

AM Henderson & Sons Limited

**Financial statements for the year ended
31 December 2021**

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NATURE OF BUSINESS

The company is a private Company incorporated in Malawi in accordance with the Malawi Companies Act 2013. The main business of the Company is property letting and development.

DIRECTORS

S. Hara	Director	Full year
S. Singh	Director	Full year
R. Rawat	Director	Full year

COMPANY SECRETARY

S.J. Hara

REGISTERED OFFICE

AM Henderson & Sons Limited
P.O. Box 5598
Limbe

AUDITOR

Ernst & Young
Chartered Accountants (Malawi)
Apex House, Kidney Crescent
P O Box 530
Blantyre, Malawi

LEGAL ADVISORS

Wilson & Morgan
P.O. Box 527
Whitehall
6 Victoria Avenue
Blantyre

BANKERS

National Bank of Malawi Plc

Statement of compliance with corporate governance regulations under the Companies Act 2013

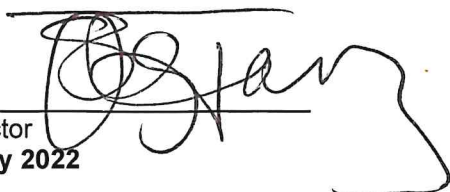
The directors confirm that they have complied with the Companies (Corporate Governance) Regulations 2016 with respect to corporate governance.

Independent auditors

The Company's auditors, Ernst & Young, Chartered Accountants (Malawi), have indicated their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as auditors in respect of the company's financial statements for the year ending 31 December 2022.

By order of the Board

Director
6 May 2022



Director



Statement of Directors' Responsibilities for the year ended 31 December 2021

The Companies Act, 2013 requires directors to prepare financial statements for each financial year which give a true and fair view of the affairs of the company as at the end of the financial period and of the operating results for that period. The directors are responsible for preparing the financial statements in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2013

The Act requires 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 to enable them to ensure that the financial statements comply with the Companies Act.

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

Maintenance of proper accounting records that correctly record and explain the transactions of the company;

Selection of suitable accounting policies and applying them consistently;

Making judgements and estimates that are reasonable and prudent;

Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements;

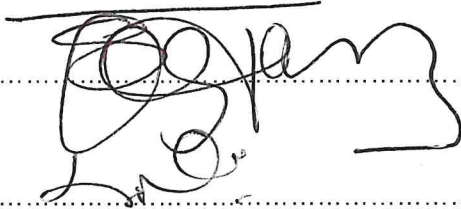
Enable the financial statements to be readily and properly audited; and

Preparation of financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors 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 control to prevent and detect fraud and other irregularities.

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

Director:



Director:

6 May 2022

Independent auditor's report to the shareholders of AM Henderson & Sons Limited

Opinion

We have audited the financial statements of AM Henderson & Sons Limited set out on pages 5 to 23 which comprise the statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of AM Henderson & Sons Limited as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information consists of the Directors' report and Statement of directors' responsibilities. The 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 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 obtained prior to the date of this auditor's report, 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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2013; and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 skepticism 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 auditors' 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 auditors' 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the company and its business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit. We remain solely responsible for our audit opinion.

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.



Chartered Accountants (Malawi)
Chiwemi Chihana
Registered Practicing Accountant

13 May 2022

AM Henderson & Sons Limited

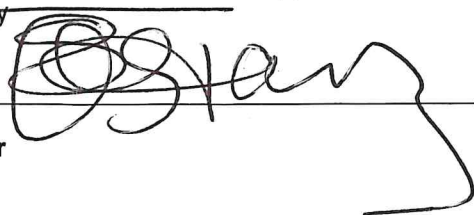
Statement of financial position as at 31 December 2021

In thousands of Malawi Kwacha

		2021	2020
	Note		
ASSETS			
Non-current assets			
Property and equipment	6	<u>1,437,229</u>	<u>1,449,266</u>
Current assets			
Rent receivable		375	-
Current income tax receivable	14	8,330	8,860
Amounts due from related parties	7	4,438	2,924
Cash and cash equivalents	8	<u>17,547</u>	<u>17,669</u>
Total current assets		<u>30,690</u>	<u>29,453</u>
Total assets		<u>1,467,919</u>	<u>1,478,719</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	214	214
Revaluation reserve		1,000,802	1,009,161
Retained earnings		<u>36,777</u>	<u>35,635</u>
Total equity		<u>1,037,793</u>	<u>1,045,010</u>
LIABILITIES			
Long term liabilities			
Deferred taxation	10	<u>428,913</u>	<u>432,496</u>
Current liabilities			
Accounts payable	11	<u>1,213</u>	<u>1,213</u>
Total liabilities		<u>430,126</u>	<u>433,709</u>
Total equity and liabilities		<u>1,467,919</u>	<u>1,478,719</u>

The financial statements were approved by the directors on **6 May 2022** and are signed on their behalf by

Director



Director



AM Henderson & Sons Limited

Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

In thousands of Malawi Kwacha

		2021	2020
	Note		
Revenue	12	3,375	3,375
Administrative expenses	13	(13,645)	(13,621)
Loss before income tax		(10,270)	(10,246)
Income tax expense	14	3,053	3,045
Loss for the year		(7,217)	(7,201)
Total comprehensive (loss) for the year		<u>(7,217)</u>	<u>(7,201)</u>

AM Henderson & Sons Limited

Statement of changes in equity for the year ended 31 December 2021

In thousands of Malawi Kwacha

	Share capital	Revaluation reserve	Retained earnings	Total
Year ended 31 December 2020				
At the beginning of the year	214	1,017,520	34,477	1,052,211
Loss for the year	-	-	(7,201)	(7,201)
Transfer of excess depreciation on revaluation	-	(8,359)	8,359	-
At 31 December 2020	<u>214</u>	<u>1,009,161</u>	<u>35,635</u>	<u>1,045,010</u>
Year ended 31 December 2021				
At the beginning of the year	214	1,009,161	35,635	1,045,010
Loss for the year	-	-	(7,217)	(7,217)
Transfer of excess depreciation on revaluation	-	(8,359)	8,359	-
At 31 December 2021	<u>214</u>	<u>1,000,802</u>	<u>36,777</u>	<u>1,037,793</u>

AM Henderson & Sons Limited

Statement of cash flows for the year ended 31 December 2021

In thousands of Malawi Kwacha

	Note	2021	2020
Cash flows from operating activities			
Loss before income tax		(10,270)	(10,246)
Adjustments for:			
Depreciation	6	12,037	12,037
Changes in working capital			
Decrease/ (increase) in amounts due from related parties	7	(1,514)	7,412
Decrease/ (increase) in trade and other receivables	11	(375)	-
		<u>(122)</u>	<u>9,203</u>
Income tax paid		<u>-</u>	<u>(600)</u>
Net cash (used in)/generated from operating activities		<u>(122)</u>	<u>8,603</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		<u>17,669</u>	<u>9,066</u>
Cash and cash equivalents at end of the year	8	<u><u>17,547</u></u>	<u><u>17,669</u></u>

1. General Information

AM Henderson & Sons Limited (the "Company") incorporated in Malawi, is an asset holding company that owns Chiwale Estate which has been let out on a long-term lease to Makandi. The Company is a 100% owned subsidiary of Makandi Tea & Coffee Estates Limited.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting 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 Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the International Financial Reporting Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS and the requirements of the Companies Act 2013. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act 2013.

2.1.2. Historical cost convention

The financial statements have been prepared on a historical cost basis as modified by the revaluation of property, plant and equipment assets at fair value.

2.1.3. Use of estimates and judgements

The preparation of the company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2. Changes in accounting policy and disclosures

a) New standards, amendments and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

2.2. Changes in accounting policy and disclosures (continued)

a) New standards, amendments and interpretations (continued)

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements.

2.2. Changes in Accounting Policy and Disclosures (continued)

b) Standards and Interpretations in issue, not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

2.2. Changes in Accounting Policy and Disclosures (continued)

b) *Standards and Interpretations in issue, not yet effective (continued)*

IFRS 17 Insurance Contracts (continued)

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.

Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2.2. Changes in Accounting Policy and Disclosures (continued)

b) Standards and Interpretations in issue, not yet effective (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

2.3. 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 the 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 prevailing at the dates of the 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 are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. All other foreign exchange gains or losses are presented in the income statement.

2.4. Property and equipment

Buildings comprise mainly warehouses, staff houses and offices. All property and equipment are stated at historical cost less depreciation. 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.

Buildings	10 to 25 years
Plant & Machinery	3 to 10 years
Motor vehicles	2 to 10 years
Furniture and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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 carrying amount. These are included in the income statement.

2.5. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Prior impairments of non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal at each reporting date.

2.6. Financial assets**2.6.1. 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 trade and other receivables and cash and cash equivalents in the statement of financial position.

2.6.2. 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 initially measured at fair value plus incremental direct transaction costs and are subsequently carried at amortised cost using the effective interest method less allowance for impairment.

2.6. Financial assets (continued)

2.6.3. 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.

2.7. 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.

2.8. 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 reorganization, 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 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.

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. Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.10. Share capital

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

2.11. Current and deferred income tax

The income tax expense for the period comprises 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.

2.11. Current and deferred income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are 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 on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply 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 income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.12. Trade and other payables

Trade and other 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 (and 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.

2.13. 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. Provisions are not recognised for future operating losses.

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 the 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.

2.14. Revenue recognition

Revenue comprises rental income from property charged to group company for use of company land for macadamia development. Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.15. Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.16. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.17. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are declared by the Company's directors. Dividends declared after the reporting date are disclosed in the notes to the financial statements.

2.18. Comparatives

Where necessary, comparative figures within notes to the financial statements have been restated to conform to changes in presentation in the current year.

3. Financial Risk Management

3.1. Financial risk factors

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

Risk management is carried out under policies approved by the Board of Directors ("the Board"). The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and the investment of excess liquidity.

a) Market risk

I. Price risk

The Company is not exposed to commodity or equity securities price risks because it had no assets nor obligations that exposed the Company to this risk at the reporting date.

II. Cash flow and fair value interest rate risk

The Company is not exposed to cash flow and fair value interest rate risks because it had no liabilities that exposed the Company to these risks at the reporting date

III. Foreign exchange risk

The Company is not exposed to foreign exchange risk arising from foreign currency exposures as it does not trade internationally. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge the contract. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding trade receivables. Only approved financial institutions with sound capital bases are utilised to invest surplus funds. For customers, management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits are regularly monitored. Sales to retail customers are settled in cash or using bank transfers. There is no independent credit rating system available in Malawi.

3. Financial Risk Management (continued)**3.1. Financial risk factors (continued)****b) Credit risk (continued)**

	2021 K'000	2020 K'000
The Company's maximum exposure to credit risk by class of financial asset is as follows:		
Trade and other receivables (excluding prepayments)	4,833	2,924
Cash and cash equivalents	<u>17,547</u>	<u>17,669</u>
	<u>22,380</u>	<u>20,593</u>

The fair value of cash and cash equivalents at 31 December approximates the carrying amount.

There is no significant risk with respect to cash and cash equivalents as the Company holds bank accounts with large financial institutions with sound financial and capital cover.

c) Liquidity risk

Liquidity risk is the risk that the Company may fail to meet its payment obligations when they fall due, the consequences of which may be the failure to meet the obligations to creditors. The Company identifies this risk through periodic liquidity gap analysis and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps.

Cash flow forecasting is performed by management. Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal statement of financial position ratio targets. Surplus cash held by the Company over and above the balance required for working capital management is invested.

The table below analyses the maturity profile of the Company's assets and liabilities based on the remaining period at 31 December to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2021	Up to 1 month K'000	1 month- 6 months K'000	Total K'000
Assets			
Trade and other receivables (excluding prepayments)	4,833	-	4,833
Cash and cash equivalents	<u>17,547</u>	<u>-</u>	<u>17,547</u>
Total assets	<u>22,380</u>	<u>-</u>	<u>22,380</u>
Liabilities			
Trade and other payables (excluding statutory liabilities)	1,213	-	1,213
Total liabilities	<u>1,213</u>	<u>-</u>	<u>1,213</u>
Liquidity gap	<u>21,167</u>	<u>-</u>	<u>21,167</u>
Cumulative liquidity gap	<u>21,167</u>	<u>21,167</u>	

3. Financial Risk Management (continued)**3.1. Financial risk factors (continued)****c) Liquidity risk (continued)**

At 31 December 2020	Up to 1 month K'000	1 month- 6 months K'000	Total K'000
Assets			
Trade and other receivables (excluding prepayments)	2,924	-	2,924
Cash and cash equivalents	17,669	-	17,669
Total assets	20,593	-	20,593
Liabilities			
Trade and other payables (excluding statutory liabilities)	1,213	-	1,213
Total liabilities	1,213	-	1,213
Liquidity gap	19,380	-	19,380
Cumulative liquidity gap	19,380	19,380	

The Company determines ideal weights for maturity time buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through borrowings.

3.2. Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December were as follows:

	2021 K'000	2020 K'000
Total borrowings	-	-
Less: cash and cash equivalents	17,547	17,669
Net debt	17,547	17,669
Total equity	214	214
Total capital	17,761	17,883
Gearing ratio	0%	0%

3.3. Fair Value of Financial Assets and Liabilities

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Quoted market prices – Level

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. This level includes listed equity securities traded on the Malawi Stock Exchange.

Valuation technique using observable inputs - Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation technique using significant and unobservable inputs - Level 3

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

The hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

4. Critical Accounting Estimates and Judgements

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

Critical accounting estimates and assumptions

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

a) Income taxes

The Company's management determines the estimated useful lives, residual values and related depreciation charges for its property and equipment. This estimate is based on projected economic life of these assets. It could change significantly as a result of technological innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Useful lives of property and equipment

The Company's management determines the estimated useful lives, residual values and related depreciation charges for its property and equipment. This estimate is based on projected economic life of these assets. It could change significantly as a result of technological innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

c) Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in existence for the foreseeable future. However, there are matters noted below which may cast significant doubt on the Company's ability to continue as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business.

The Company's total revenue comes from land which is let out to its holding Company Makandi Tea & Coffee Estates Limited for commercial farming. The parent Company has planted macadamia on the rented fields.

Considering that a macadamia tree does not begin to produce commercial quantities of seeds until it is 7–10 years old, but once established, may continue bearing for over 50 years, Directors believe that this means the business is guaranteed its going concern over that period and as long as Makandi Tea & Coffee Estates Limited, its parent Company continues to operate. The financial statements of the Parent Company have been prepared on a going concern basis. The Directors also believe that there will be more economic activities on the land which is the main revenue stream of the business thereby stimulating further growth and stability.

Accordingly, the directors believe it is appropriate for the financial statements to be prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

5. Financial Instruments by Category

	2021 K'000	2020 K'000
Assets as per statement of financial position		
Loans and receivables:		
Trade and other receivables (excluding prepayments)	8,705	8,860
Amounts due from related parties	4,438	2,924
Cash and cash equivalents	17,547	17,669
	<u>30,690</u>	<u>29,453</u>

6. Property and Equipment

	2021 Land and buildings K'000	2020 Land and buildings K'000
Period ended 31 December		
Opening net book amount	1,449,266	1,461,303
Depreciation charge	<u>(12,037)</u>	<u>(12,037)</u>
Closing net book amount	<u><u>1,437,229</u></u>	<u><u>1,449,266</u></u>
At 31 December		
Cost	1,485,377	1,485,377
Accumulated depreciation	<u>(48,148)</u>	<u>(36,111)</u>
Net book amount	<u><u>1,437,229</u></u>	<u><u>1,449,266</u></u>

The property, plant and equipment were revalued as at 31 December 2017 on behalf of directors by Charles Chifamba, MRICS, a qualified valuer of Interval Services (Proprietary) Limited based in Botswana. The basis of valuation was market value assuming continuing present usage. In the opinion of directors, these amounts approximate the fair value of property, plant and equipment at the reporting date.

7. Related Party Balances and Transactions

AM Henderson & Sons Limited is a wholly owned subsidiary of Makandi Tea & Coffee Estates Limited and is incorporated in Malawi.

The following transactions were carried out with related parties:

	2021 K'000	2020 K'000
Service to the Group Companies		
Makandi Tea & Coffee Estates Limited	<u>2,600</u>	<u>2,600</u>

The services with the related parties are supplied on terms and conditions similar to those offered to third party customers and are primarily denominated in the functional currency.

The following year end balances arose from transactions

Makandi Tea & Coffee Estates Limited	<u>4,458</u>	<u>2,924</u>
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Balances are interest free and unsecured with no agreed and formalised terms.

8. Cash and cash equivalents

	2021 K'000	2020 K'000
Cash and bank	<u>17,547</u>	<u>17,669</u>

9. Share capital

Authorised		
125,000 Ordinary shares of K2.00 each	<u>250</u>	<u>250</u>
Issued and fully paid		
106,780 Ordinary shares of K2.00 each	<u>214</u>	<u>214</u>

10. Deferred tax

	Statement of financial position		Statement of profit or loss	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
Revaluation surplus	428,913	432,496	(3,583)	(3,583)

A deferred tax asset is only recognised where there is a reasonable expectation of the asset being realised in line with accounting policy on Note 2.10.

11. Trade and other payables

	2021	2020
	K'000	K'000
Accruals (Audit fees)	1,213	1,213

Trade and other payables are due within twelve months from the reporting date.

12. Revenue

Land rent receivable	3,000	3,000
Licence to occupy	375	375
	<u>3,375</u>	<u>3,375</u>

13. Administrative expenses

Auditor's remuneration	1 000	1 000
Accountancy	466	466
Bank charges	142	118
Depreciation (note 5)	12 037	12 037
	<u>13 645</u>	<u>13 621</u>

14. Taxation

Income tax expense	2021 K'000	2020 K'000
Current income tax charge	(530)	(538)
Deferred income tax credit	3,583	3,583
	<u>3,053</u>	<u>3,045</u>

Reconciliation of tax charge

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate applicable to the profits as follows:

Loss before income tax	<u>(10,250)</u>	<u>(10,246)</u>
Tax calculated at 30% (2018: 30%)	3,075	3,074
Other differences	<u>(22)</u>	<u>(29)</u>
	<u>3,053</u>	<u>3,045</u>

Movement on income tax asset

Balance at the beginning of the year	8,860	8,798
Withholding Taxes paid	-	600
Current year charge	<u>(530)</u>	<u>(538)</u>
	<u>8,330</u>	<u>8,860</u>

15. Commitments and Contingencies

The Company had no commitments or contingencies at the year-end (December 2020: Nil).

16. Events After the Reporting Date

The COVID-19 (Corona virus) pandemic continued to impact the global economy and the emergence of the omicron variant in 2022 has resulted in restrictions in other economies despite the vaccination campaign. In Malawi, the number of infections increased in January 2022 albeit at a lower level compared to the same time in 2021. The financial impact of this variant would be reflected in the financial statements for the year ending 31 December 2022.

The Reserve Bank of Malawi raised the policy rate from 12% to 14% after the reporting date and the impact will be reported in the financial statements for the year ending 31 December 2022.