23 Uncertainty over Income Tax Treatments**
  IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

  IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

  - judgments made;
  - assumptions and other estimates used; and
  - the potential impact of uncertainties that are not reflected.

  The Group and Company do not expect the application of IFRIC 23 to have an impact on income tax treatment.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

5. Financial Risk Management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risk: market risk (including currency risk, fair value interest rate and cash flow interest risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Naming'omba Tea Estates Limited directors provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, currency exposures, interest rate risk and credited risk and investment of excess liquidity.

5.2 Financial risk management objectives

The following is the analysis of the financial instruments:

	Note	2018	2017
Financial assets			
Trade and other receivables	11	**467,613**	421,999
Amounts due from related party	12	**-**	997,280
Cash and bank balances	13(a)	**8,869**	856
		476,482	1,420,135
Financial liabilities			
Borrowings	13(b)	**5,915,966**	905,370
Trade and other payables	15	**204,412**	272,760
Bank overdraft	13(a)	**881,783**	534,315
Amounts due to related party	12	**219,334**	219,963
		7,221,495	1,932,408

5.3 Market risk management strategies

The company is exposed to financial risks arising from changes in tea and macadamia prices. The Company does not anticipate that tea and macadamia prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in produce prices. The Company reviews its outlook for produce prices regularly in considering the need for active market risk management.

5. Financial Risk Management (continued)

5.4 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. The trading in a strong foreign currency acts as a hedge against exchange rate fluctuations.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities are as follows:

USD denominated assets

	2018	2017
Trade receivables	**467,613**	421,999
USD denominated monetary liabilities		
Bank overdraft	**881,783**	505,108
Borrowings	**5,915,967**	905,370

Foreign currency sensitivity analysis

The Company's sensitivity to a 5% increase and decrease in the Malawi Kwacha against the United States Dollar. 5% is the rate management use when doing variance analyses.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 5% change in foreign currency rate. A positive number below indicates an increase in profit where Malawi Kwacha strengthens 5% against the United States Dollar. For a 5% weakening of the Malawi Kwacha against the United States Dollar, there would be an equal and opposite impact on profit.

	2018	2017
Profit or loss	**(MK316.5 million)**	(MK49.4 million)

The above movement is mainly attributable to the exposure outstanding of the carrying of the Company's foreign currency denominated money assets and monetary assets.

The Company manages foreign currency risk by maintaining sufficient resources in its foreign currency denominated account by which it largely transacts its sales to meet foreign currency liabilities.

5.5 Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating rate. The risk is managed by the Company by maintaining an appropriate mix between fixed and semi – fixed rates borrowings.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on exposure to interest rate for non-derivative instruments at the reporting date. For the floating rate and semi-floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. The floating rate has been assumed at **23%** (2017: 30%).

A 5% increase or decrease in floating rate has been adopted and 0.5% increase or decrease has been adopted in semi-floating rates.

If the floating interest rates had been 5% higher/lower and all other variables were held constant, the Company's profit for the year ended 31 March 2018 would have decreased/increased by **MKnil** (2017: MK0.438 million).

5. Financial Risk Management (continued)

5.6 Credit risk management

The Company is exposed to risk of failure by customers to honour their debts. Trade receivables mainly consist of private sales and auction sales which have proved to be reliable customers in the past. The company does not have significant credit risk exposure.

	2018	2017
Maximum credit risk exposure	467,613	1,419,279

The ageing of trade receivables at the reporting date was:

	2018			2017		
	Gross	Impairment	Total	Gross	Impairment	Total
Not past due	467,613	-	467,613	1,419,279	-	1,419,279

Included in the credit risk exposure above for 2017 is MK997.3 million due from group companies with almost no credit risk.

5.7 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturity analysis for financial assets and financial liabilities are detailed below:

31 March 2018

	Note	Up to 1 Month	1 to 3 Month	3 to 12 Month	Total	Fair value
Financial assets						
Trade and other receivables	11	246,384	221,229	-	467,613	467,613
Due from related parties	12	-	-	-	-	-
Cash and cash equivalents	13(a)	8,869	-	-	8,869	8,869
		255,253	221,229	-	476,482	476,482
Financial liabilities						
Trade and other payables	15,16	149,102	54,663	647	204,412	204,412
Bank overdraft	13(a)			881,783	881,783	881,783
Due to related parties	12	-	219,334	219,334	219,334	219,334
Total financial liabilities		149,102	54,663	1,101,764	1,305,529	1,305,529
Periodic gap		106,151	165,265	(1,101,764)	(829,047)	(829,047)
Cumulative gap		106,151	271,416	(830,348)	(1,659,395)	(1,659,395)

31 March2017

	Note	Up to 1 Month	1 to 3 Month	3 to 12 Month	Total	Fair value
Financial assets						
Trade and other receivables	11	421,277	147	168,762	590,186	590,186
Due from related parties	12	-		997,280	997,280	997,280
Cash and cash equivalents	13(a)	856	-	-	856	856
		422,133	147	1,166,042	1,588,322	1,588,322
Financial liabilities						
Trade and other payables	15,16	198,842	173,918	131,885	504,645	504,645
Bank overdraft	13(a)	-	-	534,315	534,315	534,315
Due to related parties	12	-	-	219,963	219,963	219,963
Total financial liabilities		198,842	173,918	886,163	1,258,923	1,258,923
Periodic gap		223,291	(173,771)	263,117	312,637	312,637
Cumulative gap		223,291	49,520	312,637	312,637	312,637

5. Financial Risk Management (continued)

5.8 Financial instruments – Fair values and risk management

Accounting classifications and fair values

The following information table shows the carrying amount and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value

31 March 2018		**Carrying amount**		
	Note	**Loans And Receivables**	**Other financial liabilities**	**Total**
Financial assets not measured at fair value				
Trade and other receivables	11	**467,613**		**467,613**
Amount due from group companies	12	**-**		**-**
Cash and cash equivalents	13(a)	**8,869**		**8,869**
		476,482		**476,482**
Financial liabilities not measured at fair value				
Amount due to group companies	12		**219,334**	**219,334**
Trade and other payables	15		**414,145**	**414,145**
Bank overdrafts	13(a)		**881,783**	**881,783**
Borrowings	13(b)		**5,915,966**	**5,915,966**
			7,431,228	**7,431,228**

31 March 2017		Carrying amount		
	Note	Loans And Receivables	Other financial liabilities	Total
Financial assets not measured at fair value				
Trade and other receivables	11	573,424		573,424
Amount due from group companies	12	997,280		997,280
Cash and cash equivalents	13(a)	856		856
		1,571,560		1,571,560
Financial liabilities not measured at fair value				
Amount due to group companies	12		219,963	219,963
Trade and other payables	15		504,645	504,645
Bank overdrafts	13(a)		534,315	534,315
Borrowings	13(b)		905,370	905,370
			2,164,293	2,164,293

6. 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:

6.1 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.

6.2 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 at 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 recognised to the extent that there will be future taxable profits to offset the tax losses within the allowable period for carrying forward tax losses.

6.3 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.

6.4 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018
In thousands of Malawi Kwacha

7. Property plant and equipment

See accounting policy note 3.4

	Freehold land and development	Freehold buildings and constructions	Plant and machinery	Motor vehicles	Water schemes	Furniture, fittings and equipment	Capital work in progress	Capital work in progress Bearer Plants	Bearer Plants	Total
Cost/valuation										
2018										
As at 1 April 2017	1,422,590	1,273,056	1,400,073	201,601	25,440	43,307	-	241,046	10,309,196	14,916,309
Depreciation reversed	-	-	-	-	-	-	-	-	(368,681)	(368,681)
Additions during the year	-	-	13,692	28,452	2,480	297	604	49,961	-	95,487
Disposal during the year	-	-	-	(6.561)	-	-	-	-	-	(6.561)
Revaluation surplus	77.513	-	-	-	-	-	-	(26.095)	1.664.823	1.716.241
As at 31 March 2018	1,500,103	1,273,056	1,413,765	223,492	27,920	43,604	604	264.912	11,605,339	16,352,796
2017										
As at 1 April 2016 (As previously reported)	1,261,622	1,177,307	1,019,345	174,965	24,035	30,551	330,255	-	-	4,018,080
Restatement	-	-	-	-	-	-	-	501,808	8,937,001	9,438,809
As at 1 April 2016 (as restated)	1,261,622	1,177,307	1,019,345	174,965	24,035	30,551	330,255	501,808	8,937,001	13,456,889
Depreciation reversed	-	-	-	-	-	-	-	-	(281,542)	(281542)
Additions during the year	-	59,296	86,927	26,636	1,405	12,756	-	22,272	22,954	232,246
Revaluation surplus/(Loss)	160.968	-	-	-	-	-	-	(283,034)	1,630,783	1 508 717
Transfer from WIP	-	36.453	-	-	-	-	(330.255)	-	-	-
As at 31 March 2017	1,422,590	1,273,056	1,400,073	201,601	25,440	43,307	-	241,046	10,309,196	14,916,309
Depreciation										
2018										
As at 1 April2017	-	63,829	113,562	123,032	3,410	15,282	-	-	-	319,115
Charge for the year	-	63.844	114.311	16.210	3.790	3.895	-	-	368.681	570.731
Depreciation reversed	-	-	-	-	-	-	-	-	(368,681)	(368,681)
Eliminated on disposal	-	-	-	(6124)	-	-	-	-	-	(6124)
As at 31 March 2018	-	127.673	227.873	133.118	7.200	19.177	-	-	-	515.041
As at 1 April 2016 (As previously reported)	-	-	-	-	-	-	-	-	-	-
* Restatement	-	-	-	105,056	-	11,669	-	-	-	116,725
As at 1 April 2016 (as restated)	-	-	-	105,056	-	11,669	-	-	-	116,725
Charge for the year	-	63,829	113,562	17,976	3,410	3,613	-	-	281,542	483,933
Depreciation reversed	-	-	-	-	-	-	-	-	(281,542)	(281,542)
As at 31 March 2017	-	63.829	113.562	123.033	3.410	15.282	-	-	-	319.115
Carrying amount										
As at 31 March 2018	1,500,103	1,145,383	1,185,891	90,373	20,720	24,428	604	264,912	11,605,339	15,837,754
As at 31 March 2017	1,422,590	1,209,227	1,286,511	78,568	22,031	28,026	-	241,046	10,309,196	14,597,194

* Refer to note 23 for more details on the restatement.

7. **Property plant and equipment (continued)**

Land and development are stated at revalued amounts as at 31 March 2018.

Measurement of fair values

Freehold Land and developments were valued as at 31 March 2018 by independent valuers, Dick Mupambireyi, an Asset Valuation Surveyor of PRO-VAL (Pvt) Limited of Zimbabwe, who have experience in the location and category of Biological Assets and Land and are being used by a number of companies within the tea industry in Malawi. The independent valuers provide the fair values of the Company's Biological Assets and Land with sufficient regularity.

The Depreciated replacement cost which is used for all properties which do not have a ready and active market such as remote and purpose built properties was adopted by the valuers.

The fair value measurement for all of the Land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of land and buildings, as well as significant unobservable inputs used

Valuation method adopted	Observable inputs	Unobservable input
Depreciated replacement cost	Building cost information sourced from quantity surveyors	Estimated depreciation rates based on location and obsolescence.

Derecognitions and verification of assets

The Company carried out a physical verification of assets as at 31 March 2018. The exercise revealed that there were assets which were not being used due to the fact that they were in a state of disrepair or that they are damaged beyond repair were immaterial. These were mainly other plant and machinery.

After a fixed asset bar coding exercise that the Company embarked upon, it was discovered that there are assets that were in Fixed Asset Register but not on the ground and others were on ground but not in the register. The reconciliation of the two positions had not yet been done as at the year-end but the directors are of the opinion that the net position is not material as far as the financial statements are concerned.

Encumbrance

As at year end 31 March 2018, Land was encumbered asset for the FMB Long term Loan (US$1,250,000).

Title deeds for properties

The Company has title deeds to its properties.

8. Biological assets
See accounting policy note 3.6

	2018	2017 *Restated
Balance at 1 April (As previously reported)	323,978	9,677,489
* Restatement	-	(9,438,809)
Balance at 1 April (As restated)	323,978	238,680
Additions during the year	-	-
Fair value gains	288,548	85,298
Balance at 31 March	612,526	323,978
Fair value movement during the year		
Fair value gain for the year		
Analysed by:		
Tea	4,334	6,441
Macadamia	(8,411)	29,185
Timber plantation	292,625	49,672
	288,548	85,298

2018

Other information	Tea	Macadamia	Total
Hectarage covered at year end	1,281	404	1,685
Total tonnage harvested during the year	9,510	1,869	11,379
The proceeds net of point of sales costs	2,608,371	1,589,093	4,197,464

2017

Other information	Tea	Macadamia	Total
Hectarage covered at period end	1,281	404	1,685
Total tonnage harvested during the period	8,124	1,305	9,429
The proceeds net of point of sales costs	1,877,897	1,212,320	3,090,217

NB: The production and proceeds is the combination of Mafisi, Group Holdings Limited and Naming'omba Tea Estates Limited.

Biological assets and Land were valued as at 31 March 2018 by independent valuer, Dick Mupambireyi, a Biological Asset Surveyor of PRO-VAL (Pvt) Limited of Zimbabwe, who have experience in the location and category of Biological Assets and Land and are being used by a number of companies within the tea industry in Malawi. The independent valuers provide the fair values of the Company's Biological Assets and Land with sufficient regularity.

* Refer to note 23 for more details on the restatement.

8. Biological assets (continued)

The following are the details for the fair value measurement of the biological assets:

Type	Valuation technique adopted	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber	*Discounted future cash flows:* The valuation model considers the present value of the net future cash flows expected to be generated by the plantation. The expected net future cash flows are discounted using a risk-adjusted discount rate.	• Estimated future timber/wood average market prices per cubic metre of US$13.8 • Estimated weighted average yields per hectare of 350 cubic metres. • Estimated harvest and transportation costs of US$7.5 per cubic metre. • Risk-adjusted discount rate 8.5% (2017: 8.5%)	The estimated fair value would increase (decrease) if: • the estimated timber prices per cubic metre were higher (lower); • the estimated yields (i.e. cubic metres) per hectare were higher (lower); • the estimated harvest and transportation costs were lower (higher) or • the risk-adjusted discount rates were lower (higher)
Tea bushes	*Discounted future cash flows:* The valuation model considers the present value of the net future cash flows expected to be generated by the plantation over its productive life. The expected net future cash flows are discounted using a risk-adjusted discount rate.	• Estimated future processed tea average market prices of US$1.5/kg. • Estimated green leaf to processed tea conversion ratio of 4:1 Kgs • Estimated average yields per hectare of 1,830 Kgs of made tea per annum • Estimated annual field costs of US$0.86 per Kg. • Estimated annual processing, packaging and selling costs of US$0.40 per Kg. • Risk-adjusted discount rate 8.5%.	The estimated fair value would increase (decrease) if: • the estimated processed tea market prices per Kg were higher (lower); • the estimated green leaf to processed tea conversion ratios were lower (higher) • the estimated yields per hectare were higher (lower); • the estimated annual field costs were lower (higher) • the estimated annual processing, packaging and selling costs were lower (higher) • the risk-adjusted discount rates were lower (higher)

8. Biological assets (continued)

Macadamia	*Discounted future cash flows:* The valuation model considers the present value of the net future cash flows expected to be generated by the plantation over its productive life. The expected net future cash flows are discounted using a risk-adjusted discount rate.	• Estimated future macadamia average market prices of US$14/kg. • Estimated Dry In Shell (DIS) to kernel conversion rate of 25%. • Estimated average yields per hectare of 4,500 Kgs of Nut In Husk (NIH) • Estimated field costs of US$3.7 per Kg. • Estimated processing costs of US$4.3 per Kg. • Risk-adjusted discount rate 8.5%.	The estimated fair value would increase (decrease) if: • the estimated market prices were higher (lower) • the estimated DIS to kernel conversion rate were lower (higher) • the estimated average yields per hectare were higher (lower); • the estimated field costs were lower (higher). • the estimated processing costs were lower (higher). • the risk-adjusted discount rates were lower (higher)

9. Future crop expenditure

See accounting policy note 3.7

	2018	2017
As previously reported	-	70,510
Restatement	-	(70,510)
As restated	-	-

10. Inventories

See accounting policy note 3.8

Finished goods:		
Macadamia	**286,645**	191,939
Made tea	**305,770**	216,913
Consumables	**162,949**	169,733
Nursery plants	**30,643**	18,236
	786,007	596,821

11. Trade and other receivables

See accounting policy note 3.9

Trade receivables	**467,613**	421,999
Prepayments	**18,512**	16,762
Other	**195,474**	151,425
	681,599	590,186

The carrying amounts of trade and other receivables approximates their fair value due to their short term nature.

11(a) Income tax (payable)/recoverable

See accounting policy note 3.9

Balance at 1 April	**12,095**	3,346
Tax charge for the year	**(161,292)**	-
Tax paid during the year	**47**	8,749
Balance at 31 December	**(149,150)**	12,095

		2017	2016
12.	**Related parties**		
	See accounting policy note 3.9 and 3.18		
12(a)	**Amounts due from related parties:**		
	Group Developments Limited		
	Loan and Interest on foreign loan	7,095,761	997,280
		7,095,761	997,280
	Amounts due to related parties:		
	Group Holding Limited	56,034	55,317
12(b)	Mafisi Tea Estate Limited	163,300	164,646
		219,334	219,963
	Related party transactions		
	During the year the following transactions were carried out with related parties		
	Group Holdings Limited		
	Rent for use of land	2,772	2,772
	Mafisi Tea Estates Limited		
	Rent for use of land	1,502	1,502

		2018	2017
13(a)	**Cash and cash equivalents**		
	See accounting policy note 3.13		
	Cash at bank	8,869	856
	Bank overdraft	(881,783)	(534,315)
		(872,914)	(533,459)

The working capital facilities from FMB Bank amounting to USD 1.150 Million and MK50 Million are charged interest rates of 7.75% per annum and bank's base lending rate minus 3 percentage points (currently at 23% per annum, 2017: 30%, respectively making an effective rate of 20% per annum, 2017: 27% per annum). Security charge by way equitable mortgage over the assets of Naming'omba Tea Estates Limited was created and is being held by the Bank.

On the other hand, the working capital facility from National Bank of Malawi amounting to USD 1 Million is being charged interest rates of 7.75% per annum. Security charge by way equitable mortgage over the assets of Mafisi Tea Estates Limited was created and is being held by the Bank.

13 (b) **Borrowings from commercial banks**

See accounting policy note 3.1

Balance at 1 April	905,370	853,647
Repayment during the year	(164,360)	-
Exchange (gain)/loss	(123)	51,723
Balance at 31 March	740,887	905,370

In thousands of Malawi Kwacha

		2017	2016
13 (c)	**Borrowings from parent company**		
	Foreign loan transferred from Group Development Limited	6,089,156	-
	Repayment during the year	(913,249)	-
	Exchange gain	(828)	-
	Balance at 31 March	5,175,079	-
	Total borrowings for the year	5,915,966	905,370
	Classified as:		
	- Current	1,085,099	181,074
	- Non-current	4,830,867	724,296
		5,915,966	905,370

The foreign currency long term loan of USD1.25 million from FMB Bank is repayable over 7 years with 24 month moratorium on the principal amount. Interest is charged at 7.75% per annum (2017: 7.75% per annum). The loan is secured by a charge by way of equitable mortgage over the assets of Naming'omba Tea Estates Limited which was created and presently the Estate's title deeds are being held by the Bank.

14. Equity

See accounting policy note 3.19

14(a) Share capital

	2017	2016
Authorised:		
8,000,000 ordinary shares of K1 each	8,000	8,000
Issued and fully paid:		
7,617,633 ordinary shares of K1 each	7,618	7,618

		2017	2016
14(b)	**Share premium**	54,876	54,876
14(c)	**Capital reserve**	264,412	264,412

Capital reserve arose following injection of additional capital by the shareholders to settle liabilities directly with creditors. It is not available for distribution.

			*Restated
14(d)	**Property revaluation reserve**	11,110,107	9,908,739

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.

* Refer to note 23 for more details on the restatement.

			*Restated
14(e)	**Biological assets revaluation reserve**	261,693	59,709

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.

* Refer to note 23 for more details on the restatement.

15. Trade and other payables

See accounting policy note 3.18

Trade payables	204,412	272,760

In thousands of Malawi Kwacha

16. Provisions

See accounting policy note 3.16

	2017	2016
Employee accruals	111,185	138,519
Other provision	133,740	93,366
	244,925	231,885

16.1 Employee

Wages provision	68,009	66,802
Gratuity	23,946	36,722
Leave pay	19,230	34,995
	111,185	138,519

16.2 Other provisions

At 1 April	93,366	72,189
Movements during the period	40,374	21,177
Balance at 31 March	133,740	93,366

17. Revenue

See accounting policy note 3.2.1

Tea	**2,662,137**	1,950,749
Macadamia	**1,618,660**	1,235,589
Tobacco	-	115,885
	4,280,797	3,302,223

18. Other income

See accounting policy note 3.2.2

Net income on other farm produce	-	11,607
Profit on sale of property, plant and equipment	**2,363**	-
Other income	**11,288**	73,789
	13,651	85,396

19. Administration expenses

Audit remuneration - Fees - current year	**24,725**	25,048
Prior year under provision	-	1,460
Bank charges	**22,859**	13,122
Depreciation (Note 7)	**570,731**	483,933
Estate rent	**4,273**	4,273
Insurance expenses	**23,131**	15,131
Legal fees and other professional services fees	**2,416**	6,320
Other costs	**85,241**	83,662
Repairs and maintenance	**12,794**	15,671
Salaries and wages	**219,008**	203,519
Travelling expenses	**21,997**	17,886
	987,175	870,025

In thousands of Malawi Kwacha

20. Net finance cost

See accounting policy note 3.20

	2017	2016
Exchangeloss		
Unrealised gain/losses on foreign currency loan	951	(51,723)
Unrealised gain/losses on foreign currency overdraft	19,808	(31,396)
Total exchange losses	20,759	83,119
Interest expense on bank overdraft	(671,691)	(129,922)
Total finance cost	(650,932)	(213,041)
Finance income		
Realised finance exchange gains	570	9,736
Total net finance cost	(650,362)	(203,305)

21. Taxation

See accounting policy note 3.14

		2017		2016
Income tax expense				
Current tax expense				
Current tax @**30%** (2017: 30%)		(161,290)		-
Deferred tax (expense)/credit		(103,333)		(16,018)
Tax expenses		(264,623)		(16,018)
Tax reconciliations				
Profit before taxation	30%	897,881	30%	681,197
Income tax at **30%** (2017: 30%)		(269,364)		(204,359)
Non deductible expenses		4,741		188,341
		(264,623)		(16,018)

Deferred tax (assets)/liabilities

	2018 Assets	2018 Liabilities	2018 Net	2017 Assets	2017 Liabilities	2017 Net
Property, Plant and Equipment	-	4,986,178	4,986,178	-	4,471,306	4,471,306
Fair value adjustment	-	112,154	112,154	-	25,589	25,589
Provisions	(135,349)	16,768	(118,581)	(135,349)	-	(135,349)
	(135,349)	5,115,100	4,979,751	(135,349)	4,496,895	4,361,546

The movement in deferred tax is analysed as follows:-

2018	**Balance at 1 April 2017**	**Recognised in profit or loss**	**Recognised in comprehensive income**	**Balance at 31 March 2018**
Property, plant and equipment	4,471,306	-	514,872	4,986,178
Fair value adjustment on biological asset	25,589	86,565	-	112,154
Provisions	(135,349)	16,768	-	(118,581)
	4,361,546	103,333	514,872	4,979,751

2017	Balance at 1 April 2016	Recognised in profit or loss	Recognised in comprehensive income	Balance at 31 March 2017
Property, plant and equipment	4,018,691	-	452,615	4,471,306
Fair value adjustment on biological asset	-	25,589	-	25,589
Provisions	(125,778)	(9,571)	-	(135,349)
	3,892,913	16,018	452,615	4,361,546

In thousands of Malawi Kwacha

22. Contingent liabilities

The Company has an Escrow arrangement with NBS Bank 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 was a defendant to cases that were in court, which at the reporting date had not yet been concluded. If the Company is not successful in those cases, there may be contingent liabilities which would be settled under the Escrow rearrangement.

23. Prior year error

On 1 January 2016, amendments to IAS 16 and IAS 41 on "Bearer Plants" became effective and the Company did not adopt the amendments in its financial statements for the year ended 31 March 2017 due to management oversight. The amendments required bearer plants to be accounted for as property, plant and equipment and be included within the scope of IAS 16, Property, Plant and Equipment, instead of IAS 41, Agriculture. This is therefore a prior period error in the financial statements for the year ended 31 March 2017. This error has been corrected in the financial statements for the year ended 31 March 2018, with restatements to comparative figures as required by IAS8, Accounting Policies, Changes in Accounting Estimates and Errors

Having corrected this error, the Company has been applying this amendment since 1 April 2016 with the election, for the transition period to measure an item of bearer Plants as its fair value at 1 April 2017 and used that fair value as its deemed cost at that date. Going forward, the bearer plants are recorded at revalued amounts less accumulated depreciation and accumulated impairment losses. The produce growing on bearer Plants remains within the scope of IAS 41 and is thus measured at fair value less costs to sell until after harvest when they are measured using the requirements in IAS 2, *Inventory.*

Change in accounting policy

In the prior year, future crop expenditures were carried forward in the statement of financial position. However, in the current year, the Company changed its accounting policy to account for future crop expenditure in the profit or loss. The accounting policy has been changed in order to be consistent with the accounting policy being applied by the Parent Company. Refer to accounting policy 3.7 for more details.

The impacts on the Company's financial statements at 1 April 2016 correspond to the reclassification of bearer plants from biological assets to property, plant and equipment and the change in accounting policy relating to future crop expenditure.

The following table illustrates the impact that the correction of the error has on the Company's financial statements:

Financial statement position as at 1 April 2016

1 April 2016	Note	As previously reported	Adjustments	As restated
Property, plant and equipment	7	3,901,355	9,438,808	13,340,163
Biological assets	8	9,677,489	(9,677,489)	-
Future crop expenditure	9	70,510	(70,510)	-
Others		1,342,091	169,294	1,511,385
Total assets		14,991,445	(139,897)	14,851,548
Plantation fair value reserve	8	6,674,164	6,674,164	-
Revaluation reserve		2,178,474	(6,674,164)	8,852,638
Accumulated losses		(168,359)	(139,897)	(308,256)
Others		326,906	-	326,906
Total equity		9,011,185	(139,897)	8,871,288
Deferred tax liability	21	3,892,913	-	3,892,913
Others		2,087,347	-	2,087,347
		5,980,260	-	5,980,260
Total equity and liabilities		14,991,445	(139,897)	14,851,548

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018
In thousands of Malawi Kwacha

23. Prior year error (Continued)

Financial statement position as at 31 March 2017

31 March 2017	Note	As previously reported	Adjustments	As restated
Property, plant and equipment	7	4,046,953	10,550,241	14,597,194
Biological assets	8	10,874,220	(10,874,220)	
Others		2,266,622	254,593	2,521,215
Total assets		**17,187,795**	**(69,386)**	**17,118,409**
Plantation fair value reserve	8	7,480,218	(7,420,509)	59,709
Revaluation reserve		2,291,152	7,617,587	9,908,739
Accumulated losses		648,143	(350,928)	297,215
Others		326,906	-	326,906
Total equity		**10,746,419**	**(153,850)**	**10,592,569**
Deferred tax liability	21	4,277,083	84,464	4,361,547
Others		2,164,293	-	2,164,293
		6,441,376	**84,464**	**6,525,840**
Total equity and liabilities		**17,187,795**	**(69,386)**	**17,118,409**

Profit or loss and other comprehensive income position
For the year ended 31 March 2017

	Note	As previously reported	Adjustments	As restated
Gross profit		1,615,276	(70,510)	1,685,786
Other income	18	85,396	-	85,396
Increase in fair value of biological assets	8	1,151,505	1,066,207	85,298
Selling Expenses		(101,953)	-	(101,953)
Administration expenses	19	(588,483)	281,542	(870,025)
Finance costs	20	(203,305)	-	(203,305)
Profit before tax		1,958,436	1,277,239	681,197
Income tax expense	21	(335,880)	(319,862)	(16,018)
Profit for the year		**1,622,556**	**957,377**	**665,179**
Other comprehensive income		**112,678**	**(943,424)**	**1,056,102**
Total comprehensive income		**1,735,234**	**13,953**	**1,721,281**

24. Exchange rates and inflation

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.

Exchange rates	2018	2017
Kwacha/GBP	**1,038.8**	921
Kwacha/Rand	**62.9**	55
Kwacha/US Dollar	**734.9**	735
Inflation rate %	**8%**	16.5%

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

Kwacha/GBP	**985.3**
Kwacha/Rand	**59.2**
Kwacha/US Dollar	**734.9**

25. Capital commitments

There were no capital commitments as at **31 March 2018** (2017: nil).

26. Events after the reporting date

There have not been other events which have occurred subsequent to year end necessitating adjustments or disclosures to these financial statements.