MAFISI TEA ESTATES LIMITED

FINANCIAL STATEMENTS

For the year ended

31 March 2018

MAFISITEAESTATESLIMITED

FINANCIAL STATEMENTS
For the year ended 31 March 2018

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MAFISI TEA ESTATES LIMITED

DIRECTORS' REPORT
For the year ended 31 March 2018

The Directors have pleasure in submitting the report together with the audited financial statements for the year ended 31 March 2018.

Nature of the Business
Mafisi Tea Estates Limited ("theCompany") is a subsidiary of Group Developments Limited, a company incorporated in Malawi. The main business of the Company is letting out its tea and macadamia plantations.

Incorporation and Registered Office
Mafisi Tea Estates Limited is a Company incorporated in Malawi under the Companies Act, 2013 of Malawi and its registered office is at Naming'omba Tea Estate, P.O. Box 2, Thyolo, Malawi.

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

Directors and secretary of the company:
The Directors and secretary of Mafisi Tea Estates Limited who served during the year:-

Name	**Position**	**Duration**	**Nationality**
Mr. Vijay Kumar	Managing Director	whole year	Indian
Mr. Amos Suluma	Director	whole year	Malawian
Mr. Arthur Alick Msowoya	Director	whole year	Malawian
Mr. William Chibwe	Director	whole year	Malawian
Mr. Remmie Ng'omba	Director	whole year	Malawian
Mrs. Susan Mkandawire	Secretary	from 27th December 2017	Malawian

Legal advisors
Wilson and Morgan
P O Box 527
Blantyre

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

AUTHORISED DIRECTOR

Date: 24th May 2018

Vijay Kumar
AUTHORISED DIRECTOR

MAFISI TEA ESTATES LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT
For the year ended 31 March 2018

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

The Companies Act also requires directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act, 2013 of Malawi.

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

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

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

The directors have made an assessment of the Company's ability to remain 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 of the state of the financial affairs of the Company and of their operating results, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi.

Approval of the financial statements
The financial statements as identified in the first paragraph, were approved by the board of directors on 24th May, 2018 and are signed on its behalf by:

AUTHORISED DIRECTOR

Date 24th May, 2018

Vijay Kumar

AUTHORISED DIRECTOR

KPMG

2018000040

KPMG
Chartered Accountants and Business Advisors
MASM House, Lower Sclater Road
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Blantyre, Malawi

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

Opinion

We have audited the financial statements of Mafisi Tea Estates Limited (the Company) set out on pages 5 to 21, which comprise the statements of financial position as at 31 March 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' Code for Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

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

Responsibilities of directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

KPMG

Andre Appel
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi

25 MAY 2018

MAFISI TEA ESTATES LIMITED

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

	Note	2018	2017 *Restated	2016 *Restated
ASSETS				
Non-current assets				
Property, plant and equipment	8	**3,355,874**	3,057,221	2,476,266
Current assets				
Biological assets	9	**75,027**	56,061	49,238
Prepayments		**477**	-	-
Amount due from related party	10	**163,301**	164,647	166,362
Total current assets		**238,805**	220,708	215,600
Total assets		**3,594,679**	3,277,929	2,691,866
EQUITY AND LIABILITIES				
Equity				
Share capital	12.1	**1,500**	1,500	1,500
Capital reserve	12.2	**20,933**	20,933	20,933
Property revaluation reserve	12.3	**2,500,025**	2,239,239	1,794,365
Biological assets revaluation reserve	12.4	**18,051**	4,775	-
(Accumulated deficit)/retained earnings		**(15,945)**	58,799	114,238
		2,524,564	2,325,246	1,931,036
Non-current liabilities				
Deferred tax liability	15.2	**1,067,785**	950,330	757,623
Current liabilities				
Amount due to related party	10	-	-	1,670
Provisions	11	**1,725**	1,748	-
Income tax payable	15.3	**605**	605	1,537
Total current liabilities		**2,330**	2,353	3,207
Total liabilities		**1,070,115**	952,683	760,830
Total equity and liabilities		**3,594,679**	3,277,929	2,691,866

* Refer to note 16 for more details on the restatement.

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

AUTHORISED DIRECTOR

Vijaykumar
AUTHORISED DIRECTOR

MAFISI TEA ESTATES LIMITED

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

	Note	2018	2017 *Restated
Rental income	13	**1,502**	1,502
Fair value adjustment of biological assets	9	**18,966**	6,822
Administration charges	14	**(76,247)**	(56,941)
Loss before income tax expense		**(55,778)**	(48,617)
Income tax expense	15.1	**(5,690)**	(2,047)
Loss after income tax expense		**(61,468)**	(50,664)
Other comprehensive income			
Items that will not be classified to profit or loss			
Revaluation surplus on revaluation of property		**372,551**	635,534
Deferred tax thereon		**(111,765)**	(190,660)
Total other comprehensive income		**260,786**	444,874
Total comprehensive income for the year		**199,318**	394,210

* Refer to note 16 for more details on the restatement.

MAFISI TEA ESTATES LIMITED

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

	Share capital	Capitalisation reserve	Revaluation reserve	Non Distributable earnings	Retained earnings/ (Accumulated deficit)	Total
2018						
Balance as at 1 April 2017	**1,500**	**20,933**	**2,239,239**	**4,775**	**58,799**	**2,325,246**
Total comprehensive income						
Revaluation surplus during the year	-	-	**372,551**	-	-	**372,551**
Deferred tax on revaluation surplus	-	-	**(111,765)**	-	-	**(111,765)**
Profit for the year	-	-	-	-	**(61,468)**	**(61,468)**
Total comprehensive income	-	-	**260,786**	-	**(61,468)**	**199,318**
Transfers within reserves						
Transfer of fair value gain	-	-	-	**18,966**	**(18,966)**	-
Deferred tax on fair value gain	-	-	-	**(5,690)**	**5,690**	-
Total transfers within reserves	-	-	-	**13,276**	**(13,276)**	-
Balance at 31 March 2018	**1,500**	**20,933**	**2,500,025**	**18,051**	**(15,945)**	**2,524,564**
2017						
Balance as at 1 April 2016	1,500	20,933	617,446	735,832	114,238	1,489,949
*Restatement	-	-	1,176,919	(735,832)	-	441,087
Balance as at 1 April 2016 (As restated)	1,500	20,933	1,794,365	-	114,238	1,931,037
Total comprehensive income						
Revaluation surplus	-		635,534	-	-	635,534
Deferred tax on revaluation	-	-	(190,660)	-	-	(190,660)
Profit for the year	-	-	-	-	(50,664)	(50,664)
Total comprehensive income	-	-	444,874	-	(50,664)	394,210
Transfers within reserves						
Fair value gain	-	-	-	6,822	(6,822)	-
Deferred tax thereon	-	-	-	(2,047)	2,047	-
Total transfers within reserves	-	-	-	4,775	(4,775)	-
Balance at 31 March 2018	1,500	20,933	2,239,239	4,775	58,799	2,325,246

* Refer to note 16 for more details on the restatement.

MAFISI TEA ESTATES LIMITED

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

	Note	2018	2017
Operating activities			
Profit before income tax expense		**(55,778)**	(48,617)
Adjusted for:			
Depreciation	8	**73,898**	54,579
Fair value adjustment	9	**(18,966)**	(6,822)
Operating loss before working capital changes		**(846)**	(860)
Increase in amounts due from related parties	10	**1,346**	1,715
Decrease in provisions		**(23)**	1,748
Increase in other receivables		**(477)**	-
Decrease in amounts due to related parties		-	(1,670)
Cash flows from operating activities		-	933
Income tax paid	15.3	-	(933)
Net cash from operating activities		-	-
Movement in cash for the year			
Cash position at the beginning of the year		-	-
Cash position at the end of the year		-	-

* Refer to note 16 for more details on the restatement.

1. Reporting entity

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

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in conformity with the requirements of the Companies Act, 2013 of Malawi.

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention, except for land, bearer plants and biological assets which are held at fair value.

(c) Functional and presentation currency

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

(d) Transactions and balances

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

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

(e) 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 5.2(l) and 6 - Review of useful asset lives and impairment testing.
Note 5.2(k) and 7 - Key assumptions underlying in the biological asset model.

Critical accounting estimates and judgements

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

e(i) Income taxes

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

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

(e) Use of estimates and judgements (continued)

e(ii) Biological assets valuation

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

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

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

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

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

e(iii) 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.

3. Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements. Certain comparative information in the statements of profit or loss and other comprehensive income, financial position, changes in equity and cash flows have been restated as a result of a correction of a prior period error (see note 19).

(a) Revenue recognition

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

(b) Biological assets

Tea, timber and macadamia plantations are measured at fair value less cost to sell, with any change in the fair value recognized in the profit or loss. The fair value of plantations is determined based on the present value of expected net cash flows from the plantations determined by discounting the expected net cash flows from the plantations using a determined pre-tax rate of cost of capital.

(c) Property, plant and equipment

Items of property and equipment are measured at revaluation less accumulated depreciation and any accumulated impairment losses. All other items of property, plant and equipment are measured at cost less accumulated depreciation less impairment losses.

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

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

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

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

Subsequent costs

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

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

(d) Depreciation

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

Freehold buildings and construction	-	2%
Plant and machinery	-	3.5% - 5%
Water schemes	-	3.5% - 10%
Bearer plants	-	1.05% -16.67%

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

(e) Financial assets

Receivables are non-derivative financial assets with no fixed nor determinable payments that are not quoted in an active market. They are included in current assets.

(f) Trade and other receivables

Trade receivables are carried 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 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. Summary of significant accounting policies (continued)

(g) Income tax

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

The current income tax charge is calculated on the basis of the tax 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 ax authority.

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

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

(h) Equity

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

(i) Determination of fair value and key sources of estimation uncertainty

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

Property, plant and equipment

The market value of land is the estimated amount for which land could be exchanged on the date of valuation between a willing seller and a willing buyer in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently and without compulsion.

Biological assets

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

In accordance with the Company's strategic plans, tea plantations and macadamia trees are valued over a period of 100 years and 50 years respectively whereas timber plantations are valued over a period of 7 years.

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

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

(j) 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 less any directly attributable costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(k) 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 month or less and bank overdrafts. Bank overdrafts are disclosed as current liabilities in the statement of financial position.

3. Summary of significant accounting policies (continued)

(l) Impairment

(i) *Financial assets*

A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

Individually significant financial assets are tested for impairment on an individual basis. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) *Non-financial assets*

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets.

An impairment loss are recognised if the carrying amount of an assets or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to the units to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss have been recognised.

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

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

- ***IFRS 9 Financial instruments***

  This replaces existing guidance in *IAS 39 Financial Instruments: Recognition and measurement* This includes revised guidance on classification and measurements of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

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

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

- **IFRS 15 *Revenue from contracts with customers***

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

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

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

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

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

- **IFRIC 22 Foreign Currency Transactions and Advance Considerations**

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

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

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

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

- **IFRIC 23 Uncertainty over Income Tax Treatments**

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

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

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

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

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

5. Financial risk management

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

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

5.1 Credit risk

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

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

	Note	2018	2017
Financial assets			
Amounts due from related party	10	**163,301**	164,647
Financial liabilities			
Amount due to related party	10	-	-

5.2 Market risk

(a) Foreign exchange risk

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

(b) Interest rate risk

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

5.3 Liquidity risk

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

6. Fair value estimation

The Company did not have any financial assets except for loans and receivables consisting of amounts from related parties. The carrying value of these loans and receivables is a reasonable approximation of its fair value.

The Company did not have any financial reporting liabilities at the reporting date.

7. Capital risk management

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

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

In thousands of Malawi Kwacha

8. Property plant and equipment

See accounting policy note 3.3

	Freehold land and development	Freehold buildings and constructions	Bearer Plants; Capital work in progress	Bearer Plants	Total
Cost					
2018					
As at 1 April 2017	**680,766**	**219,770**	**140,151**	**2,031,940**	**3,072,627**
Depreciation reversed	-	-	-	**(58,492)**	**(58,492)**
Revaluation surplus	**40,897**	-	**47,923**	**283,731**	**372,551**
As at 31 March 2018	**721,663**	**219,770**	**188,074**	**2,257,179**	**3,386,686**
Depreciation					
2018					
As at 1 April 2017	-	**15,406**	-	-	**15,406**
Charge for the year	-	**15,406**	-	**58,492**	**73,898**
Depreciation reversed	-	-	-	**(58,492)**	**(58,492)**
As at 31 March 2018	-	**30,812**	-	-	**30,812**
Cost					
2017					
As at 1 April 2016 (s previously reported)	603,904	219,770	-	-	823,674
*Restatement	-	-	105,920	1,546,672	1,652,592
As at 1 April 2016 (as restated)	603,904	219,770	105,920	1,546,672	2,476,266
Depreciation reversed	-	-	-	(39,173)	(39,173)
Revaluation surplus	76,862	-	34,231	524,441	635,534
As at 31 March 2017	680,766	219,770	140,151	2,031,940	3,072,627
Depreciation					
2017					
As at 1 April 2016	-	-	-	-	-
Charge for the year	-	15,406	-	39,173	54,579
Depreciation reversed	-	-	-	(39,173)	(39,173)
As at 31 March 2017	-	15,406	-	-	15,406
Net book value					
As at 31 March 2018	**721,663**	**188,958**	**188,074**	**2,257,179**	**3,355,874**
As at 31 March 2017	680,766	204,364	140,151	2,031,940	3,057,221

* Refer to note 16 for more details on the restatement.

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

The fair value measurement for the land has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

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

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

In thousands of Malawi Kwacha

8. Property plant and equipment (Continued)

See accounting policy note 3.3

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

(a) Overdraft facility up to MK50,000,000
(b) Overdraft facility up to US$1,150,000
(c) A drawdown loan of up to US$1,250,000.

9. Biological assets

See accounting policy note 3.4

	2018	2017 *Restated
At 1 April	56,061	1,071,706
Restatement	-	(1,022,468)
Balance at 1 April (As restated)	56,061	49,238
Fair value adjustment	18,966	6,822
Balance at year end	75,027	56,061
Fair value movement in the year		
Analysed by:		
Tea	3,472	2,599
Timber	15,494	4,223
	18,966	6,822

Biological assets were revalued as at 31 March 2018 on behalf of the Directors by independent valuer, Dick Mupambireyi a Member of The Real Estate Institute of Zimbabwe with 16 years post qualification experience on the valuation of Agricultural Properties in Africa, Registered Valuer in Zimbabwe, a holder of B. SC Agricultural (Hons) University of Zimbabwe, M.SC in Rural and Urban Planning University of Zimbabwe and Licentiate Member of The Real Estate Institute of Zimbabwe.

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

Type	Valuation technique adopted	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber	*Discounted future cash flows:* The valuation model considers the present value of the net future cash flows expected to be generated by the plantation. The expected net future cash flows are discounted using a risk-adjusted discount rate.	• Estimated future timber/wood average market prices per cubic metre of US$13.8 • Estimated weighted average yields per hectare of 350 cubic metres. • Estimated harvest and transportation costs of US$7.5 per cubic metre. • Risk-adjusted discount rate 8.5% (2017: 8.5%)	The estimated fair value would increase (decrease) if: • the estimated timber prices per cubic metre were higher (lower); • the estimated yields (i.e. cubic metres) per hectare were higher (lower); • the estimated harvest and transportation costs were lower (higher) or • the risk-adjusted discount rates were lower (higher)

In thousands of Malawi Kwacha

9. Biological assets (continued)
See accounting policy note 3.4

Tea bushes	*Discounted future cash flows:* The valuation model considers the present value of the net future cash flows expected to be generated by the plantation over its productive life. The expected net future cash flows are discounted using a risk-adjusted discount rate.	• Estimated future processed tea average market prices of US$1.5/kg. • Estimated green leaf to processed tea conversion ratio of 4:1 Kgs • Estimated average yields per hectare of 1,830 Kgs of made tea per annum • Estimated annual field costs of US$0.86 per Kg. • Estimated annual processing, packaging and selling costs of US$0.40 per Kg. • Risk-adjusted discount rate 8.5%.	The estimated fair value would increase (decrease) if: • the estimated processed tea market prices per Kg were higher (lower); • the estimated green leaf to processed tea conversion ratios were lower (higher) • the estimated yields per hectare were higher (lower); • the estimated annual field costs were lower (higher) • the estimated annual processing, packaging and selling costs were lower (higher) • the risk-adjusted discount rates were lower (higher)
Macadamia	*Discounted future cash flows:* The valuation model considers the present value of the net future cash flows expected to be generated by the plantation over its productive life. The expected net future cash flows are discounted using a risk-adjusted discount rate.	• Estimated future macadamia average market prices of US$14/kg. • Estimated Dry In Shell (DIS) to kernel conversion rate of 25%. • Estimated average yields per hectare of 4,500 Kgs of Nut In Husk (NIH) • Estimated field costs of US$3.7 per Kg. • Estimated processing costs of US$4.3 per Kg. • Risk-adjusted discount rate 8.5%.	The estimated fair value would increase (decrease) if: • the estimated market prices were higher (lower) • the estimated DIS to kernel conversion rate were lower (higher) • the estimated average yields per hectare were higher (lower); • the estimated field costs were lower (higher). • the estimated processing costs were lower (higher). • the risk-adjusted discount rates were lower (higher)

In thousands of Malawi Kwacha

		2017	2016
10.	**Related party balances**	**2017**	2016
	See accounting policy note 3.5		
	Related party transactions		
	During the year, the following transactions were carried out with related parties at an arm's length basis.		
	Amount due from related party		
	Naming'omba Tea Estates Limited	**163,301**	164,646
	Amount due to related party		
	Naming'omba Tea Estates Limited		
	Payments of taxes	-	-
	All transactions with related parties are done at an arm's length basis		
11.	**Audit fee provision**	**1,725**	1,748
	See accounting policy note 5.6		

12.	**Share capital and reserves**	**2018**	2017
	See accounting policy note 3.7		
12.1	**Share capital**		
	Authorised:		
	1,500,000 ordinary shares of K1 each	**1,500**	1,500
	Issued and fully paid:		
	1,500,000 ordinary shares of K1 each	**1,500**	1,500
	There were no shares which remained unissued.		
	The holders of ordinary share capital are entitled to dividend as declared in the annual general meeting.		
12.2	**Capital reserve**	**20,933**	20,933
	Capital reserve arose following injection of additional capital by the shareholders to settle liabilities directly with creditors. It is not available for distribution.		
12.3	**Property revaluation reserve**	**2,500,025**	2,239,239
	See accounting policy note 3.3 Property revaluation reserve represents the cumulative increases in value of property arising from revaluation of property from time to time. It is not available for distribution to shareholders.		
12.4	**Biological assets revaluation reserve**	**18,052**	4,775
	See accounting policy note 3.4 Biological assets revaluation reserve represents the cumulative increases 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.		
13.	**Rental income**		
	See accounting policy note 3.2		
	Estate rent	**1,502**	1,502

In thousands of Malawi Kwacha

		2017	2016
14.	**Administration expenses**		
	Audit remuneration	**1,478**	1,748
	Depreciation	**73,898**	54,579
	Consultancy charges	**712**	614
	Insurance	**159**	-
		76,247	56,941

15. Tax expenses

See accounting policy note3.4

15.1 Income tax expense

	2017	2016
Current income tax at **30%** (2017: 30%)	-	-
Deferred tax	**(5,690)**	(2,047)
	(5,690)	(2,047)
Income tax reconciliation		
Profit before taxation	**(55,778)**	(48,617)
Income tax at **30%** (2017: 30%)	-	-
Deferred tax on biological assets	**(5,690)**	(2,047)
Taxation in the statement of profit/loss	**(5,690)**	(2,047)

15.2 Deferred tax liability

	2017	2016
Fair value adjustment on biological assets	**7,737**	2,047
Property, plant and equipment	**1,060,048**	948,283
	1,067,785	950,330

The movement in deferred tax is analysed as follows:-

	Balance at 1 April 2017	Recognised in profit or loss	Recognised in comprehensive income	Balance at 31 March 2018
Fair value adjustment on biological assets	2,047	5,690	-	**7,737**
Property, plant and equipment	948,283	-	111,765	**1,060,048**
	950,330	5,690	111,765	**1,067,785**

15.3 Income tax payable

	2017	2016
At 1 April	**605**	1,537
Tax charge	-	-
Income tax paid	-	(932)
At 31 March	**605**	605

16. Prior period error

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

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

The impacts on the Company's financial statements at 1 April 2016 correspond to the reclassification of bearer plants from biological assets to Property, Plant and Equipment.

In thousands of Malawi Kwacha

16. Prior period error (Continued)

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

Financial statement position as at 1 April 2016

1 April 2016	Note	As previously reported	Adjustments	As restated
Property, plant and equipment	8	823,674	1,652,592	2,476,266
Biological assets	9	1,071,706	(1,022,468)	49,238
Others		166,362	-	166,362
Total assets		2,061,742	630,124	2,691,866
Total equity and liabilities		2,061,742	630,124	2,691,866

Financial statement position as at 31 March 2017

31 March 2017	Note	As previously reported	Adjustments	As restated
Property, plant and equipment	8	885,130	2,172,091	3,057,221
Biological assets	9	2,228,152	(2,172,091)	56,061
Others		164,647	-	164,647
Total assets		3,277,929	-	3,277,929
Plantation fair value reserve	8	1,545,344	(1,540,569)	4,775
Revaluation Reserve		671,249	1,567,990	2,239,239
Accumulated losses		97,972	(39,173)	58,799
Others		22,433	-	22,433
Total equity		2,236,998	(11,752)	2,325,246
Deferred tax liability	15.2	938,577	11,753	950,330
Others		2,353	-	2,353
		940,930	11,753	952,683
Total equity and liabilities		3,277,929	-	3,277,929

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

	Note	As previously reported	Adjustments	As restated
Rental income	13	1,502	-	1,502
Increase in fair value of biological assets	8	1,156,446	(1,149,624)	6,822
Administration expenses	14	(17,768)	(39,173)	(56,941)
Profit/(loss) before tax		1,140,180	(1,188,797)	(48,617)
Income tax expense	15.1	(346,934)	344,887	(2,047)
Profit/(loss) for the year		793,246	(843,910)	(50,664)

17. Capital commitments

There were no capital commitments as at 31 March 2018.

18. Events after reporting date

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