KAWALAZI ESTATE COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2016

KAWALAZI ESTATE COMPANY LIMITED

NATURE OF BUSINESS

The principal activities of Kawalazi Estate Company Limited (the Company) is the growing, processing and sale of tea and macadamia. The Company is a wholly owned subsidiary of Dhunseri Petrochem & Tea Pte Limited incorporated and domiciled in Singapore.

DIRECTORS

CK Dhanuka	Chairman	- Full year
M Dhanuka	Director	- Full year
S Latif, SC	Director	- Full year
GS Naini	Director	- From 1 April 2016
S Hara	Director	- Full year
Prem Singh	Director	- Full year
RK Sharma	Director	- Full year

COMPANY SECRETARY

S Hara

REGISTERED OFFICE

Kawalazi Estate Company Limited
P O Box 237
Mzuzu
Malawi

AUDITOR

PricewaterhouseCoopers
Chartered Accountants (Malawi)
Top Floor
ADL House
City Centre
P O Box 30379
Lilongwe 3

LEGAL ADVISOR

Sacranie, Gow & Company
Legal Practitioners
Realty House, Churchill Road
P O Box 5133
Limbe

BANKER

National Bank of Malawi Limited

INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

The financial statements are expressed in Malawi Kwacha (“K”)

KAWALAZI ESTATE COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF THE DIRECTORS' RESPONSIBILITY

The Malawi Companies Act, (Chapter 46: 03), requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results for that year.

The Act also requires the directors to ensure that 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 Malawi Companies Act, (Chapter 46:03).

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 judgments and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Company will not continue in business.

The directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results.

DIRECTOR:

DIRECTOR:

Date: 9 May 2017

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INDEPENDENT AUDITOR'S REPORT

to the shareholders of

KAWALAZI ESTATE COMPANY LIMITED

Report on the audit of the financial statements

Our opinion
In our opinion, the financial statements give a true and fair view of the financial position of Kawalazi Estate Company Limited (the "Company") as at 31 December 2016, 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 Malawi Companies Act (Chapter 46:03).

What we have audited
Kawalazi Estate Company Limited financial statements set out on pages 4 to 33 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the directors for the financial statements
The directors are responsible for the preparation of financial statements that give a true and fair view of the financial position of Kawalazi Estate Company Limited as at 31 December 2016, and of its financial performance and its cash flows the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Malawi Companies Act (Chapter 46:03), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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.

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R Mbene - Senior Partner

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

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants (Malawi)
Blantyre

Ranwell Mbene
Date: 9 May 2017

KAWALAZI ESTATE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 K'000	31 December 2015 Restated K'000	1 January 2015 Restated K'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	13 189 885	12 346 862	11 520 904
Biological assets	6	600 969	346 010	326 441
		13 790 854	12 692 872	11 847 345
Current assets				
Future crop expenditure	7	125 263	71 424	63 049
Inventories	8	838 763	621 067	703 012
Trade and other receivables	9	1 183 435	996 268	403 695
Tax recoverable		43 224	36 641	36 641
Cash and cash equivalents	11	28 899	6 288	11 683
		2 219 584	1 731 688	1 218 080
TOTAL ASSETS		16 010 438	14 424 560	13 065 425
EQUITY AND LIABILITIES				
EQUITY				
Share capital	12	33 984	33 984	33 984
Share premium		10 947	10 947	10 947
Revaluation reserve		2 655 234	2 790 887	2 926 540
Bearer plants revaluation reserve		5 713 275	5 000 620	4 190 704
Plantations fair value reserve		494 177	363 517	362 826
Retained earnings		1 361 792	614 405	800 713
Total equity		10 269 409	8 814 360	8 325 714
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	19	3 849 408	3 573 409	3 298 245
Employee benefit obligations		-	-	20 069
		3 849 408	3 573 409	3 318 314
Current liabilities				
Borrowings	14	904 715	1 114 453	755 104
Trade and other payables	13	911 050	709 873	294 015
Amounts due to related parties	10	75 856	212 465	312 799
Employee benefits obligations		-	-	59 479
Total current liabilities		1 891 621	2 036 791	1 421 397
Total liabilities		5 741 029	5 610 200	4 739 711
TOTAL EQUITY AND LIABILITIES		16 010 438	14 424 560	13 065 425

The financial statements were approved by the Company's Board of Directors on 9 May 2017 and were signed on its behalf by:

DIRECTOR

DIRECTOR

KAWALAZI ESTATE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 K'000	2015 Restated K'000
Revenue	15	5 449 689	3 617 878
Cost of sales	17	(3 001 116)	(2 354 545)
Gross profit		2 448 573	1 263 333
Other income	16	65 254	93 187
Gain/(loss) arising from changes in fair values of biological assets	6	186 657	(987)
Administrative expenses	17	(1 346 470)	(1 160 483)
Selling and distribution expenses	17	(343 233)	(389 295)
Operating profit/(loss)		1 010 781	(194 245)
Finance income	18	360 000	3 231 040
Finance costs	18	(518 347)	(3 430 008)
Profit/(loss) before income tax		852 434	(393 213)
Income tax (expense)/credit	19	(168 177)	13 806
Profit/(loss) for the year		684 257	(379 407)
Other comprehensive income			
Items that will be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Gain on revaluation of bearer plants		1 018 078	1 157 023
Deferred income tax on revaluation of bearer plants		(305 423)	(347 107)
Deferred income tax on revaluation of property, plant and equipment		58 137	58 137
Total comprehensive income for the year		1 455 049	488 646

KAWALAZI ESTATE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital K'000	Share premium K'000	Bearer plants revaluation reserve K'000	Plantation fair value reserve K'000	Revaluation reserve K'000	Retained earnings K'000	Total K'000
Year ended 31 December 2015							
At 1 January 2016							
As previously reported	33 984	10 947	4 553 530	-	2 926 540	800 713	8 325 714
Prior year adjustments							
- Revaluation of bearer plants (reclassified)	-	-	(518 323)	518 323	-	-	-
- Deferred tax (reclassified)	-	-	155 497	(155 497)	-	-	-
As restated	33 984	10 947	4 190 704	362 826	2 926 540	800 713	8 325 714
Comprehensive income							
Loss for the year	-	-	-	-	-	(379 407)	(379 407)
Other comprehensive income:							
Revaluation reserve transfer	-	-	-	-	(193 790)	193 790	-
Gain on revaluation of bearer plants	-	-	1 157 023	-	-	-	1 157 023
Deferred income tax	-	-	(347 107)	(296)	58 137	296	(288 970)
Transfer of plantation fair value reserve	-	-	-	987	-	(987)	-
At 31 December 2015	33 984	10 947	5 000 620	363 517	2 790 887	614 405	8 814 360
Year ended 31 December 2016							
At 1 January 2016	33 984	10 947	5 000 620	363 517	2 790 887	614 405	8 814 360
Comprehensive income							
Profit for the year	-	-	-	-	-	684 257	684 257
Other comprehensive income:							
Revaluation reserve transfer	-	-	-	-	(193 790)	193 790	-
Gain on revaluation of bearer plants	-	-	1 018 078	-	-	-	1 018 078
Deferred income tax	-	-	(305 423)	(55 997)	58 137	55 997	(247 286)
Transfer of plantation fair value reserve	-	-	-	186 657	-	(186 657)	-
At 31 December 2016	33 984	10 947	5 713 275	494 177	2 655 234	1 361 792	10 269 409

KAWALAZI ESTATE COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 K'000	2015 Restated K'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		852 434	(393 213)
Adjustments for:			
Asset write offs	5	1 426	-
Unrealised exchange gains	18.1	(360 000)	(3 230 730)
Unrealised exchange loses	18.2	424 119	3 352 898
Depreciation	5	560 002	508 198
Loss on disposal of property, plant & equipment		-	23 468
Fair value (gain)/loss on biological assets	6	(186 657)	987
Interest payable	18.2	(94 228)	77 035
Changes in working capital:			
- Increase in future crop expenditure		(53 839)	(8 375)
- (Increase)/decrease in inventories		(217 696)	81 945
- Increase in trade and other receivables		(112 034)	(714 741)
- Increase in trade and other payables		61 352	415 858
- Decrease in amounts due to related parties		(136 036)	(100 334)
- Decrease in employee benefit obligation		-	(79 548)
Cash generated from/(used in) operations		738 843	(66 552)
Income tax paid		(146 047)	-
Interest paid	18.2	94 228	(77 035)
Net cash flows generated from/(utilised in) operating activities		687 024	(143 587)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(386 373)	(204 918)
Purchase of biological assets		(68 302)	(20 556)
Proceeds from disposal of property, plant and equipment		-	4 317
Net cash flows utilised in investing activities		(454 675)	(221 157)
Net increase/(decrease) decrease in cash and cash equivalents		232 349	(364 744)
Cash and cash equivalents at beginning of year		(1 108 165)	(743 421)
Cash and cash equivalents at end of year	11	(875 816)	(1 108 165)
Movement in working capital as defined by legislation			
Excess of current assets over current liabilities		633 066	(101 786)
- at the beginning of year		(305 103)	(203 317)
- at the end of year		327 963	(305 103)

1 GENERAL INFORMATION

The principal activities of Kawalazi Estate Company Limited (the Company) is the growing, processing and sale of tea and macadamia. The Company is a wholly owned subsidiary of Dhunseri Petrochem & Tea Pte Limited (DPTPL) incorporated and domiciled in Singapore. DPTPL is a 100% subsidiary company of Dhunseri Tea & Industries Limited which is domiciled in India.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Compliance with IFRS

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to entities reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and the requirements of the Malawi Companies Act, (Chapter 46:03) applicable to companies reporting under IFRS.

2.1.2 Historical cost convention

The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, plant and equipment and biological assets at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements.

2.1.3 New and amended standards adopted by the Company

The Company has applied the amendments made to IAS 16 and IAS 41 in relation to bearer plants. The resulting changes to the accounting policies and retrospective adjustments made to the financial statements are explained in note 20.

2.1.4 Changes in accounting policy and disclosures

a) New and amended standards and interpretations, effective for the first time for 31 December 2016 year ends and relevant to the Company.

Standard/Interpretation	Effective date	Executive summary
Amendments to IAS 1,'Presentation of financial statements' disclosure initiative	1 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Amendment to IAS 16, Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation.	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants	1 January 2016	In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant to include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) New and amended standards and interpretations, effective for the first time for 31 December 2016 year ends and that are not currently relevant to the Company (although they may affect future accounting for future transactions).

Standard/Interpretation	Effective date	Executive summary
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
IFRS 14 – Regulatory deferral accounts	1 January 2016	The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.
Amendments to IAS 27, 'Separate financial statements' on equity accounting	1 January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

c) New and amended standards and interpretation issued but not effective for 31 December 2016 year ends that are relevant to the Company but have not been early adopted

Standard/Interpretation	Effective date	Executive summary
IFRS 9 – Financial Instruments (2009 &2010) · Financial liabilities · Derecognition of financial instruments · Financial assets General hedge accounting	Annual periods beginning on or after (published July 2014)	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.
Amendment to IFRS 9 -'Financial instruments', - on general hedge accounting	Annual periods beginning on or after 1 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: · The own credit risk requirements for financial liabilities. · Classification and measurement (C&M) requirements for financial assets. · C&M requirements for financial assets and financial liabilities. · The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) New and amended standards and interpretation issued but not effective for 31 December 2016 year ends that are relevant to the Company but have not been early adopted (continued)

Standard/Interpretation	Effective date	Executive summary
Amendment to IFRS 15 – Revenue from contracts with customers.	Annual periods beginning on or after 1 January 2018 (published April 2016)	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 - earlier 'application permitted if IFRS 15 is also applied. (published January 2016)	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.
Amendment to IAS 7 – Cash flow statements Statement of cash flows on disclosure initiative	Annual periods beginning on or after 1 January 2017 (published February 2016)	In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.
Amendment to IAS 12 – Income taxes Recognition of deferred tax assets for unrealised losses.	Annual periods beginning on or after 1 January 2017 (published February 2016)	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) New and amended standards and interpretation issued but not effective for 31 December 2016 year ends that are relevant to the Company but have not been early adopted (continued)

Standard/Interpretation	Effective date	Executive summary
IFRIC 22, 'Foreign currency transactions and advance consideration	Annual periods beginning on or after 1 January 2018 (published December 2016)	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

d) New and amended standards and interpretations issue but not effective for 31 December 2016 year ends and are not relevant to the Company

Standard/Interpretation	Effective date	Executive summary
Amendments to IFRS 2 – 'Share-based payments' Clarifying how to account for certain types of share-based payment transactions.	Annual periods beginning on or after 1 January 2018 (published June 2016)	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
IFRS 4, 'Insurance contracts' Regarding the implementation of IFRS 9, 'Financial instruments'	Annual periods beginning on or after 1 January 2018 (published September 2016)	These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: • Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and • Give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, Investments in associates and joint ventures' on sale or contribution of assets	Effective date postponed (initially 1 January 2016)	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d) New and amended standards and interpretations issue but not effective for 31 December 2016 year ends and are not relevant to the Company (continued)

Standard/Interpretation	Effective date	Executive summary
IAS 40, 'Investment property' Transfers of investment property	Annual periods beginning on or after 1 January 2018 (published December 2016)	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

(e) Improvements to IFRS

Annual improvements 2014 - 2016, issued December 2014

In September 2014, the IASB issued Annual improvements to IFRSs 2012 – 2014 Cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for the first time for 31 December 2016 year-ends:

Annual improvements	Effective date	IFRS
Annual improvements 2014	1 January 2016	•IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations' •IFRS 7, – 'Financial Instruments: Disclosures' •IAS 19, – 'Employee Benefits' •IAS 34, – 'Interim Financial Reporting'

Annual improvements 2014 - 2016, issued December 2016

The IASB issued annual improvements to IFRSs 2014 - 2016 cycle, which contain three amendments to three standards. The amendments are effective for annual periods beginning on or after 1 January 2017 and 2018.

Annual improvements	Effective date	IFRS
Annual improvements 2014 - 2016	1 January 2017 and 2018	• IFRS 1, -'First time adoption' • IFRS 12,-Disclosures of interests in other entities • IAS 28,- Investments in associates and joint ventures

Annual improvements contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. Improvements to IFRS comprise amendments that result in accounting changes for presentation, recognition or measurements purposes, as well as terminology amendments related to a variety of individual IFRS standards

There are no other standards, amendments and interpretations that are not yet effective that are likely to have a material impact on the Company.

2.2 Foreign currency translation

(a) 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 entity operates ("the functional currency"). The financial statements are presented in Malawi Kwacha ('K") which is the Company's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income.

2.3 Biological assets

Biological assets comprise timber, pluckable leaves growing on tea bushes and nuts growing on macadamia trees. Biological assets are measured at their fair value less estimated point of sale costs. The fair value of plantations is determined based on the present value of expected net cash flows from the plantations discounted at a current market-determined pre-tax rate. Fair value movements include increased yields as plants and trees mature, exchange rate movements and price movements. The tea bushes, macadamia trees are bearer plants and are therefore presented and accounted for as property, plant and equipment. However, timber, pluckable leaves growing on tea bushes, and nuts growing on macadamia trees are accounted for as biological assets until the point of harvest. Harvested produce is transferred to inventory at fair value less costs to sell when harvested.

Changes in fair value of biological assets are recognised in the income statement.

The Company has applied the amendments made to the accounting standards in relation to the accounting for bearer plants from 1 January 2015, see note 20 for further information.

2.4 Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment including bearer plants is shown at revalued amounts less subsequent depreciation. Bearer plants are revalued annually, all other property, plant and equipment is revalued triennially by external independent valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. At initial recognition all items of property plant and equipment are recorded at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land and capital work in progress are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Motor vehicles	3 to 5 years
Agricultural equipment	4 to 14 years
Furniture and fittings	3 to 7 years
Plant and machinery	4 to 25 years
Tea bearer plants	63 years
Macadamia bearer plants	42 years

Timber, tea bushes and macadamia trees are classified as immature until they can be commercially harvested. At that point they are reclassified and measured at fair value. Immature timber, tea bushes and macadamia trees are measured at accumulated cost.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5 Future crop expenditure

The Company's financial year and the crop seasons are not concurrent for macadamia. Accordingly, expenditure incurred prior to the reporting date in respect of crops which will be harvested in the subsequent financial year is carried forward at cost to be charged against the corresponding revenue.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life 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 the 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.

2.7 Financial assets

2.7.1 Classification

The Company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 twelve months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise of trade and other receivables, amounts due to related parties and cash and cash equivalents in the statement of financial position.

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs. Financial assets are derecognised 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method less allowance for impairment.

2.7.3 Offsetting financial instruments

Financial assets and liabilities are offset 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 realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or counterparty.

2.8 Impairment of financial assets

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 and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (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.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is 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 income statement. If a loan 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 debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.