KAWALAZI ESTATE COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2017

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 Nain	Director	- Full year
S Hara	Director	- Full year
S Nain	Director	- From 31 March, 2017
RK Sharma	Director	- Full year
M Beriwala	Director	- From 31 March, 2017

COMPANY SECRETARY
S Hara

REGISTERED OFFICE
Kawalazi Estate Company Limited
P O Box 237
Mzuzu
Malawi

AUDITOR
PricewaterhouseCoopers
Chartered Accountants (Malawi)
Top Floor
Mercantile 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

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FOR THE YEAR ENDED 31 DECEMBER 2017

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The financial statements are expressed in Malawi Kwacha ("K")

STATEMENT OF THE DIRECTORS' RESPONSIBILITY

The Malawi Companies Act, (Chapter 46: 03) (the Act), 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.

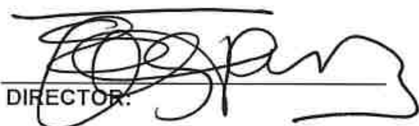
The Act also requires the directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Malawi Companies Act, (Chapter 46:03).

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

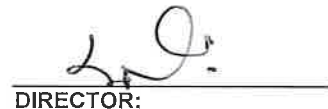
- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements; and
- Preparation of financial 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: 10 April 2018

INDEPENDENT AUDITOR'S REPORT

to the shareholders of

KAWALAZI ESTATE COMPANY LIMITED

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 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Malawi Companies Act (Chapter 46:03).

What we have audited

Kawalazi Estate Company Limited's financial statements set out on pages 4 to 29 comprise:

- the statement of financial position as at 31 December 2017;
- 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 and in accordance with other ethical requirements applicable to performing audits in Malawi.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of 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 misstatement, whether due to fraud or error.

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

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R Mbene - Senior Partner
A list of partners is available for inspection at the partnership principal business address above
VAT reg.no. 30843660

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)
Lilongwe

Ranwell Mbene

Date: 12 April 2018

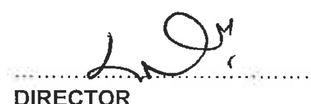
KAWALAZI ESTATE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 K'000	2016 K'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	18 474 072	13 189 885
Current assets			
Biological assets	6	368 813	600 969
Future crop expenditure	7	137 038	125 263
Inventories	8	986 089	838 763
Trade and other receivables	9	1 102 454	1 183 435
Tax recoverable	20	-	43 224
Cash and cash equivalents	11	12 611	28 899
		2 607 005	2 219 584
TOTAL ASSETS		21 081 077	16 010 438
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	33 984	33 984
Share premium		10 947	10 947
Revaluation reserve		4 733 118	2 655 234
Bearer plants revaluation reserve		7 199 717	5 713 275
Plantations fair value reserve		455 224	494 177
Retained earnings		2 249 212	1 361 792
Total equity		14 682 202	10 269 409
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	5 031 107	3 849 408
Current liabilities			
Borrowings	15	439 980	904 715
Trade and other payables	13	562 720	911 050
Amounts due to related parties	10	185 865	75 856
Current income tax liabilities	20	152 986	-
Increase in employee benefits obligations	14	26 217	-
Total current liabilities		1 367 768	1 891 621
Total liabilities		6 398 875	5 741 029
TOTAL EQUITY AND LIABILITIES		21 081 077	16 010 438

The financial statements were approved by the Company's Board of Directors on 10 April 2018 and were signed on its behalf by:

DIRECTOR


DIRECTOR

KAWALAZI ESTATE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 K'000	2016 K'000
Revenue	16	5 827 914	5 449 689
Cost of sales	18	(2 930 918)	(3 001 116)
Gross profit		2 896 996	2 448 573
Other income	17	90 184	65 254
(Loss)/gain arising from changes in fair values of biological assets	6	(232 156)	186 657
Administrative expenses	18	(1 613 529)	(1 346 470)
Selling and distribution expenses	18	(340 301)	(343 233)
Operating profit		801 194	1 010 781
Finance income	19	27 873	360 000
Finance costs	19	(59 128)	(518 347)
Profit before income tax		769 939	852 434
Income tax credit/(expense)	20	199 467	(168 177)
Profit for the year		969 406	684 257
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of property, plant and equipment		5 091 895	1 018 078
Deferred income tax on revaluation of property, plant and equipment		(1 527 569)	(247 286)
Total comprehensive income for the year		4 533 732	1 455 049

KAWALAZI ESTATE COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 K'000	2016 K'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		769 939	852 434
Adjustments for:			
Asset write offs	5	38 613	1 426
Unrealised exchange gains		(27 873)	(360 000)
Unrealised exchange losses		12 743	424 119
Depreciation	5	500 433	560 002
Fair value loss(gain) on biological assets	6	232 156	(186 657)
Interest payable	18.2	(46 385)	(94 228)
Changes in working capital:			
- Increase in future crop expenditure		(11 775)	(53 839)
- Increase in inventories		(147 326)	(217 696)
- Decerease/ (increase) in trade and other receivables		108 854	(112 034)
- Decrease/(increase) in trade and other payables		(361 073)	61 352
- Increase in employee benefits		26 217	-
- Increase/(decrease) in amounts due to related parties		110 009	(136 036)
Cash generated from operations		1 204 532	738 843
Income tax refund/(paid)	19.2	49 807	(146 047)
Interest paid	18.2	46 385	94 228
Net cash flows generated from/(utilised in) operating activities		1 300 724	687 024
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(731 338)	(386 373)
Purchase of biological assets		-	(68 302)
Dividends paid		(120 939)	-
Net cash flows utilised in investing activities		(852 277)	(454 675)
Net increase in cash and cash equivalents		448 447	232 349
Cash and cash equivalents at beginning of year		(875 816)	(1 108 165)
Cash and cash equivalents at end of year	11	(427 369)	(875 816)
Movement in working capital as defined by legislation			
Excess of current assets over current liabilities		911 274	633 066
- at the beginning of year		327 963	(305 103)
- at the end of year		1 239 237	327 963

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 Changes in accounting policy and disclosures

a) New and amended standards and interpretations, effective for the first time for 31 December 2017 year ends and relevant to the Company.

Amendment to IAS 7 – Cash flow statements 'Statement of cash flows on disclosure initiative 'Annual periods beginning on or after 1 January 2017 (published Feb 2016)

In January 2016, the International Accounting Standards Board (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 Feb 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.

Annual improvements 2014-2016 (part) Annual periods beginning on or after 1 January 2017 (published December 2016)

These amendments impact 3 standards:
IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

b) New and amended standards and interpretations, effective for the first time for 31 December 2017 year ends and that are not currently relevant to the Company (although they may affect future accounting for future transactions).

IFRS 9 – Financial Instruments (2009 &2010) Financial liabilities,Derecognition of financial instruments, Financial assets, and General hedge accounting Annual periods beginning on or after 1 January, 2018 (published July 2014)

This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

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.

IFRS 15 – Revenue from contracts with customers 'Annual periods beginning on or after 1 January 2018 (published May 2014)

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

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'.

IFRS 17, 'Insurance contracts' Annual periods beginning on or after 1 January 2021 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (published May 2017)

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

Amendment to 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.

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.

Amendment to 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.

(c) Improvements to IFRS

Annual improvements 2014-2016 Annual periods beginning on or after 1 January 2017 and 2018(published December 2016)

These amendments impact 3 standards:

- IFRS 1,' First-time adoption of IFRS', regarding the deletion of shortterm exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
- IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.

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.

IFRIC 23, 'Uncertainty over income tax treatments' Annual periods beginning on or after 1 January 2019 (Published 7 June 2017)

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

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.

(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 and timber root stock are bearer plants and are therefore presented and accounted for as property, plant and equipment. However, ready to cut 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.

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 statement of comprehensive income 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	65 years
Macadamia bearer plants	35 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.

2.5 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 from 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.

2.9 Inventories

Inventories, including consumable stores and stocks of processed produce, are valued at the lower of cost and estimated net realisable value determined using the weighted average method. In the case of processed produce, cost includes appropriate elements of direct processed costs and overheads. Expenditure on plant nurseries is included under inventory until such time as the plants are transferred out to the fields, at which point related costs are transferred to bearer plants.

2.10 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services provided in the ordinary course of business. If collection is expected in one year or less (and in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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 method.

Fees paid on establishment of loan facilities are recognised as transactions costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

2.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.16 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially 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 income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable 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 offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Short term employee benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as medical aid contributions.

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

(b) Pension plan

The Company contributes to a pension fund administered by Old Mutual. The scheme is a defined contribution pension plan and is funded through payments to a trustee-administered fund. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.17 Employee benefits

(c) Bonus plans
The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.18 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 can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are declared.

Dividend distribution to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) Sales of goods
Wholesale sales represent the invoice value of all tea and macadamia nuts sold in the year. Sales are recognized when significant risks and rewards of ownership of the goods are transferred to the buyer on delivery. Delivery occurs when the products are shipped to their specified locations and the buyer has accepted ownership.

(b) Interest income
Interest income is recognised using the effective interest rate method. When a loan and 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 loan and receivables is recognised using the original effective interest rate.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Accounting estimates and judgements that are critical affect the valuation of biological assets. Because there is no active market for these biological assets, the fair values of existing at each reporting date. The Company uses discounted cash flow analysis to establish the fair value of these biological assets.