

NAMING'OMBA TEA ESTATES LIMITED

FINANCIAL STATEMENTS

For the year ended

31 MARCH 2023

NAMING'OMBA TEA ESTATES LIMITED

FINANCIAL STATEMENTS
For the year ended 31 March 2023

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NAMING'OMBA TEA ESTATES LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2023

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 March 2023.

Incorporation and registered office

Naming'omba Tea Estates Limited is a company incorporated in Malawi under Companies Act, 2013 of Malawi and is domiciled in Malawi. The address of the company's registered office is:

Naming'omba Tea Estates Limited
P.O. Box 2
Thyolo

Financial statements

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

Dividend

Due to reported loss for the financial year ended on 31 March, 2023, the Board of Directors have not proposed any dividend on the ordinary shares of the Company (2022: Nil).

Directors and secretary

The directors and secretary of the Company who served during the year are listed below:

<u>Name</u>	<u>Position</u>	<u>Nationality</u>	<u>Period</u>
Mr. Arthur Alick Msowoya	Chairman	Malawian	Throughout the year
Mr. Anand Vardhan Kothari	Director	Indian	Throughout the year
Mr. Vijay Kumar	Director	Indian	Throughout the year
Mr. Rennie Ng'omba	Director	Malawian	Throughout the year
Mrs. Susan Mkandawire	Company Secretary	Malawian	Throughout the year

Board attendance record

MEMBER	Position	1 May 2022	16 September 2022	23 December 2022
Mr. Arthur Alick Msowoya	Chairman	√	√	√
Mr. Anand Vardhan Kothari	Director	X	X	X
Mr. Vijay Kumar	Director	√	X	√
Mr. Rennie Ng'omba	Director	√	√	√
Mrs. Susan Mkandawire	Company Secretary	√	√	√

Key:

√ = Attended

X = Apology

Auditors

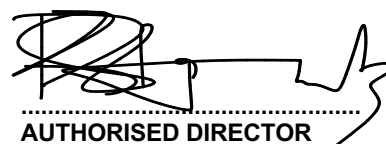
Messrs Grant Thornton, Chartered Accountants (Malawi), have expressed their willingness to continue in office as auditors in respect of the company's 31 March 2024 financial statements and a resolution proposing their appointment will be tabled at the Annual General Meeting.

Acknowledgement

The Directors would like to record their appreciation for the co-operation and support received from the employees shareholders, banks, government agencies and all stakeholders.



.....
AUTHORISED DIRECTOR


.....
AUTHORISED DIRECTOR

.....May 2023

NAMING'OMBA TEA ESTATES LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 March 2023

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 2023, 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 Malawi Companies Act, 2013 of Malawi.

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 enables them to ensure that the financial statements comply with the Malawi 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 basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of the 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 no reason to believe that the business will not be a going concern in the year ahead.

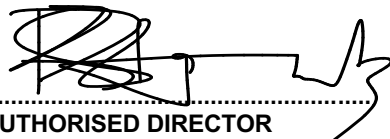
The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards, and in the manner required by Companies Act, 2013 of Malawi.

Approval of financial statements

The financial statements of Naming'omba Tea Estates Limited, as identified in the first paragraph were approved by the Board of Directors on**May 2023** and were signed on its behalf by:



.....
AUTHORISED DIRECTOR



.....
AUTHORISED DIRECTOR

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 35, which comprise the Statement of financial position as at 31 March 2023, and the statement 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 2023, 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' Responsibility Statement. The other information does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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 controls as the directors determine are necessary to enable the preparation of the 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF NAMING'OMBA TEA ESTATES LIMITED
For the year ended 31 March 2023

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional 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 controls.
- 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.

Grant Thornton

Grant Thornton Malawi
Chartered Accountants and Business Advisors

Hastings Bofomo Nyirenda

Hastings Bofomo Nyirenda
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi

.8...May 2023

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION

At 31 March 2023

In thousands of Malawi Kwacha

	<u>Note</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Non-current assets			
Property, plant and equipment	10(a)	10,706,075	11,161,007
Bearer plants	10(b)	<u>25,794,187</u>	<u>26,790,146</u>
Total Non-current assets		<u>36,500,262</u>	<u>37,951,153</u>
Currents assets			
Biological assets	11	1,964,203	1,040,671
Inventories	12	2,186,739	1,347,085
Trade and other receivables	13	241,563	810,804
Income tax receivable	9	1,512	1,512
Cash and cash equivalents	14	<u>5,087</u>	<u>685</u>
Total current assets		<u>4,399,104</u>	<u>3,200,757</u>
Total assets		<u>40,899,366</u>	<u>41,151,910</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16.1	1,353	1,323
Share premium	16.2	1,026,892	512,684
Property revaluation reserve	16.3	8,271,791	8,152,867
Bearer plants revaluation reserve	16.4	17,201,116	18,451,741
Capital reserve	16.5	301,564	301,564
Biological assets revaluation reserve	16.6	964,640	402,601
Accumulated losses		<u>(6,910,944)</u>	<u>(5,640,298)</u>
Total equity		<u>20,856,412</u>	<u>22,182,482</u>
Non-current liabilities			
Borrowings	15	3,215,916	2,535,756
Deferred tax liability	9	<u>11,869,954</u>	<u>12,445,142</u>
Total non-current liabilities		<u>15,085,870</u>	<u>14,980,898</u>
Current liabilities			
Bank overdraft	14	2,540,378	2,304,816
Trade and other payables	17	904,002	799,526
Borrowings	15	1,512,704	884,188
Total current liabilities		<u>4,957,084</u>	<u>3,988,530</u>
Total liabilities		<u>20,042,954</u>	<u>18,969,428</u>
Total equity and liabilities		<u>40,899,366</u>	<u>41,151,910</u>

These financial statements were approved for issue by the Company's board of directors on**May 2023** and were signed on its behalf by:



.....
DIRECTOR

.....
DIRECTOR

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

In thousands of Malawi Kwacha

	<i>Note</i>	<u>2023</u>	<u>2022</u>
Revenue	5	3,427,122	4,128,639
Cost of sales	7(a)	<u>(2,378,595)</u>	<u>(2,486,104)</u>
Gross profit		1,048,527	1,642,535
Other income	6	192,685	34,187
Fair value gain/(loss)	11	802,914	(41,101)
Selling expenses	7(b)	<u>(104,394)</u>	<u>(131,865)</u>
Administration expenses	7(c)	<u>(2,613,772)</u>	<u>(1,997,458)</u>
Operating (Loss)/profit		(674,040)	(493,702)
Exchange loss	8	<u>(1,164,504)</u>	<u>(157,213)</u>
Finance cost	8	<u>(576,951)</u>	<u>(471,556)</u>
Loss before taxation		(2,415,495)	(1,122,471)
Income tax expense	9	<u>456,264</u>	<u>413,029</u>
Loss after tax		<u>(1,959,231)</u>	<u>(709,442)</u>
Other comprehensive income			
<i>Items that will not be classified to profit or loss</i>			
Revaluation surplus		-	8,632,810
Deferred tax thereon		<u>-</u>	<u>(2,589,843)</u>
Total other comprehensive income			<u>6,042,967</u>
Total comprehensive income for the year		<u>(1,959,231)</u>	<u>5,333,525</u>

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

In thousands of Malawi Kwacha

	<u>Share Capital</u>	<u>Share premium</u>	<u>Property revaluation reserve</u>	<u>Bearer plants revaluation reserve</u>	<u>Capital reserve</u>	<u>Biological asset revaluation reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
2023								
Balance as at 1 April 2022	1,323	512,684	8,152,867	18,451,741	301,564	402,601	(5,640,298)	22,182,482
<i>Other comprehensive income</i>								
Loss for the year							(1,959,231)	(1,959,231)
Revaluation surplus								
Deferred tax on revaluation surplus			<u>118,924</u>					<u>118,924</u>
Total other comprehensive income	<u>1,323</u>	<u>512,684</u>	<u>8,271,791</u>	<u>18,451,741</u>	<u>301,564</u>	<u>402,601</u>	<u>(7,599,529)</u>	<u>20,342,175</u>
Issue of new shares	31	514,208						514,239
<i>Transfers within reserves</i>								
Biological assets fair value gains transferred						802,914	(802,914)	-
-Deferred tax on fair value gains transferred						(240,874)	240,874	
Transfer of excess depreciation to distributable reserves				<u>(1,250,625)</u>			<u>1,250,625</u>	
Balance at 31 March 2023	<u>1,354</u>	<u>1,026,892</u>	<u>8,271,791</u>	<u>17,201,116</u>	<u>301,564</u>	<u>964,641</u>	<u>(6,910,944)</u>	<u>20,856,414</u>
2022								
Balance as at 1 April 2021	<u>1,323</u>	<u>512,684</u>	<u>4,259,599</u>	<u>17,381,190</u>	<u>301,564</u>	<u>443,702</u>	<u>(6,051,105)</u>	<u>16,848,957</u>
<i>Other comprehensive income</i>								
Loss for the year	-	-	-	-	-	-	(709,442)	(709,442)
Revaluation surplus	-	-	5,561,811	3,070,999	-	-	-	8,632,810
Deferred tax on revaluation surplus			<u>(1,668,543)</u>	<u>(921,300)</u>				<u>(2,589,843)</u>
Total other comprehensive income	<u>1,323</u>	<u>512,684</u>	<u>8,152,867</u>	<u>19,530,889</u>	<u>301,564</u>	<u>443,702</u>	<u>(6,760,547)</u>	<u>22,182,482</u>
<i>Transfers within reserves</i>								
Biological assets fair value gains transferred	-	-	-	-	-	(41,101)	41,101	-
Deferred tax on fair value gains transferred	-	-	-	-	-	-	-	-
Transfer of excess depreciation to distribute reserves				<u>(1,079,148)</u>			<u>1,079,148</u>	
Balance at 31 March 2022	<u>1,323</u>	<u>512,684</u>	<u>8,152,867</u>	<u>18,451,741</u>	<u>301,564</u>	<u>402,601</u>	<u>(5,640,298)</u>	<u>22,182,482</u>

Accumulated loss comprises the brought forward recognized income, net of expenses, plus current year loss attributable to shareholders. Refer to note 16 for explanation of the share capital, share premium and reserves.

NAMING'OMBA TEA ESTATES LIMITED

STATEMENTS OF CASH FLOWS
For the year ended 31 March 2023
In thousands of Malawi Kwacha

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities			
Loss before tax		(2,415,495)	(1,122,471)
<i>Adjusted for:</i>			
Depreciation	10(a)&(b)	1,803,484	1,327,800
Interest expense paid	8	537,355	432,254
Fair value (loss)/ gain on biological assets	11	(802,914)	41,101
Cashflows generated in operations		(877,570)	678,684
(Increase)/ decrease in inventories		(839,657)	(84,828)
Decrease/(increase) in trade and other receivables		569,241	421,476
Increase/(decrease) in trade and other payables		104,475	50,707
Cash generated from operating activities		(1,043,511)	1,066,039
Taxation paid	9	-	(32,228)
Net cash from operating activities		(1,043,511)	1,033,811
Cash flows from investing activities			
Development expenditure	10(b) and	(375,283)	(210,248)
Proceeds from issue of new shares		514,239	-
Acquisition of property, plant and equipment	10(a)	(97,926)	(75,684)
Net Cash flows generated/(utilized) in investing activities		41,030	(285,932)
Cash flows from financing activities			
Loan receipts	15(a)	1,634,324	150,396
Loan repayment	15(a&b)	(1,199,332)	(894,545)
Interest expense paid	8	(537,355)	(432,254)
Net cash utilised in financing activities		(102,363)	(1,176,403)
Net decrease in cash and cash equivalents for the period		(1,104,844)	(428,524)
Cash and cash equivalents at the beginning of the period		(2,304,131)	(2,032,518)
Effect of movement in exchange rate on cash balance		873,684	156,911
Cash and cash equivalents at the end of the period	14	(2,535,291)	(2,304,131)

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. General Information

Naming'omba Tea Estates Limited is a limited liability company incorporated under the Companies Act, 2013 of Malawi.

The Company is involved in growing, processing and selling tea and Macadamia Nuts.

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 a manner required by the Companies Act, 2013 of Malawi.

2.2 Basis of measurement

The financial statements are presented in Malawi Kwacha, rounded to the nearest thousand. They are prepared on the historical cost convention except for biological assets and certain items of property, plant and equipment that are measured at fair value.

2.3 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 9 - Recognition of deferred tax assets, availability of future taxable profit against which carry forward tax losses can be used.

Note 11 - Key assumptions underlying in the biological asset model.

Note 13 - Impairment test: assumptions underlying recoverable amounts.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for non-financial assets.

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

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liability.

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

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

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. Basis of preparation (continued)

2.4 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. Revisions to accounting estimates are recognized prospectively. Judgements made by management in the application of IFRSs that have significant impact on the financial statements and estimates with significant risk of material adjustment in the next year are detailed below:

2.4.1 Impairment of trade and other receivables

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 3.8. This assessment requires judgement.

2.4.2 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 profit or loss and other 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.

2.4.3 Biological assets valuation

In accordance with the Company's strategic plans, tea, macadamia and timber plantations are assumed to have productive life of 100 years, 50 years and 7 years respectively.

Standard ratios for conversion of green leaf to make tea and dehusking of macadamia nuts to kernels are applied.

The models use estimates of yield per hectare in case of timber/afforestation and the estimated fair market values for green leaf, Nut in husk (NIH) and timber and these assumptions are reconsidered annually.

2.4.4 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.

2.4.5 Going concern basis of accounting

The Company has reported a loss of **MK1,959.2 million** (2022: Loss MK709.4 million). The Company's current liabilities of MK4.9 billion exceed the current assets by **MK558 million**. The current year loss is largely attributable to the exchange losses (MK1,2billion (2022 MK0.153billion) occasioned by the 25% devaluation of the Malawi Kwacha currency on 27 May 2022, affecting the company's borrowings that are denominated in foreign currency.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet the mandatory repayment terms of all its liabilities as and when they fall due. The shareholder through the ultimate parent company have committed to continue providing financial and other support to the company to continue its trade. During the year to 31 March 2023, the parent company injected US\$500,000 in additional capital. The company's projected future cashflows derived from the company's continued operations support the going concern assumptions that have been used in preparing these financial statements. The management has got plans to increase volume of macadamia nuts, through increasing hectareage in order to increase future production volumes and revenue generation capacity. During the year, the company has expanded its macadamia nuts plantation by 172 hectares which on maturity are expected to increase production by 516,000 kgs per annum.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. 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.

3.1 Foreign currency translation

3.1.1 Functional and presentation currency

Items included in the financial statements 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 which is the Company's functional and presentation currency.

3.1.2 Foreign currency 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 profit or loss and other 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 and other comprehensive income within finance cost.

3.2 Revenue recognition

3.2.1 Revenue

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

To determine whether to recognise revenue, the Company follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

3.2.2 Other income

Other income comprises net revenue on other farm produce, rental income, and sundry revenue, and is accounted for on an accruals basis.

3.2.3 Finance income and finance cost

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.

Finance cost comprise of interest expense on borrowings and is recognised in statement of profit or loss.

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.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Summary of significant accounting policies (continued)

3.4 Property, plant and equipment

Items of property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses except for items of freehold land and buildings which are measured using the revaluation model. Bearer plants are measured prospectively at deemed cost being the revalued amounts up to the time of adoption of the cost model.

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 the statement of profit or loss and other comprehensive income.

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 the statement of 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.

On-going repairs and maintenance are expensed as incurred.

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 generally recognised in the statement of profit or loss and other comprehensive income. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

Freehold buildings and construction	-	2%	
Plant and machinery	-	3.5%	- 12.5%
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.

3.5 Biological assets

Tea, timber, and macadamia plantations are measured at fair value at the point of harvest. Standard ratios for conversion of green leaf to made tea and dehusking of macadamia nuts to kernels are applied. The fair value is determined by predetermined outgrower rates that the company has consistently applied in respect of its green leaf and macadamia nuts biological assets at the point of harvest. Fair value for a biological asset of timber is determined by the standard purchase outgrowers rates at the estimated yield per hectare proportionate to the level of maturity.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Summary of significant accounting policies (continued)

3.6 Inventories

Inventories including consumable 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.

3.7 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.

3.8 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non financial assets to determine whether there is any indication of impairment. If any such indicator exists, than the assets recoverable amount is estimated.

For impairment testing assets are grouped together into the smallest Group of assets that generate cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash generating units or Groups of cash generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell.

Value in use is based on the estimated future cash flows discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

3.9 Financial assets

3.9.1 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 and cash and cash equivalents.

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. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.

3.9.2 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 profit or loss. 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.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Summary of significant accounting policies (continued)

3.10.3 Derecognition

Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

3.10.4 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.10 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset 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 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 debtor's 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 measurable 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:
 - (i) Adverse changes in the payment of borrowers in the portfolio;
 - (ii) 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 profit or loss. 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 based on 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 debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

3.11 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 three months or less, and bank overdrafts. Bank overdrafts are disclosed as current liabilities in the statement of financial position. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Summary of significant accounting policies (continued)

3.12 Deferred and current income tax

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

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 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 statement of financial position date and are expected to apply when the related deferred income tax asset is 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, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.13 Employee benefits

3.13.1 Pension

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in the statement of profit or loss and other comprehensive income. The Company has no further obligations once the contributions have been made.

3.13.2 Other long-term employee benefits

Severance pay

The Company's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

3.14 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.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other 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 months after the statement of financial position date.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Summary of significant accounting policies (continued)

3.16 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 the effective interest rate method.

3.17 Equity

Ordinary shares, share premium, revaluation and indexation surpluses, non-distributable and distributable retained earnings are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3.18(a) New accounting standards and interpretations adopted as at 1 January 2022

The Company adopted the new accounting pronouncements which have become effective in 2022:

Amendment to IFRS 16

The COVID-19 pandemic has led to some lessors providing relief to lessees by deferring or relieving them of the amounts that would otherwise be payable. When there is a change in the lease payments, the accounting consequences will depend on whether that change meets the definition of lease modification, which IFRS 16 defines as "a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease".

The changes in the COVID-19 related rent concessions amend IFRS 16 to

- Provide lessees with an exemption from assessing whether a COVID 19 related rent concession is a lease modification
- Require lessees that apply the exemption to account for COVID19 related rent concessions as if they were not lease modifications
- Require leases that apply the exemption to disclose that fact; and
- Require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The amendment to the standard has not affected the Company's position in the preparation of these financial statements

IBOR reform Phase 2 amendment

The IASB issued Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021.

Amendment to IFRS 9 – Financial Instruments

The standard includes requirements for recognition and measurement, impairment and de-recognition and general hedge accounting of financial assets. Under the standard, impairment allowances for loans booked at amortised cost are based on Expected Credit Loss and must take into account forecasted economic conditions. The receivables impairment losses may be affected by the impact of the COVID 19 pandemic in terms of collectability of the receivables. It is because of this forward-looking characteristics that the rapid and dramatic change of the economic outlook entailed by the coronavirus outbreak will impact ECL estimates even before the increased credit losses show up in the data. The expected economic crisis will feed through in ECL estimates via several channels:

- An expected rise in corporate defaults leading to the higher probability of default (PD) estimates
- Falling asset prices lower the value of collateral and may cause the loss given default (LGD) risk parameter to increase.
- Liquidity issues incentive borrowers to utilise their credit lines to the full extent and may put upward pressure on the exposure at default (EAD) estimates .

The amendment to the standard has been incorporated by the Company in preparing these set of financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Summary of significant accounting policies (continued)

3.18(a) Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period when they become mandatory. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

Amendment to IAS 1: Preparation of financial statements

The standard outlines the overall requirements for the financial statements preparation, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern.

Under IAS 1 requirements, companies classify a liability as current when they do not have unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. The amendment to this is the removal of the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is still limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

Classification of debt may also change as the amendment has clarified that a right to defer exists only if the Company complies with the conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until later date. This may change how companies classify their debt.

The Amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and apply prospectively. Earlier adoption is permitted. None of these amendments will have an impact on the company.

IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors

The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information.

Amended by Definition of Accounting Estimates. These amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

The amendments to IAS 8 Accounting policies, changes in Accounting Estimates and Errors are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

These amendments should be applied for annual periods beginning on or after 1 January 2023

Amendments to IAS 16 regarding proceeds before intended use

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Summary of significant accounting policies (continued)

3.20 Financial instruments

Non-derivative financial assets and financial liabilities

Recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Classification and initial measurement of financial assets

On initial recognition, financial assets are measured at fair value plus directly attributable transaction costs, unless the instrument is classified as at fair value through profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Summary of significant accounting policies (continued)

3.20 Financial instruments (continued)

Derecognition

Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

The Company has the following financial assets which are all classified as loans and receivables:

Trade receivables

Trade receivables are measured on initial recognition at fair value, being the consideration expected to be received on settlement plus directly attributable costs. Subsequent measurement is at amortised cost using the effective interest method less impairment losses. Appropriate impairment allowances are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost which approximates fair value. For the purposes of the statements of cash flows, cash and cash equivalents include bank overdrafts.

The Company has the following financial liabilities:

Loans and borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value plus transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see note 3.15).

Trade payables and accruals

Trade payables are initially measured at fair value, being the amount expected to be incurred on settlement plus directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. Summary of significant accounting policies (continued)

3.20 Financial instruments (continued)

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of these requirements include loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. Financial Risk Management

4.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk 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.

Those charged with governance 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.

4.2. Financial risk management objectives

The following is the analysis of the financial instruments:

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Financial assets			
Trade and other receivables	13	241,563	810,804
Cash and cash equivalents	14	5,087	<u>685</u>
		<u>246,650</u>	<u>811,489</u>
Financial liabilities			
Trade and other payables	17	904,002	799,526
Borrowings	15	4,728,620	3,419,944
Bank overdraft	14	<u>2,540,378</u>	<u>2,304,816</u>
		<u>8,173,000</u>	<u>6,524,286</u>

4.3. 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.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

In thousands of Malawi Kwacha

4. Financial Risk Management (continued)

4.4 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:

US\$ denominated assets	<u>2023</u>	<u>2022</u>
Trade receivables	<u>102,772</u>	<u>653,763</u>
US\$ denominated liabilities		
Bank overdraft	2,211,258	1,990,228
Borrowings	<u>4,728,620</u>	<u>3,419,944</u>
	<u>6,939,878</u>	<u>5,410,172</u>

Foreign currency sensitivity analysis

The Company's sensitivity is a 5% increase and decrease in the Malawi Kwacha against the United States Dollar. 10% is the rate management uses 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 negative number below indicates a decrease in profit where Malawi Kwacha weakens 5% against the United States Dollar. For a 5% strengthening of the Malawi Kwacha against the United States Dollar, there would be an equal and opposite impact on profit.

	<u>2023</u>	<u>2022</u>
Loss	<u>(683,711)</u>	<u>(471,580)</u>

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

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.

4.5 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 5.1% above the reference rate of 17.3% which gives an effective interest rate of 22.4% (2021:19.4%) and semi-floating rate has been assumed at twelve months TERM SOFR of 4.92% plus credit adjustment spread of 4.3% making an effective rate of 9.22%.

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 period ended 31 March 2023 would have decreased/increased by **MK9.08 million** (2022: MK6.92 million).

If the semi-floating rates had been 0.5% higher/lower and all other variables were held constant, the Company's profit for the period ended 31 March 2023 would decrease/increase by **MK0.815 million** (2021: MK0.680 million).

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

In thousands of Malawi Kwacha

4. Financial Risk Management (continued)

4.6 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.

	<u>2023</u>	<u>2022</u>
Maximum credit risk exposure	<u>102,772</u>	<u>653,763</u>

The ageing of trade receivables at the reporting date was:

	<u>2023</u>			<u>2022</u>		
	<u>Gross</u>	<u>Impairment</u>	<u>Total</u>	<u>Gross</u>	<u>Impairment</u>	<u>Total</u>
Not past due	<u>102,772</u>	<u>-</u>	<u>102,772</u>	<u>653,763</u>	<u>-</u>	<u>653,763</u>

4.7 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 2023

	<u>Note</u>	<u>Up to 1 Month</u>	<u>1 to 3 Months</u>	<u>3 to 12 Months</u>	<u>More than 12 months</u>	<u>Total</u>	<u>Fair value</u>
Financial assets							
Trade and other receivables	13	101,663	190	138,791	919	241,563	241,563
Cash and cash equivalents	14	<u>5,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,087</u>	<u>5,087</u>
		<u>106,750</u>	<u>190</u>	<u>138,791</u>	<u>919</u>	<u>246,650</u>	<u>246,650</u>
Financial liabilities							
Trade payables	17	240,140	132,298	65,172	-	437,610	437,610
Borrowings	15	-	-	1,512,704	3,215,916	4,728,620	4,728,620
Bank overdraft	14	<u>-</u>	<u>-</u>	<u>2,540,378</u>	<u>-</u>	<u>2,540,378</u>	<u>2,540,378</u>
Total financial liabilities		<u>240,140</u>	<u>132,298</u>	<u>4,118,254</u>	<u>3,215,916</u>	<u>7,706,608</u>	<u>7,706,608</u>
Periodic gap		<u>(133,390)</u>	<u>(132,108)</u>	<u>(3,979,463)</u>	<u>(3,214,997)</u>	<u>(7,459,958)</u>	<u>(7,459,958)</u>
Cumulative gap		<u>(133,390)</u>	<u>(265,498)</u>	<u>(4,244,961)</u>	<u>(7,459,958)</u>	<u>(7,459,958)</u>	<u>(7,459,958)</u>

31 March 2022

	<u>Note</u>	<u>Up to 1 Month</u>	<u>1 to 3 Months</u>	<u>3 to 12 Months</u>	<u>More than 12 months</u>	<u>Total</u>	<u>Fair value</u>
Financial assets							
Trade and other receivables	13	239,167	222,775	297,679	51,183	810,804	810,804
Cash and cash equivalents	14	<u>685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>685</u>	<u>685</u>
		<u>239,852</u>	<u>222,775</u>	<u>297,679</u>	<u>51,183</u>	<u>811,489</u>	<u>811,489</u>
Financial liabilities							
Trade payables	17	154,461	223,655	63,468	-	441,584	441,584
Borrowings	15	-	-	884,188	2,535,756	3,419,944	3,419,944
Bank overdraft	14	<u>-</u>	<u>-</u>	<u>2,304,816</u>	<u>-</u>	<u>2,304,816</u>	<u>2,304,816</u>
Total financial liabilities		<u>154,461</u>	<u>223,655</u>	<u>3,252,472</u>	<u>2,535,756</u>	<u>6,166,344</u>	<u>6,166,344</u>
Periodic gap		<u>85,391</u>	<u>(880)</u>	<u>(2,954,793)</u>	<u>(2,484,573)</u>	<u>(5,354,855)</u>	<u>(5,354,855)</u>
Cumulative gap		<u>85,391</u>	<u>84,511</u>	<u>(2,870,282)</u>	<u>(5,354,855)</u>	<u>(5,354,855)</u>	<u>(5,354,855)</u>

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For the year ended 31 March 2023

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4. Financial Risk Management (continued)

4.9. Financial instruments – Fair values and risk management

a) Accounting classifications and fair values

A number of the Fund'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 various methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to those assets or liabilities.

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

31 March 202

	<u>Note</u>	<u>Carrying amount</u>	<u>Fair value through profit & loss</u>	<u>Assets/liabilities at amortised cost</u>	<u>Fair value</u>				
					<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value									
Trade and other receivables	13	241,563		241,563	241,563				
Cash and cash equivalents	14	<u>5,087</u>	—	<u>5,087</u>	<u>5,087</u>	—	—	—	—
		<u>246,650</u>	—	<u>246,650</u>	<u>246,650</u>	—	—	—	—
Financial liabilities not measured at fair value									
Borrowings	15	4,728,620		4,728,620	4,728,620				
Trade and other payables	17	904,002		904,002	904,002				
Bank overdrafts	14	<u>2,540,378</u>	—	<u>2,540,378</u>	<u>2,540,378</u>	—	—	—	—
		<u>8,173,000</u>	—	<u>8,173,000</u>	<u>8,173,000</u>	—	—	—	—

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4. Financial Risk Management (continued)

4.9. Financial instruments – Fair values and risk management (continued)

31 March 202

	Note	Carrying amount	Fair value through profit & loss	Assets/liabilities at amortised cost	Fair value				Total
					Total	Level 1	Level 2	Level 3	
Financial assets not measured at fair value									
Trade and other receivables	13	810,804	-	810,804	810,804	-	-	-	-
Cash and cash equivalents	14	<u>685</u>	<u>-</u>	<u>685</u>	<u>685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>811,489</u>	<u>-</u>	<u>811,489</u>	<u>811,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
Borrowings	15	3,419,944	-	3,419,944	3,419,944	-	-	-	-
Trade and other payables	17	799,526	-	799,526	799,526	-	-	-	-
Bank overdrafts	14	<u>2,304,816</u>	<u>-</u>	<u>2,304,816</u>	<u>2,304,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>6,524,286</u>	<u>-</u>	<u>6,524,286</u>	<u>6,524,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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5. Revenue	<u>2023</u>	<u>2022</u>
<i>See accounting policy note 3.2.1</i>		
Tea	2,265,108	1,810,507
Macadamia	<u>1,162,014</u>	<u>2,318,132</u>
	<u>3,427,122</u>	<u>4,128,639</u>
6. Other income		
<i>See accounting policy note 3.2.2</i>		
Other income	<u>192,685</u>	<u>34,187</u>
	<u>192,685</u>	<u>34,187</u>
7. Cost of sales, selling and administration expenses		
7(a). Cost of sales		
Tea	1,959,644	1,468,033
Macadamia	<u>418,951</u>	<u>1,018,071</u>
	<u>2,378,595</u>	<u>2,486,104</u>
7(b). Selling expenses		
Tea	31,205	28,829
Macadamia	<u>73,189</u>	<u>103,036</u>
	<u>104,394</u>	<u>131,865</u>
7(c). Administration expenses		
Auditor's remuneration – current	34,776	30,240
- prior year underprovision	1,079	1,328
Bank charges	84,551	39,192
Depreciation (Note 10)	1,803,484	1,327,800
Directors Fee	3,120	3,021
Insurance expenses	44,787	40,761
Legal fees and other professional services fees	57,774	23,165
Other costs	276,358	271,011
Repairs and maintenance expenses	12,163	12,368
Salaries and wages	246,810	217,992
Travelling expenses	<u>48,870</u>	<u>30,580</u>
Total administration expenses	<u>2,613,772</u>	<u>1,997,458</u>
8. Finance cost		
<i>See accounting policy note 3.2.3</i>		
Exchange loss		
Realised exchange loss	(507,414)	(29,690)
Unrealised exchange loss	<u>(657,090)</u>	<u>(127,523)</u>
Total exchange loss	<u>(1,164,504)</u>	<u>(157,213)</u>
<p>There is a loss of K1,164.50 million (2022: K157.21 million) as a result of exchange rate movement on translation of foreign currency borrowing.</p>		
Finance cost		
Interest expense paid	(537,355)	(432,254)
Accrued interest expense	<u>(39,596)</u>	<u>(39,302)</u>
Total Finance costs	<u>(576,951)</u>	<u>(471,556)</u>

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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9. Taxation	<u>2023</u>	<u>2022</u>
<i>See accounting policy note 3.12</i>		
The taxation charge for the year comprises:		
Current tax expense		23,489
Deferred tax expense	(456,264)	(418,766)
Previous year's income tax overprovision	<u>-</u>	<u>(17,752)</u>
Total income tax charge/(credit)	<u>(456,264)</u>	<u>(413,029)</u>
Income Tax reconciliation		
(Loss)/profit before taxation	<u>(2,415,495)</u>	<u>(1,122,471)</u>
Income tax @ 30% (2022: 30%)	<u>(724,648)</u>	<u>(336,741)</u>
Non deductible expenses	<u>268,384</u>	<u>(76,288)</u>
	<u>(456,264)</u>	<u>(413,029)</u>
Current tax (assets)/liabilities		
At 1 April	(1,512)	24,979
Current year tax charge	-	23,489
Previous year's income tax overprovision	-	(17,752)
Income tax paid	<u>-</u>	<u>(32,228)</u>
At 31 March	<u>(1,512)</u>	<u>(1,512)</u>

Deferred tax (assets)/liabilities

	<u>2023</u>			<u>2022</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Property, Plant and Equipment	-	12,082,734	12,082,734	-	12,201,658	12,201,658
Unrealised exchange losses	197,127	-	(197,127)	38,257	-	(38,257)
Excess capital allowance	-	118,924	118,924	-	258,813	258,813
Development expenses	-	-	-	-	57,954	57,954
Provisions	30,222	-	(30,222)	22,695	-	(22,695)
Fair value on biological assets	-	240,874	240,874	12,331	-	(12,331)
Tax losses	<u>345,229</u>	<u>-</u>	<u>(345,229)</u>	<u>=</u>	<u>=</u>	<u>=</u>
	<u>572,578</u>	<u>12,442,532</u>	<u>11,669,954</u>	<u>73,283</u>	<u>12,518,425</u>	<u>12,445,142</u>

	Balance at 1 April 2022	Recognised in profit or loss	Recognised in comprehensive income	Balance at 31 March 2023
Property, plant and equipment	12,201,658		(118,924)	12,082,734
Unrealised exchange losses	(38,257)	(158,870)		(197,127)
Excess capital allowance	258,813	(139,889)		118,924
Development expenses	57,954	(57,954)		-
Provisions	(22,695)	(7,527)		(30,222)
Fair value on biological assets	(12,331)	253,205	-	240,874
Tax losses	<u>-</u>	<u>(345,229)</u>	<u>-</u>	<u>(345,229)</u>
	<u>12,445,142</u>	<u>(456,264)</u>	<u>(118,924)</u>	<u>11,869,954</u>

	Balance at 1 April 2021	Recognised in profit or loss	Recognised in comprehensive income	Balance at 31 March 2022
Property, plant and equipment	9,611,815	-	2,589,843	12,201,658
Unrealised exchange losses	(13,383)	(24,874)	-	(38,257)
Excess capital allowance	632,316	(373,503)	-	258,813
Development expenses	-	57,954	-	57,954
Provisions	(20,560)	(2,135)	-	(22,695)
Fair value on biological assets	<u>63,877</u>	<u>(76,208)</u>	<u>-</u>	<u>(12,331)</u>
	<u>10,274,065</u>	<u>(418,766)</u>	<u>2,589,843</u>	<u>12,445,142</u>

NAMING'OMBA TEA ESTATES LIMITED

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10 (a) Property plant and equipment <i>See accounting policy note 3.4</i>	Freehold land and development	Freehold buildings and constructions	Plant and Machinery	Motor vehicles	Water Schemes	Furniture, fittings and equipment	Capital work in progress	Total
<u>Cost/valuation</u>								
2023								
At 1 April 2022	3,679,986	5,760,101	1,515,869	445,851	30,616	51,948	-	11,484,371
Additions during the year		8,070	21,856	63,763	3,433	804		97,926
Revaluation surplus								
Impairment	-	-	-	-	-	-	-	-
At 31 March 2023	<u>3,679,986</u>	<u>5,768,171</u>	<u>1,537,725</u>	<u>509,614</u>	<u>34,049</u>	<u>52,752</u>	<u>-</u>	<u>11,582,297</u>
<u>Depreciation</u>								
2023								
At 1 April 2022	-	-	-	267,067	23,360	32,937	-	323,364
Charge for the year		284,270	215,200	44,815	4,412	4,162	-	552,859
Eliminated on revaluation	-	-	-	-	-	-	-	-
At 31 March 2023	<u>-</u>	<u>284,270</u>	<u>215,200</u>	<u>311,882</u>	<u>27,772</u>	<u>37,099</u>	<u>-</u>	<u>876,223</u>
Cost/valuation								
2022								
At 1 April 2021	3,416,501	1,606,243	1,543,205	397,327	28,213	47,915	-	7,039,404
Additions during the year	-	17,500	3,224	48,524	2,403	4,033	-	75,684
Revaluation surplus	263,485	4,136,358	-	-	-	-	-	4,399,843
Impairment	-	-	(30,560)	-	-	-	-	(30,560)
At 31 March 2022	<u>3,679,986</u>	<u>5,760,101</u>	<u>1,515,869</u>	<u>445,851</u>	<u>30,616</u>	<u>51,948</u>	<u>-</u>	<u>11,484,371</u>
<u>Depreciation</u>								
2022								
At 1 April 2021	-	423,094	568,688	227,022	19,320	29,116	-	1,267,240
Charge for the year	-	82,337	118,409	40,045	4,040	3,821	-	248,652
Eliminated on revaluation	-	(505,431)	(687,097)	-	-	-	-	(1,192,528)
At 31 March 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,067</u>	<u>23,360</u>	<u>32,937</u>	<u>-</u>	<u>323,364</u>
Carrying amount								
At 31 March 2023	<u>3,679,986</u>	<u>5,483,901</u>	<u>1,322,525</u>	<u>197,732</u>	<u>6,277</u>	<u>15,653</u>	<u>-</u>	<u>10,706,074</u>
At 31 March 2022	<u>3,679,986</u>	<u>5,760,101</u>	<u>1,515,869</u>	<u>178,784</u>	<u>7,256</u>	<u>19,011</u>	<u>-</u>	<u>11,161,007</u>

NAMING'OMBA TEA ESTATES LIMITED

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10 (b) Property plant and equipment

See accounting policy note 3.4

<u>Cost/valuation</u>	<u>Capital WIP Bearer Plants</u>	<u>Bearer Plants</u>	<u>Total</u>
2023			
At 1 April 2022	489,594	26,300,552	26,790,146
Additions during the year	322,712	-	322,712
Reclassification to biological assets	(68,046)	-	(68,046)
Transfer from WIP	<u>(103,112)</u>	<u>103,112</u>	<u>-</u>
At 31 March 2023	<u>641,148</u>	<u>26,403,664</u>	<u>27,044,812</u>
Depreciation			
2023			
At 1 April 2022	-	-	-
Charge for the year	-	1,250,625	1,250,625
Depreciation reversed	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2023	<u>-</u>	<u>1,250,625</u>	<u>1,250,625</u>
<u>Cost/valuation</u>			
2022			
At 1 April 2021	456,735	24,151,895	24,608,630
Additions during the year	210,248	-	210,248
Revaluation surplus	-	1,991,851	1,991,851
Transfer from WIP	<u>(177,389)</u>	<u>156,806</u>	<u>(20,583)</u>
At 31 March 2022	<u>489,594</u>	<u>26,300,552</u>	<u>26,790,146</u>
<u>Depreciation</u>			
2022			
At 1 April 2021	-	-	-
Charge for the year	-	1,079,148	1,079,148
Depreciation reversed	<u>-</u>	<u>(1,079,148)</u>	<u>(1,079,148)</u>
At 31 March 2022	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount			
At 31 March 2023	<u>641,148</u>	<u>25,153,039</u>	<u>25,794,187</u>
At 31 March 2022	<u>489,594</u>	<u>26,300,552</u>	<u>26,790,146</u>

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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		<u>2023</u>	<u>2022</u>
11.	Biological assets		
	<i>See accounting policy note 3.5</i>		
	Balance at 1 April	1,040,671	1,061,189
	Additions during the year	52,572	20,583
	Reclassification from bearer plants	68,046	-
	Fair value gains/(loss)	<u>802,914</u>	<u>(41,101)</u>
	Balance at 31 March	<u>1,964,203</u>	<u>1,040,671</u>

Fair value movement in the year

Analysed by:

Tea	(9,627)	(92,631)
Macadamia	11,425	(24,832)
Timber plantation	<u>801,116</u>	<u>76,362</u>
	<u>802,914</u>	<u>(41,101)</u>

Information required in connection with Biological Assets

2023

	<u>Tea</u>	<u>Macadamia</u>	<u>Total</u>
Other information			
Hecterage covered at year end	1,281	521	1,802
Total tonnage harvested during the year	7,840	2,200	10,040
The proceeds net of point of sales costs	2,300,898	1,088,825	3,389,723

Information required in connection with Biological Assets

2022

	<u>Tea</u>	<u>Macadamia</u>	<u>Total</u>
Other information			
Hecterage covered at year end	1,281	495	1,776
Total tonnage harvested during the year	8,410	2,204	10,614
The proceeds net of point of sales costs	1,781,678	2,215,097	3,996,775

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	<u>2023</u>	<u>2022</u>
12. Inventories		
<i>See accounting policy note 3.6</i>		
Finished goods:		
- Macadamia	1,227,065	432,396
- Made tea	647,360	592,205
Consumables	286,129	318,710
Nursery	<u>26,185</u>	<u>3,774</u>
	<u>2,186,739</u>	<u>1,347,085</u>
13. Trade and other receivables		
<i>See accounting policy note 3.7</i>		
Trade receivables	102,772	653,763
Other receivables	<u>138,791</u>	<u>157,041</u>
Total	<u>241,563</u>	<u>810,804</u>
<p>The carrying amounts of trade and other receivables approximates their fair value due to their short term nature.</p> <p>There is no impairment in the trade and other receivables at 31 March 2023 (2022: MKnil).</p> <p>The Company did not hold any collateral on the receivables.</p>		
14. Cash and cash equivalents		
<i>See accounting policy note 3.11</i>		
Cash on hand at bank	5,087	685
Overdrafts presented in current liabilities	<u>(2,540,378)</u>	<u>(2,304,816)</u>
Cash and cash equivalents as disclosed in statement of cashflows	<u>(2,535,291)</u>	<u>(2,304,131)</u>

The overdraft facilities are with Standard Bank and National Bank of Malawi Plc. A total bank overdraft facility limit of **US\$1.15 million** with Standard Bank is secured by way of mortgage charged on Naming'omba while a total overdraft facility limits of **US\$ 1 million** and **MK250 million** with National Bank of Malawi Plc are also secured by way of mortgage created and charged on the same Naming'omba Tea Estates. All the US\$ denominated loans and overdrafts accrue interest at 7.5% (2022: 7.75%) while the Malawi Kwacha overdraft facility accrues interest at 5.1% above the reference rate currently at 17.3% making an effective interest rate of 22.4% p.a. (2022: 19.3% p.a.) All the overdraft facilities are secured by way of legal mortgage charged over property held on Deeds Registry numbers 92113, 92114, 92115, 92116, 92117 and 92118 situated in Thyolo district.

NAMING'OMBA TEA ESTATES LIMITED

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15. Long term Borrowings	<u>2023</u>	<u>2022</u>
<i>Third party</i>		
a. Standard Bank		
Opening balance	429,530	539,745
Receipts during the year	410,436	150,396
Payment during the year	(361,144)	(279,075)
Exchange loss	<u>101,020</u>	<u>18,464</u>
Closing balance	<u>579,842</u>	<u>429,530</u>
b. National Bank of Malawi		
Opening balance	2,990,414	3,467,437
Receipts during the year	1,223,888	-
Payments	(838,188)	(615,470)
Exchange loss	<u>772,664</u>	<u>138,447</u>
Closing balance	<u>4,148,778</u>	<u>2,990,414</u>
Total borrowings	<u>4,728,620</u>	<u>3,419,944</u>
Split as follows:		
Non-current	3,215,916	2,535,756
Current	<u>1,512,704</u>	<u>884,188</u>
	<u>4,728,620</u>	<u>3,419,944</u>

Standard Bank PLC disbursed a new loan of USD 400,000 in September 2022 repayable over a period of 24 months.. Interest is charged at 12 months US Term Secured Overnight Financing Rate (Term SOFR) plus a credit adjustment spread of 0.2616% and credit margin of 4.3% per annum. The facility is secured by way of mortgage charged over property held on Deeds Registry number 92113 situated in Thyolo district.

National Bank of Malawi granted a long term loan of USD 4,623,850 repayable semi annually over a period of 5 years and the first instalment was due and paid on 30th January 2021. During the current financial year, the bank disbursed a new loan facility of USD 1,190,000 repayable semi annually over a period of 5 years as well and the first instalment shall commence in November 2023. Both facilities are secured by way of legal mortgage charged over property held on Deeds Registry numbers 92114,92115, 92116, 92117 and 92118 situated in Thyolo district. Interest is charged at a flat rate of 7% per annum.

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In thousands of Malawi Kwacha

16. Equity		
16.1 Share capital	<u>2023</u>	<u>2022</u>
<i>See accounting policy note 3.17</i>		
Authorised:		
1,650,000 ordinary shares of K1 each	<u>1,650</u>	<u>1,650</u>
Issued and fully paid:		
At 1 April	<u>1,323</u>	<u>1,323</u>
Issue of new shares during the year	<u>30</u>	<u>-</u>
At 31 March	<u>1,353</u>	<u>1,323</u>

There are **1,353,140** (2022: 1,322,484) issued and fully paid shares and a total number of shares of **296,860** (2022: 327,516) remain unissued.

The holders of ordinary share capital are entitled to dividend as declared in the annual general meeting.

16.2 Share premium		
At 1 April	<u>512,684</u>	<u>512,684</u>
Arising from issue of new shares during the year	<u>514,208</u>	<u>-</u>
At 31 March	<u>1,026,892</u>	<u>512,684</u>

16.3 Property revaluation reserve		
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.		
At 1 April	<u>8,152,867</u>	<u>4,259,599</u>
Revaluation surplus for the year	<u>-</u>	<u>5,561,811</u>
Deferred tax on revaluation	<u>118,924</u>	<u>(1,668,543)</u>
At 31 March	<u>8,271,791</u>	<u>8,152,867</u>

16.4 Bearer plants revaluation reserve		
Bearer plants revaluation reserve represents increase in value of bearer plants arising from revaluation surplus from time to time and it is not available for distribution to shareholders.		
At 1 April	<u>18,451,741</u>	<u>17,381,190</u>
Revaluation surplus for the year	<u>-</u>	<u>3,070,999</u>
Deferred tax on revaluation	<u>-</u>	<u>(921,300)</u>
Transfer of excess depreciation to distributable reserves	<u>(1,250,625)</u>	<u>(1,079,148)</u>
At 31 March	<u>17,201,116</u>	<u>18,451,741</u>

The company's biological assets of bearer plants were last revalued as at 31st March 2022 by Mr Dick Mupambireyi, an Agricultural Valuation Consultant of ProVal Consultancy (Pvt) Company Limited of Zimbabwe. He is an Associate member of the Real Estate Institute of Zimbabwe with over 20 years of post-qualification experience on the valuation of Agricultural properties in Africa. He also has a B.Sc. Agricultural (Hons) degree and a Masters' degree in Rural and Urban Planning from the University of Zimbabwe. The valuer has been consistently engaged in the valuation of biological assets for Naming'omba Tea Estates Limited since March 2016 to date.

During the year, the Company discontinued carrying of its biological assets of bearer plants at revaluation and adopted its carrying amounts at the previous reporting date as its deemed cost. The Company has carried depreciation on the bearer plants prospectively in line with IAS16: *Property Plant and Equipment*

NAMING'OMBA TEA ESTATES LIMITED

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16. Equity (continued)	<u>2023</u>	<u>2022</u>
16.5 Capital reserve	<u>301,564</u>	<u>301,564</u>
Capital reserve arose following injection of additional capital by the shareholders to settle liabilities directly with creditors. It is not available for distribution.		
16.6 Biological assets revaluation reserve		
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.		
At 1 April	402,601	443,702
Revaluation surplus for the year	802,913	(41,101)
Deferred tax on revaluation	<u>(240,874)</u>	<u>-</u>
At 31 March	<u>964,640</u>	<u>402,601</u>
17. Trade and other payables		
<i>See accounting policy note 3.16</i>		
Trade payables	<u>437,610</u>	441,584
Other payables	<u>466,392</u>	<u>357,942</u>
	<u>904,002</u>	<u>799,526</u>
17.1 Other payables		
<i>See accounting policy note 3.13 and 3.14</i>		
Employee accruals	<u>171,753</u>	150,557
Other accruals	<u>260,596</u>	<u>207,385</u>
	<u>432,349</u>	<u>357,942</u>
17.2 Employee accruals		
<i>See accounting policy note 3.13</i>		
Wages accruals	<u>91,926</u>	87,490
Gratuity	<u>42,080</u>	32,206
Leave pay	<u>37,747</u>	<u>30,861</u>
	<u>171,753</u>	<u>150,557</u>
17.3 Other accruals		
<i>See accounting policy note 3.14</i>		
At 1 April 2021	<u>207,385</u>	141,932
Net movements during the period	<u>53,211</u>	<u>65,453</u>
	<u>260,596</u>	<u>207,385</u>

NAMING'OMBA TEA ESTATES LIMITED

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18. Contingencies

There were contingencies as at 31 March 2023 amounting to **MK50.4 million** (2022: MK30.6 million), arising from the fact that the Company is a defendant in a number of legal cases that are before the Courts of Malawi. While liability is not admitted, the directors have formed an opinion that their outcome would not have a significant impact on the results of the Company.

19. 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	<u>2023</u>	<u>2022</u>
Kwacha/GBP	1,332.0	1,205.1
Kwacha/Rand	58.7	67.1
Kwacha/US Dollar	1,036.2	817.3
Inflation rate %	26.7%	14.5%

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

Kwacha/GBP	1,332.0
Kwacha/Rand	58.7
Kwacha/US Dollar	1,036.2
Inflation rate %	27%

21. Capital commitments

There were no capital commitments as at 31 March 2023 (2022: MKnil).

22. Events after the reporting date

The Monetary Policy committee of the Reserve Bank of Malawi which is the regulatory authority of all financial institutions revised its reference rate during its meeting which took place during the month of April 2023 from 17.3% to 22% per annum.