

NAMING'OMBA TEA ESTATES LIMITED
ANNUAL FINANCIAL STATEMENTS

For the year ended

31 March 2016

NAMING'OMBA TEA ESTATES LIMITED

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

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NAMING'OMBA TEA ESTATES LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2016

The Directors have pleasure in presenting their report together with the audited financial statements of the company for the year ended on 31 March 2016.

1. **Nature of Business**
Naming'omba Tea Estates Limited is involved in growing, processing and selling tea, macadamia nuts, forestry products and tobacco.
2. **Incorporation and Registered Office**
The Company is a limited liability company incorporated under the Malawi Companies Act, 1984 and its registered office is at Naming'omba Tea Estate, P.O. Box 2, Thyolo, Malawi.
3. **Financial performance**
The results and state of affairs of the Company are set out in the statements of financial position, profit or loss and other comprehensive income, changes in equity, cash flows and the notes to the financial statements.

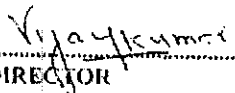
The directors have made an assessment and have formed an opinion that the company will remain a going concern at least for the next twelve months from the date of approval of the financial statements.

4. **Board of directors and secretary of the Company**
The Directors and secretary of Naming'omba Tea Estates Limited who served during the year:-

| | | |
|--------------------------|---|-----------------------------------|
| Mr. Vijay Kumar | - | Managing Director from 20/07/2015 |
| Mr. Bithal Kumar Kolhari | - | Director from 17/11/2015 |
| Mr. Arthur Alick Mswoya | - | Director from 17/09/2015 |
| Mr. E. Phakamea | - | Secretary |
| Mr. William Chibwe | - | Director from 17/09/2015 |
| Mr. Rennie Ng'omba | - | Director from 17/09/2015 |

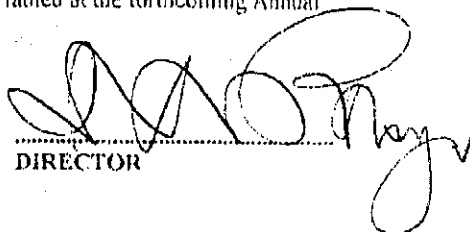
5. **Legal advisors**
Wilson and Morgan
P O Box 527
Blantyre

6. **Auditors**
Messrs KPMG, Certified Public Accountants and Business Advisors (Malawi) have expressed their willingness to continue in office as auditors in respect of the Company's 31 March 2017 financial statements and a resolution proposing their appointment will be tabled at the forthcoming Annual General Meeting.


.....
DIRECTOR

Date:.....2016

26.3.16


.....
DIRECTOR

NAMING'OMBA TEA ESTATES LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 March 2016

The directors are responsible for the preparation and fair presentation of the annual financial statements of Naming'omba Tea Estates Limited, comprising the statement of financial position at 31 March 2016, 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 annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act, 1984.

The Act also requires directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the annual financial statements comply with the Companies Act, 1984.

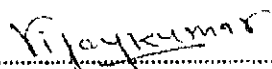
In preparing the annual financial statements, the directors accept responsibility for the following:

- 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 annual financial statements, subject to any material departures being disclosed and explained in the annual financial statements; and
- preparation of annual financial statements on a going concern bases unless it is inappropriate to presume that the company will continue in business.

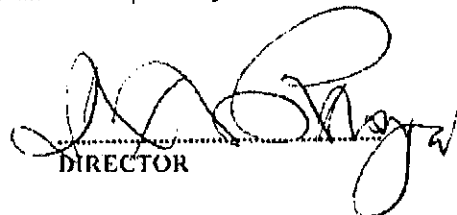
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system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

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

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with International Financial Reporting Standards and in the manner required by the Malawi Companies Act, 1984.


.....
DIRECTOR

20/5/.....2016


.....
DIRECTOR



2016010070

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

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Website: www.kpmg.com/mw

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

We have audited the accompanying financial statements of Naming'omba Tea Estates Limited, which comprise the statement of financial position at 31 March 2016, and the statements of profit or loss and other comprehensive income, statement of changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes, set out from pages 4 to 30.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Audit opinion

In our opinion, these financial statements give a true and fair view of the financial position of Naming'omba Tea Estates Limited as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by the Malawi Companies Act, 1984.

Chartered Accountants and Business Advisors
Blantyre, Malawi

26/5/2016

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

In thousands of Malawi Kwacha

| | Notes | 2016 | 2015 |
|--------------------------------------|-------|-------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 3,901,355 | 1,134,679 |
| Biological assets | 8 | <u>9,677,489</u> | <u>5,688,656</u> |
| | | 13,578,844 | 6,823,335 |
| Current assets | | | |
| Future crop expenditure | 9 | 139,897 | 73,078 |
| Inventories | 10 | 366,355 | 527,649 |
| Trade and other receivables | 11 | 452,960 | 228,376 |
| Amounts due from related parties | 12 | 449,045 | 8,116 |
| Taxation | | 3,346 | - |
| Cash and cash equivalents | 13 | <u>999</u> | <u>1,203</u> |
| | | 1,412,602 | 838,422 |
| Total assets | | 14,991,445 | 7,661,757 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 14 | 7,618 | 7,618 |
| Share premium | | 54,876 | 54,876 |
| Capital reserve | 14 | 264,412 | 264,412 |
| Property revaluation reserve | 14 | 2,178,474 | 517,425 |
| Biological asset revaluation reserve | 14 | 6,674,164 | 3,894,916 |
| Retained earnings | | <u>(168,359)</u> | <u>(21,760)</u> |
| | | 9,011,185 | 4,717,487 |
| Non-current liabilities | | | |
| Deferred tax | 21 | 3,892,913 | 1,945,499 |
| Long term borrowings | 13b | <u>853,647</u> | <u>36,957</u> |
| | | 4,746,560 | 1,982,456 |
| Current liabilities | | | |
| Bank overdraft | 13a | 636,221 | 465,120 |
| Trade and other payables | 15 | 150,358 | 118,375 |
| Provisions | 16 | 223,378 | 158,154 |
| Amount due to related parties | 12 | <u>223,743</u> | <u>220,165</u> |
| | | 1,233,700 | 961,814 |
| Total liabilities | | 5,980,260 | 2,944,270 |
| Total equity and liabilities | | 14,991,445 | 7,661,757 |

These annual financial statements were approved by the Company's Board of Directors on 26/5/2016 and were signed on its behalf by:

Vijay Kumar
 DIRECTOR

[Signature]
 DIRECTOR

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

In thousands of Malawi Kwacha

| | <u>Notes</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|-------------------------|-------------------------|
| Turnover | 17 | 2,056,968 | 553,271 |
| Cost of sales | | <u>(1,440,997)</u> | <u>(241,102)</u> |
| Gross profit | | 615,971 | 312,169 |
| Other income | 18 | 242,935 | 46,744 |
| Fair value on revaluation of biological assets | 8 | 3,970,355 | - |
| Selling expenses | | (41,929) | (11,365) |
| Administration expenses | 19 | <u>(485,607)</u> | <u>(317,288)</u> |
| Operating profit/(loss) | | 4,301,724 | (30,260) |
| Net finance cost | 20 | <u>433,538</u> | <u>207,456</u> |
| Profit/(loss) before taxation | | 3,868,186 | (126,320) |
| Income tax expense | 21 | <u>(1,235,536)</u> | <u>(17,583)</u> |
| Profit/(loss) after tax | | 2,632,650 | (143,903) |
| Other comprehensive income | | | |
| Revaluation surplus | | 2,372,926 | - |
| Deferred Tax thereon | | <u>(711,878)</u> | - |
| Total other comprehensive income | | <u>1,661,048</u> | - |
| Total comprehensive (loss)/income for the year | | <u>4,293,698</u> | <u>(143,903)</u> |

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

In thousands of Malawi Kwacha

| | Share Capital | Share Premium | Revaluation reserve | Capital reserve | Biological asset revaluation reserve | Retained earnings | Total |
|------------------------------------|------------------|------------------|------------------------|--------------------|---|----------------------|------------------|
| <u>2016</u> | | | | | | | |
| Balance as at 1 April 2015 | 7,618 | 54,876 | 517,425 | 264,412 | 3,894,916 | (21,760) | 4,717,487 |
| Transfer from retained earnings | - | - | - | - | 3,970,354 | (3,970,354) | - |
| Deferred tax thereon | - | - | - | - | (1,191,106) | 1,191,106 | - |
| <i>Total comprehensive income</i> | | | | | | | |
| Transferred from Retained Earnings | - | - | 2,372,926 | - | - | (2,372,926) | - |
| Deferred Tax | - | - | (711,878) | - | - | 711,878 | - |
| Profit for the period | - | - | - | - | - | 4,293,698 | 4,293,698 |
| Total comprehensive income | - | - | 1,661,049 | - | 2,779,248 | (146,599) | 4,293,698 |
| Balance as at 31 March 2016 | 7,618 | 54,876 | 2,178,474 | 264,412 | 6,674,164 | (168,359) | 9,011,185 |
| <u>2015</u> | | | | | | | |
| Balance as at 1 September 2014 | 7,618 | 54,876 | 517,425 | 264,412 | 3,894,916 | 122,143 | 4,861,390 |
| <i>Total comprehensive income</i> | | | | | | | |
| Profit for the period | - | - | - | - | - | (143,903) | (143,903) |
| Total comprehensive income | - | - | - | - | - | (143,903) | (143,903) |
| Balance as at 31 March 2015 | 7,618 | 54,876 | 517,425 | 264,412 | 3,894,916 | (21,760) | 4,717,487 |

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

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

In thousands of Malawi Kwacha

| | Notes | 2016 | 2015 |
|---|-------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Profit/(loss) before taxation | | 3,868,186 | (126,320) |
| <i>Adjusted for:</i> | | | |
| Depreciation | 7 | 21,167 | 27,284 |
| Fair value gain | | (3,970,355) | - |
| Profit on disposal of property, plant and equipment | 18 | (197,623) | (190) |
| Unrealised exchange loss on long term loan | | 147,390 | - |
| Interest paid | 20 | <u>83,632</u> | <u>182,018</u> |
| Operating profit before working capital changes | | (47,603) | 82,792 |
| Increase in future crop expenditure | | (66,819) | (11,166) |
| Decrease in inventories | | 161,294 | (254,201) |
| Increase in trade and other receivables | | (224,583) | (95,392) |
| Increase in amount due from related parties | | (440,928) | (5,292) |
| Increase in trade and other payables | | 97,208 | 157,029 |
| Increase in amounts due to related parties | | <u>3,578</u> | <u>2,492</u> |
| Cash utilized in operating activities | | (517,853) | (123,738) |
| Taxation | | <u>(3,346)</u> | <u>199</u> |
| Net cash utilized in operating activities | | (521,199) | (123,539) |
| Cash flows from investing activities | | | |
| Proceeds from sale of assets | | 344,511 | 1,420 |
| Acquisition of property, plant and equipment | 7 | <u>(561,805)</u> | <u>(91,426)</u> |
| Net cash used in investing activities | | (217,294) | (90,006) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 13b | 669,300 | 36,957 |
| Development Expenditure | | (18,478) | - |
| Interest paid | 20 | <u>(83,632)</u> | <u>(182,018)</u> |
| Net cash (utilized in)/generated from financing activities | | 567,190 | (145,061) |
| Net decrease in cash and cash equivalents for the period | | (171,304) | (358,606) |
| Cash and cash equivalents at the beginning of the period | | <u>(463,917)</u> | <u>(105,311)</u> |
| Cash and cash equivalents at the end of the year | 13a | <u>(632,222)</u> | <u>(463,917)</u> |
| Movement in working capital as defined by legislation | | <u>304,793</u> | <u>(94,709)</u> |

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. General Information

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

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

2. Basis of preparation

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in conformity with the requirements of the Malawi Companies Act, Cap. 46:03. The company's previous reporting period was shorter than the normal one due to change in year end which was necessitated to conform with the year end for the parent company. Accordingly the reported amounts are not comparable to the previous years'.

2.2 Going concern

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

2.3 Basis of measurement

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

2.4 Use of estimates and judgements

The preparation of annual 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 annual financial statements can be found in the following notes:

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

3. Significant accounting policies

The principal accounting policies applied in the preparation of these annual 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 annual financial statements of the company are measured using the currency of the primary economic environment in which the company operates "the functional currency". The annual financial statements are presented in Malawi Kwacha (K) which is the company's functional and presentation currency.

3.1.2 Transactions and balances

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

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

cost.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. Significant accounting policies (Continued)

3.2 Revenue recognition

3.2.1 Turnover

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

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

3.2.2 Other income

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

3.2.3 Interest income

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

3.3 Development cost

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

Replanting and in-filling costs are expensed when incurred.

3.4 Property, plant and equipment

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

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

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

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

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

Subsequent costs

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

Ongoing repairs and maintenance are expensed as incurred.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

3. Significant accounting policies (Continued)

3.5 Depreciation

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

| | | |
|-------------------------------------|---|------------|
| Freehold buildings and construction | - | 2% |
| Plant and machinery | - | 3.5% - 5% |
| Water schemes | - | 3.5% - 10% |
| Motor vehicles | - | 8% - 17% |
| Office equipment | - | 10% - 20% |
| Furniture and fittings | - | 10% |

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

3.6 Biological assets

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

3.7 Future crop expenditure

The company's financial year end and crop seasons are not altogether concurrent. Accordingly fertiliser application and other costs other than establishment costs of biological assets incurred prior to the statement of financial position date in respect of crops which will be harvested in the subsequent financial year are carried forward in the statement of financial position and charged against the corresponding revenue in the following year, to comply with the matching concept.

3.8 Inventories

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

3.9 Trade and other receivables

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

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

3.10 Impairment of non-financial assets

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. Significant accounting policies (Continued)

3.11 Financial assets

3.11.1 Classification

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

3.11.2 Loans and receivables

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

3.11.3 Recognition and measurement

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

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

3.11.4 Offsetting financial instruments

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

3. Significant accounting policies (Continued)

3.12 Impairment of financial assets

3.12.1 Assets carried at amortised cost

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

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

- significant financial difficulty of the issuer or obligant;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the debtors financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measureable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (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 comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

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

3.12.2 Assets classified as available for sale

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the company uses the criteria referred to in note 2.13.1 above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

2. Significant accounting policies (Continued)

3.13 Cash and cash equivalents

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

3.14 Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in 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 balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.14a Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual 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.

3.15 Pension

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2016

3. Significant accounting policies (Continued)

3.16 Provisions

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

3.17 Borrowings

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

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

3.18 Trade payables

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

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

3.19 Equity

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2016

4. New Standards and Interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015, however, the company has not applied the following new and amended standards in preparing these annual financial statements.

| <u>Standard/Interpretation</u> | | <u>Date issued by IASB ⁽¹⁾</u> | <u>Effective date Periods beginning on or after</u> |
|--------------------------------|---|---|---|
| IAS 16 and IAS 38 | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> | May 2014 | 1 January 2016 |
| IFRS 15 | <i>Revenue from contracts with customers</i> | May 2014 | 1 January 2017 |
| IFRS 9 | <i>Financial Instruments</i> | July 2014 | 1 January 2018 |
| IAS 1 | <i>Disclosure Initiative</i> | December 2014 | 1 January 2016 |

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

4. New Standards and Interpretations not yet adopted (continued)

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.

The standard will not have a significant impact on the Company's financial statement.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing annual financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2016

5. Financial Risk Management

5.1 Financial risk factors

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

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

5.2 Financial risk management objectives

The following is the analysis of the financial instruments:

| | <u>Note</u> | <u>2016</u> | <u>2015</u> |
|------------------------------|-------------|----------------|----------------|
| Financial assets | | | |
| Trade and other receivables | 11 | 440,100 | 219,889 |
| Prepayments | | 12,860 | 8,487 |
| Due from related party | 12 | 449,045 | 8,116 |
| Cash and bank balances | 13a. | <u>999</u> | <u>1,203</u> |
| Financial liabilities | | | |
| Borrowings | 13b. | 853,647 | 36,957 |
| Trade and other payables | 145 | 373,736 | 276,529 |
| Bank overdraft | 13a. | 636,221 | 465,120 |
| Due to related party | 12 | <u>223,743</u> | <u>220,165</u> |

All financial instruments are classified as loans receivables and payables and are carried at cost less impairment.

5.3 Market risk management strategies

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2016

5. Financial Risk Management (continued)

5.4 Foreign currency risk management

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

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

| | | |
|--------------------------------------|-------------|-------------|
| USD denominated assets | <u>2016</u> | <u>2015</u> |
| Receivables | 355,400 | 179,128 |
| USD denominated monetary liabilities | | |
| Bank overdraft | 618,738 | 434,734 |
| Long term Loan | 853,647 | 36,957 |

Foreign currency sensitivity analysis

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

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

| | | |
|----------------|---------------------------|-------------------------|
| | <u>2016</u> | <u>2015</u> |
| Profit or loss | <u>(MK55,849 million)</u> | <u>(MK5,56 million)</u> |

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

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

5.5 Interest rate risk management

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on exposure to interest rate for non-derivative instruments at the reporting date. For the floating rate and semi-floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. The floating rate has been assumed at 35% (2015:37%).

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

If the floating interest rates had been 5% higher/lower and all other variables were held constant, the company's profit for the year ended 31 March 2016 would have decreased/increased by MK0.874 million (2015: MK1.509million).

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

5. Financial Risk Management (continued)

5.6 Credit risk management

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

| | <u>2016</u> | <u>2015</u> |
|------------------------------|----------------|----------------|
| Maximum credit risk exposure | <u>902,005</u> | <u>236,492</u> |

Included in the credit risk exposure above is **MK449,045 million** (2015: MK8.1 million) due from group companies with almost no credit risk.

5.7 Liquidity risk management

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

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

31 March 2016

| | <u>Note</u> | <u>Up to 1 Month</u> | <u>1 to 3 Month</u> | <u>3 to 12 Month</u> | <u>Total</u> | <u>Fair value</u> |
|------------------------------------|-------------|--------------------------|-------------------------|--------------------------|------------------|-----------------------|
| Financial assets | | | | | | |
| Trade and other receivables | 11 | 255,300 | 462 | 184,338 | 440,100 | 440,100 |
| Due from related parties | 12 | - | - | 449,045 | 449,045 | 449,045 |
| Cash and cash equivalents | 13a. | <u>999</u> | <u>-</u> | <u>-</u> | <u>999</u> | <u>999</u> |
| | | <u>256,299</u> | <u>462</u> | <u>633,383</u> | <u>890,144</u> | <u>890,144</u> |
| Financial liabilities | | | | | | |
| Trade and other payables | 15 | 42,349 | 48,444 | 282,943 | 373,736 | 373,736 |
| Bank overdraft | 13a. | 636,221 | - | - | 636,221 | 636,221 |
| Due to related parties | 12 | <u>-</u> | <u>-</u> | <u>223,743</u> | <u>223,743</u> | <u>223,743</u> |
| Total financial liabilities | | <u>678,570</u> | <u>48,444</u> | <u>506,686</u> | <u>1,233,700</u> | <u>1,233,700</u> |
| Periodic gap | | (422,271) | (471,982) | 126,697 | (343,556) | (343,556) |
| Cumulative gap | | (422,271) | (479,253) | (343,556) | (343,556) | (343,556) |

31 August 2015

| | <u>Note</u> | <u>Up to 1 Month</u> | <u>1 to 3 Month</u> | <u>3 to 12 Month</u> | <u>Total</u> | <u>Fair value</u> |
|------------------------------------|-------------|--------------------------|-------------------------|--------------------------|----------------|-----------------------|
| Financial assets | | | | | | |
| Trade and other receivables | 11 | 147,649 | 71,887 | 353 | 219,889 | 219,889 |
| Due from related parties | 12 | 5,292 | - | 2,824 | 8,116 | 8,116 |
| Cash and cash equivalents | 13a. | <u>1,203</u> | <u>-</u> | <u>-</u> | <u>1,203</u> | <u>1,203</u> |
| | | <u>154,144</u> | <u>71,887</u> | <u>3,177</u> | <u>229,208</u> | <u>229,208</u> |
| Financial liabilities | | | | | | |
| Trade and other payables | 15 | 58,571 | 29,280 | 188,778 | 276,629 | 276,629 |
| Bank overdraft | 13a. | 465,120 | - | - | 465,120 | 465,120 |
| Due to related parties | 12 | <u>220,165</u> | <u>-</u> | <u>-</u> | <u>220,165</u> | <u>220,165</u> |
| Total financial liabilities | | <u>743,856</u> | <u>29,280</u> | <u>188,778</u> | <u>961,914</u> | <u>961,914</u> |
| Periodic gap | | (589,712) | (42,607) | (185,601) | (817,920) | (817,920) |
| Cumulative gap | | (589,712) | (632,319) | (817,920) | (817,920) | (817,920) |

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2016

5. Financial Risk Management (continued)

5.8 Financial instruments – Fair values and risk management

Accounting classifications and fair values

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

| 31 March 2016 | | Carrying amount | | | |
|---|------|---------------------------------------|-----------------------------------|---------|---------|
| | | Loans and Available for sale | Other financial liabilities | Total | |
| | Note | receivables | | | |
| Financial assets not measured at fair value | | | | | |
| Trade and other receivables | 11 | 440,100 | - | - | 440,100 |
| Amount due from group companies | 12 | 449,045 | - | - | 449,045 |
| Cash and cash equivalents | 13a. | 999 | - | - | 999 |
| Financial liabilities not measured at fair value | | | | | |
| Amount due to group companies | 12 | - | - | 223,743 | 223,743 |
| Trade and other payables | 15 | - | - | 371,736 | 371,736 |
| Bank overdrafts | 13a. | - | - | 636,221 | 636,221 |
| 31 March 2015 | | Carrying amount | | | |
| | | Loans And Available for sale | Other financial liabilities | Total | |
| | Note | Receivables | | | |
| Financial assets not measured at fair value | | | | | |
| Trade and other receivables | 11 | 219,889 | - | - | 219,889 |
| Amount due from group companies | 12 | 8,116 | - | - | 8,116 |
| Cash and cash equivalents | 13a. | 1,203 | - | - | 1,203 |
| Financial liabilities not measured at fair value | | | | | |
| Amount due to group companies | 11 | - | - | 220,164 | 220,164 |
| Trade and other payables | 15 | - | - | 276,529 | 276,529 |
| Bank overdrafts | 13a. | - | - | 465,120 | 465,120 |

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

6. Critical accounting estimates and judgements

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

6.1 Estimated impairment of trade receivable

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

6.2 Income taxes

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

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

6.3 Biological assets valuation

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

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

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

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

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

6.4 Assets' economic lives and residual values

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2016
In thousands of Malawi Kwacha

7. Property plant and equipment

See accounting policy note 3.4

| Cost | Freehold land and development | Freehold buildings and constructions | Plant and machinery | Motor vehicles | Water schemes | Furniture, fittings and equipment | Capital work in progress | Total |
|--|-------------------------------|--------------------------------------|---------------------|----------------|---------------|-----------------------------------|--------------------------|------------------|
| 2016 | | | | | | | | |
| As at 1 April 2015 | 79,799 | 1,016,883 | 200,667 | 142,437 | 12,722 | 20,132 | 56,777 | 1,529,417 |
| Depreciation reversed | - | (158,818) | (104,002) | - | (7,070) | - | - | (269,890) |
| Additions during the year | - | 22,113 | 61,306 | 32,528 | 5,273 | 10,419 | 430,166 | 561,805 |
| Disposal during the year | - | (175,200) | 978 | - | - | - | - | (176,178) |
| Revaluation surplus | 1,181,823 | 372,418 | 805,575 | - | 13,111 | - | - | 2,372,927 |
| Transfer from WIP | - | 99,911 | 56,777 | - | - | - | (156,888) | - |
| As at 31 March 2016 | 1,261,622 | 1,177,307 | 1,019,344 | 174,965 | 24,035 | 30,551 | 330,254 | 4,018,080 |
| 2015 | | | | | | | | |
| As at 1 September 2014 | 79,799 | 1,016,883 | 198,667 | 126,167 | 10,661 | 10,545 | - | 1,442,722 |
| Additions during the period | - | - | 2,000 | 21,001 | 2,061 | 9,587 | 56,777 | 91,426 |
| Disposal during the period | - | - | - | (4,731) | - | - | - | (4,731) |
| As at 31 March 2015 | 79,799 | 1,016,883 | 200,667 | 142,437 | 12,722 | 20,132 | 56,777 | 1,529,417 |
| Depreciation 2016 | | | | | | | | |
| As at 1 April 2015 | - | 187,130 | 104,980 | 86,347 | 7,070 | 9,211 | - | 394,738 |
| Charge for the year | - | - | - | 18,709 | - | 2,458 | - | 21,167 |
| Depreciation reversed on revaluation | - | (158,818) | (104,002) | - | (7,070) | - | - | (269,890) |
| Eliminated on disposals | - | (28,312) | (978) | - | - | - | - | (29,290) |
| As at 31 March 2016 | - | - | - | 105,056 | - | 11,669 | - | 116,725 |
| 2015 | | | | | | | | |
| As at 1 September 2014 | - | 173,826 | 98,381 | 85,338 | 4,854 | 8,556 | - | 370,955 |
| Charge for the period | - | 13,304 | 6,599 | 4,510 | 2,216 | 655 | - | 27,284 |
| Eliminated on disposals | - | - | - | (3,501) | - | - | - | (3,501) |
| As at 31 March 2015 | - | 187,130 | 104,980 | 86,347 | 7,070 | 9,211 | - | 394,738 |
| Carrying amount As at 31 March 2016 | 1,261,622 | 1,177,307 | 1,019,344 | 69,909 | 24,035 | 18,883 | 330,254 | 3,901,355 |
| As at 31 March 2015 | 79,799 | 829,753 | 95,687 | 56,090 | 5,652 | 10,921 | 56,777 | 1,134,679 |

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

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

Land and development, water schemes and plant and machinery are stated at revalued amounts as at 31 March 2016.

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

Measurement of fair values

Land and buildings were valued as at 31 March 2016 by independent valuers, D.R. Whyo BSc UK. Dip (Urb Man) BA. MRICS MSIM, a Chartered Surveyor of Knight Frank, (Malawi) Limited, who have experience in the location and category of Land and buildings. The independent valuers provide the fair values of the Company's Land and buildings with sufficient regularity.

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

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

Valuation technique and significant unobservable inputs

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

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

Derecognitions and verification of assets

The Company carried out a physical verification of assets as at 31 March 2016. The exercise revealed that there were assets which were not being used due to the fact that they were in a state of disrepair or that they are damaged beyond repair were immaterial. These were mainly other plant and machinery.

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

Encumbrance

As at year end 31 March 2016, Land was encumbered asset for the FMB Long term Loan (US\$1,250,000).

Title deeds for properties

The Company has title deeds to its properties.

NAMING'OMBA TEA ESTATES LIMITED

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For the year ended 31 March 2016

| | | | |
|----|--|------------------|------------------|
| 8. | Biological assets | 2016 | 2015 |
| | <i>See accounting policy note 3.6</i> | | |
| | Opening balance | 5,688,656 | 5,688,656 |
| | Additions during the year | 18,478 | - |
| | Fair value gains | <u>3,970,355</u> | - |
| | Closing balance | <u>9,677,489</u> | <u>5,688,656</u> |
| | Fair value movement during the year | | |
| | Fair value gain for the year | | |
| | Analysed by: | | |
| | Tea | 2,153,425 | - |
| | Macadamia | 1,738,648 | - |
| | Timber plantation | <u>78,282</u> | - |
| | | <u>3,970,355</u> | - |
| | <u>2016</u> | | |
| | Other information | <u>Tea</u> | <u>Macadamia</u> |
| | | | <u>Total</u> |
| | Hectarage covered at year end | 1,287 | 403.57 |
| | Total tonnage harvested during the year | 8,522 | 1,347 |
| | The proceeds net of point of sales costs | 1,283,074 | 672,281 |
| | | | 1,955 |
| | <u>2015</u> | | |
| | Other information | <u>Tea</u> | <u>Macadamia</u> |
| | | | <u>Total</u> |
| | Hectarage covered at period end | 1,287 | 391.56 |
| | Total tonnage harvested during the period | 4,116 | 1,430 |
| | The proceeds net of point of sales costs | 319,117 | 222,796 |
| | | | 541,913 |
| | NB: The production and proceeds is the combination of Mafisi, Group Holdings Limited and Naming'omba Tea Estates Limited. | | |
| 9. | Future crop expenditure | | |
| | <i>See accounting policy note 3.7</i> | | |
| | Macadamia | 53,294 | 18,780 |
| | Tobacco | <u>86,603</u> | <u>54,298</u> |
| | | <u>139,897</u> | <u>73,078</u> |

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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| 10. | Inventories | <u>2016</u> | <u>2015</u> |
|-----|---------------------------------------|----------------|----------------|
| | <i>See accounting policy note 3.8</i> | | |
| | Finished goods: | | |
| | Macadamia | 114,994 | 232,315 |
| | Made tea | 94,224 | 200,733 |
| | Consumables | <u>157,137</u> | <u>94,601</u> |
| | | <u>366,355</u> | <u>527,649</u> |
| 11. | Trade and other receivables | | |
| | <i>See accounting policy note 3.9</i> | | |
| | Trade | 355,400 | 183,453 |
| | Prepayments | 12,860 | 8,487 |
| | Other | <u>84,700</u> | <u>36,436</u> |
| | | <u>452,960</u> | <u>228,376</u> |

The fair value of trade and other receivables approximates their carrying amounts.

Trade and other receivables do not contain impaired assets.

The maximum exposure to credit risks at the reporting date is the collateral carrying value on each class of receivable mentioned above. The company did not hold any collateral on the receivables.

| 12. | Related parties | | |
|-----|--|----------------|----------------|
| | <i>See accounting policy note 3.9 and 3.18</i> | | |
| | Due from: | | |
| | Mafisi Tea Estates Limited | 2,688 | 2,688 |
| | Group Holdings Limited | 2,623 | 2,604 |
| | Group Development Limited | <u>443,734</u> | <u>2,824</u> |
| | | <u>449,045</u> | <u>8,116</u> |
| | Amounts due to related parties: | | |
| | Group Holding Limited | 56,364 | 53,805 |
| | Mafisi Tea Estate Limited | <u>167,379</u> | <u>166,360</u> |
| | | <u>223,743</u> | <u>220,165</u> |

Related party transactions

During the year the following transactions were carried out with related parties

| | | |
|-----------------------------------|--------------|--------------|
| Group Holdings Limited | | |
| Rent for use of land | <u>2,772</u> | <u>876</u> |
| Mafisi Tea Estates Limited | | |
| Rent for use of land | <u>1,502</u> | <u>1,616</u> |

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| | | | |
|----------------|---|-------------------------|-------------------------|
| 13(a). | Cash and cash equivalents | <u>2016</u> | <u>2015</u> |
| | <i>See accounting policy note 3.13</i> | | |
| | Cash at bank | 999 | 1,203 |
| | Bank overdrafts | <u>(636,221)</u> | <u>(465,120)</u> |
| | | <u>(635,222)</u> | <u>(463,917)</u> |
| | <p>The working capital facilities from FMB Bank amounting to USD 1.250 Million (one million two hundred fifty thousand) and MK50 Million (Malawi Kwacha Fifty Million). Security charge by way of equitable mortgage over the assets of Naming'omba Tea Estates Limited to be created and presently title deeds of Mafisi Tea Estates Limited is held by the Bank.</p> | | |
| 13 (b). | Long term borrowing | | |
| | FMB Bank loan | | |
| | Opening balance | 36,957 | - |
| | Receipts during the year | 669,300 | 36,957 |
| | Exchange Loss | <u>147,390</u> | <u>-</u> |
| | Balance as at 31 March | <u>853,647</u> | <u>36,957</u> |
| | <p>The foreign currency long term loan from FMB Bank is repayable over 7 years with 24month moratorium on the principal amount. Interest is charged at 7.75% per annum. The loan is secured by a charge by way of equitable Mortgage over the assets of Naming'omba Tea Estates Limited to be created and presently title deeds of Mafisi Tea Estates Limited are held by the Bank.</p> | | |
| 14. | Equity | | |
| | <i>See accounting policy note 3.19</i> | | |
| 14a. | Share capital | | |
| | <i>Authorised:</i> | | |
| | 8,000,000 ordinary shares of K1 each | <u>8,000</u> | <u>8,000</u> |
| | <i>Issued and fully paid:</i> | | |
| | 7,617,633 ordinary shares of K1 each | <u>7,618</u> | <u>7,618</u> |
| 14b. | Capital reserve | <u>264,412</u> | <u>264,412</u> |
| | Capital reserve arose following injection of additional capital by the shareholders to settle liabilities directly with creditors. It is not available for distribution. | | |
| 14c. | Property revaluation reserve | <u>2,178,474</u> | <u>517,425</u> |
| | 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 | | |

NAMING'OMBA TEA ESTATES LIMITED

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In thousands of Malawi Kwacha

| | <u>2016</u> | <u>2015</u> |
|--|-------------------------|-------------------------|
| 14d. Biological assets revaluation reserve | <u>6,647,164</u> | <u>3,894,196</u> |
| <p>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.</p> | | |
| 15. Trade and other payables | | |
| <i>See accounting policy note 3.18</i> | | |
| Trade payables | <u>150,358</u> | <u>118,375</u> |
| 16. Provisions | | |
| <i>See accounting policy note 3.16</i> | | |
| 16.1 Accruals and provisions | | |
| Employee accruals | <u>151,189</u> | <u>89,835</u> |
| Other provision | <u>72,189</u> | <u>68,319</u> |
| | <u>223,378</u> | <u>158,154</u> |
| 16.2 Employee accruals | | |
| Wages provision | <u>95,422</u> | <u>60,169</u> |
| Gratuity | <u>23,176</u> | <u>13,219</u> |
| Leave pay | <u>32,591</u> | <u>16,446</u> |
| | <u>151,189</u> | <u>89,835</u> |
| 16.3 Other provisions | | |
| At 1 September 2014 | <u>68,319</u> | <u>39,735</u> |
| Net movements during the period | <u>3,870</u> | <u>28,584</u> |
| Balance at period end | <u>72,189</u> | <u>68,319</u> |
| 17. Turnover | | |
| <i>See accounting policy note 3.2.1</i> | | |
| Tea | <u>1,319,100</u> | <u>329,285</u> |
| Tea Sales Return | <u>(4,585)</u> | <u>(1,413)</u> |
| Macadamia | <u>678,269</u> | <u>225,399</u> |
| Tobacco | <u>64,184</u> | <u>-</u> |
| | <u>2,056,968</u> | <u>553,271</u> |
| 18. Other income | | |
| <i>See accounting policy note 3.2.2</i> | | |
| Net revenue on other farm produce | <u>45,313</u> | <u>46,744</u> |
| Profit on sale of Assets | <u>197,622</u> | <u>-</u> |
| | <u>242,935</u> | <u>46,744</u> |

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

In thousands of Malawi Kwacha

| 19. | Administration expenses | <u>2016</u> | <u>2015</u> |
|------|---|------------------|------------------|
| | Audit remuneration - Fees - Current | 24,000 | 12,815 |
| | | 8,636 | - |
| | | - | - |
| | Prior year under provision | - | - |
| | Bank charges | 6,175 | 4,411 |
| | Depreciation (Note 5) | 21,167 | 27,284 |
| | Directors expenses | - | 155 |
| | Estate rent | 4,274 | 2,495 |
| | General administration | - | - |
| | Insurance expenses | 15,775 | 7,020 |
| | Legal fees and other professional services fees | 41,016 | 23,248 |
| | Other costs | 71,164 | 18,286 |
| | Repairs and maintenance | 10,341 | 49,265 |
| | Salaries and wages | 265,181 | 169,791 |
| | Travelling expenses | <u>17,878</u> | <u>2,518</u> |
| | | <u>485,607</u> | <u>317,288</u> |
| | | | |
| 20. | Finance income/cost | | |
| | <i>See accounting policy note 3.3.3</i> | | |
| | Exchange (loss)/gain | | |
| | Unrealised loss | (419,259) | (25,438) |
| | Realised exchange gain | <u>69,353</u> | <u>-</u> |
| | | <u>(349,906)</u> | <u>(25,438)</u> |
| | Interest expense | <u>(83,632)</u> | <u>(182,018)</u> |
| | Net finance cost | <u>433,538</u> | <u>207,456</u> |

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2016

| 21. Taxation | <u>2016</u> | <u>2015</u> |
|--|--------------------|-----------------|
| <i>See accounting policy note 3.14</i> | | |
| Tax reconciliations | | |
| Profit before taxation | 3,868,186 | (126,320) |
| Income tax at 30% | (1,160,454) | 37,895 |
| Reversal of deferred tax | (44,430) | (17,782) |
| Other permanent differences | (30,650) | (37,895) |
| | <u>(1,235,536)</u> | <u>(17,782)</u> |
| Income tax expense | | |
| Current tax expense | | |
| Current tax @30% (2014: 30%) | - | 199 |
| Deferred tax (expense) /credit | (44,430) | (17,782) |
| | | (17,583) |
| Deferred tax on Biological assets | <u>(1,191,106)</u> | - |
| | <u>(1,235,536)</u> | <u>(17,583)</u> |

The Company has taxable losses amounting to **K134 million** (2015: K446 million) which are available for offset against future taxable income. These losses are subject to agreement by Malawi Revenue Authority.

Deferred tax

| | <u>2016</u> | | | <u>2015</u> | | |
|-----------------------------|------------------|--------------------|------------------|-----------------|--------------------|------------------|
| | <u>Assets</u> | <u>Liabilities</u> | <u>Net</u> | <u>Assets</u> | <u>Liabilities</u> | <u>Net</u> |
| Tax losses | - | - | - | - | - | - |
| Property, Plant & Equipment | - | 2,827,584 | 2,827,584 | - | 1,983,446 | 1,983,446 |
| Fair value adjustment | - | 1,191,107 | 1,191,107 | - | - | - |
| Provisions | (125,778) | - | (125,778) | (37,947) | - | (37,947) |
| | <u>(125,778)</u> | <u>4,018,691</u> | <u>3,892,913</u> | <u>(37,947)</u> | <u>1,983,446</u> | <u>1,945,499</u> |

The movement in deferred tax is analysed as follows:-

| <u>2016</u> | Balance at 1 April <u>2015</u> | Recognised in profit or loss | Recognised in comprehensive income | Balance at 31 March <u>2016</u> |
|---|--------------------------------------|------------------------------------|--|---------------------------------------|
| Tax losses | - | - | - | - |
| Property, plant and equipment | 1,983,446 | 132,260 | 711,878 | 2,827,584 |
| Fair value adjustment on biological asset | - | 1,191,107 | - | 1,191,107 |
| Provisions | (37,947) | (87,831) | - | (125,778) |
| | <u>1,945,499</u> | <u>1,235,536</u> | <u>711,878</u> | <u>3,892,913</u> |
| <u>2015</u> | Balance at 1 April <u>2015</u> | Recognised in profit or loss | Recognised in comprehensive income | Balance at 31 March <u>2016</u> |
| Tax losses | - | (89,669) | 89,669 | - |
| Property, plant and equipment | 2,017,386 | - | (33,940) | 1,983,446 |
| Provisions | - | - | (37,947) | (37,947) |
| | - | <u>1,927,717</u> | <u>17,782</u> | <u>1,945,499</u> |

NAMING'OMBA TEA ESTATES LIMITED

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22. Contingent liabilities

The Company has an Escrow arrangement with NBS Bank whereby any liabilities that are discovered subsequent to take over and which were not disclosed to the new shareholders would be paid from the Escrow account. At the reporting period the company had contingent liability of MK350 million which would be settled under the Escrow rearrangement.

23. 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.

| | <u>2016</u> | <u>2015</u> |
|------------------|--------------|-------------|
| Exchange rates | | |
| | 1,032 | 756 |
| Kwacha/GBP | 44 | 43 |
| Kwacha/Rand | 683 | 490 |
| Kwacha/US Dollar | | |
| | 22.1% | 23.7% |
| Inflation rate % | | |

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

| | |
|------------------|----------------|
| | 716.50 |
| Kwacha/GBP | 1039.71 |
| Kwacha/Rand | 45.50 |
| Kwacha/US Dollar | |

24. Capital commitments

Capital commitments as at 31 March 2016 amounted to **MK23,340,782** (31 August 2015:K6,325,770). These commitments are to be financed by internally generated resources.

25. Events after the reporting date

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

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