



Kawalazi Estate Company Limited

**Financial statements for the year ended 31
December 2025**



Kawalazi Estate Company Limited

Financial statements for the year ended 31 December 2025

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Kawalazi Estate Company Limited

Directors' report for the year ended 31 December 2025

The Directors have pleasure in submitting their report together with the audited annual financial statements of Kawalazi Estate Company Limited for the year ended 31 December 2025.

Incorporation

Kawalazi Estate Company Limited is incorporated in Malawi under the Companies Act 2013 and is domiciled in Malawi. The Company is a wholly owned subsidiary of Dhunseri Petrochem & Tea Pte Limited incorporated and domiciled in Singapore.

Principal activities of the Company

The principal activities of Kawalazi Estate Company Limited ("the Company") is the growing, processing and sale of tea and macadamia.

Financial performance

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

In accordance with the Company's Articles of Association, all directors retire at the forthcoming Annual General Meeting, but, being eligible, offer themselves for re-election. The directors and company secretary who served during the year are as follows: -

<u>Name</u>	<u>Position</u>	<u>Nationality</u>	<u>Period</u>
C.K. Dhanuka	Chairman	Indian	Full year
M. Dhanuka	Director	Indian	Full year
B. Dhanuka	Director	Indian	Full year
R. Sharma	Director	Indian	Full year
M. Beriwalla	Director	Indian	Full year
S. Hara	Director	Malawian	Full year
S. Nain	Director	Indian	Full year
S. Latif, SC	Director	Indian	Full year
B. Bajoria	Director	Indian	Full year

Company Secretary

S. Hara

Registered Office

Kawalazi Estate Company Limited
P O Box 237
Blantyre
Malawi

Auditor

Ernst & Young
Kidney Crescent
P O Box 530
Blantyre

Legal Advisor

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

Banker

National Bank of Malawi Plc
NBS Bank Plc
Standard Bank Plc

Kawalazi Estate Company Limited

Directors' report for the year ended 31 December 2025

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

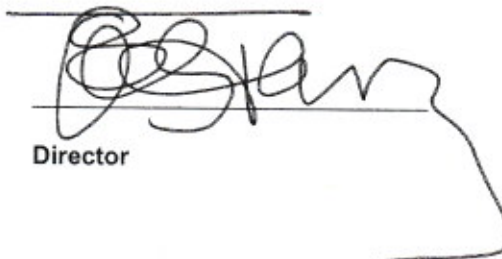
The Company's auditors, Ernst & Young, Chartered Accountants (Malawi), have indicated their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as auditors in respect of the company's financial statements for the year ending 31 December 2026

By order of the Board



Director

19 May 2026



Director

Kawalazi Estate Company Limited

Financial statements for the year ended 31 December 2025

Statement of directors' responsibilities

The directors are responsible for the preparation and fair presentation of the financial statements of Kawalazi Estate Company Limited, comprising the statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2025, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM), and in the manner required by the Companies Act, 2013 of Malawi. In addition, the directors are responsible for preparing the directors' report.

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 ensure the financial statements comply with the requirements of the Act.

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

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

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

The directors have assessed the company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

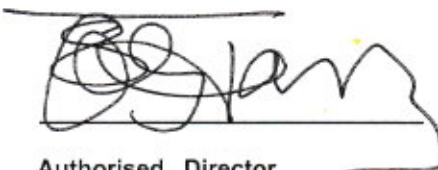
The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM), and in the manner required by the Companies Act, 2013 of Malawi.

Approval of the financial statements

The financial statements of the company, as indicated in the first paragraph, were approved by the Board of Directors on **19 May 2026** and were signed on its behalf by:



Authorised Director



Authorised Director

Independent auditor's report

To the shareholder of Kawalazi Estate Company Limited

Opinion

We have audited the financial statements of Kawalazi Estate Company Limited set out on pages 7 to 37 which comprise the statement of financial position as at 31 December 2025 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 ended, 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 the company as at 31 December 2025, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) 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) together with the ethical requirements that are relevant to our audit of the financial statements in Malawi, and 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) 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.

Independent auditor's report to the shareholder of Kawalazi Estate Company Limited (continued)

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.
- 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)
Monica Lungu - Partner
Registered Practicing Accountant

22 May 2026

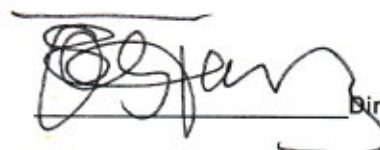
Kawalazi Estate Company Limited

Statement of financial position as at 31 December 2025

	Note	2025 K'000	2024 K'000
Assets			
Non -current assets			
Property, plant and equipment	5	<u>20 605 195</u>	<u>20 797 779</u>
Current assets			
Biological assets	6	797 665	803 449
Future crop expenditure	7	145 440	
Inventories	8	3 444 987	3 560 182
Trade and other receivables	9	2 756 642	2 332 997
Cash and cash equivalents	11	<u>585 416</u>	<u>609 557</u>
		<u>7 730 150</u>	<u>7 306 185</u>
Total assets		<u>28 335 345</u>	<u>28 103 964</u>
Equity			
Share capital	13	33 984	33 984
Share premium		10 947	10 947
Revaluation reserve		8 383 365	7 103 699
Retained earnings		<u>(2 571 992)</u>	<u>873 385</u>
Total equity		<u>5 856 304</u>	<u>8 022 015</u>
Non - current liabilities			
Deferred tax liability	23.	1 254 940	2 248 125
Loans- Long term	11	<u>12 140 540</u>	<u>5 499 482</u>
		<u>13 395 480</u>	<u>7 747 607</u>
Current liabilities			
Bank overdraft	11	2 063 240	7 335 860
Loans- Short term	12	1 669 903	965 042
Trade and other payables	14	3 594 095	2 822 994
Amounts due to related parties	10	1 681 486	1 180 866
Current income tax liability	23	57 266	10 108
Employee benefits obligations	15	<u>17 571</u>	<u>19 472</u>
		<u>9 083 561</u>	<u>12 334 342</u>
Total liabilities		<u>22 377 928</u>	<u>20 081 949</u>
Total equity and liabilities		<u>28 335 345</u>	<u>28 103 964</u>

These financial statements were authorised for issue by the Board of directors on **19 May 2026** and were signed on its behalf by:

 Director

 Director

The notes on pages 11 to 42 form part of these financial statements. Auditors' report is on page 4 to 5

Kawalazi Estate Company Limited

Statement of profit or loss and other comprehensive income for the year ended 31 December 2025

	Note	2025 K'000	2024 K'000
Revenue	16	9 431 562	10 379 004
Cost of sales	19	(7 948 374)	(9 466 558)
Gross profit		1 483 188	912 446
Other income	17	1 081 061	413 627
Fair value gain on biological assets	6	(5 784)	62 467
Exchange (losses)/ gains (net)	18	98 796	(313 631)
Administrative expenses	20	(3 596 706)	(3 408 249)
Selling and distribution expenses	21	(1 165 406)	(1 040 371)
Operating loss		(2 104 851)	(3 373 711)
Finance costs	21	(1 006 886)	(786 525)
Loss before tax		(3 111 738)	(4 160 236)
Income tax expense	22	946 027	1 457 462
Loss for the year		(2 165 711)	(2 702 774)
Total comprehensive income for the year		(2 165 711)	(2 702 774)

Kawalazi Estate Company Limited

Statement of changes in equity for the year ended 31 December 2025

	Share capital K'000	Share premium K'000	Revaluation reserve K'000	Retained earnings K'000	Total K'000
At 1 January 2024	33,984	10 947	7 103 699	3 576 159	10 724 789
Loss for the year	-	-	-	(2 702 774)	(2 702 774)
Depreciation on revaluation	-	-	-	-	-
At 31 December 2024	33,984	10 947	7 103 699	873 385	8 022 015
At 1 January 2025	33,984	10 947	7 103 699	873 385	8 022 015
Loss for the year	-	-	-	(2 165 711)	(2 165 711)
Transfer of execs depreciation on revaluations	-	-	-	-	-
At 31 December 2025	33,984	10 947	7 103 699	(1 292 326)	5 856 304

Note

Retained earnings include fair value gains (losses) arising on biological assets during the year of (K5.7 million) (2024: K62.5million) net of tax.

Kawalazi Estate Company Limited

Statement of cash flows for the year ended 31 December 2025

	Note	2025 K'000	2024 K'000
Operating activities			
Loss before income tax		(3 111 738)	(4 160 236)
Adjustments for:			
- Fair value gains on biological assets	6	5 784	(62 467)
- Depreciation	5	526 557	837 095
- Interest payable	2	1 006 886	786 525
Operating loss before tax		(1 572 511)	(2 599 083)
Changes in working capital			
Decrease/(Increase) in future crop expenditure	7	(145 440)	306 014
Increase/(decrease) in inventories	8	115 195	(1 131 764)
(Increase) / decrease in trade and other receivables	9	(423 645)	228 703
Increase / (decrease) in trade and other payables	14	771 101	504 310
Increase / (decrease) in amounts due to related parties-(net)	10	500 620	(2 116 783)
(Decrease) /increase in employee benefit liabilities	15	(1 900)	3 975
		(756 580)	(4 804 628)
Cash generated from operations			
Interest paid	21	(1 006 886)	(786 525)
Net cash generated used operating activities		(1 763 466)	(5 591 153)
Investing activities			
Purchase of property, plant and equipment	5	(337 865)	(244 242)
Proceeds from sale of assets		3 891	-
Net cashflows used in investing activities		(333 974)	(244 242)
Financing activities			
Loan NBM Plc	12	1 794 446	4 730 691
Shareholders loan	12	2 947 517	1 733 833
NBS Plc Loan	12	2 603 956	-
Net cash generated from financing activities		7 345 919	6 464 524
Net (decrease) / increase in cash and cash equivalents		5 248 479	629 128
Cash and cash equivalents at beginning of the year	11	(6 726 303)	(7 355 431)
Cash and cash equivalents at end of the year	11	(1 477 824)	(6 726 303)
Represented as follows:			
Cash and bank balances		585 416	609 557
Bank overdraft		(2 063 240)	(7 335 860)
Net bank overdraft	11	(1 477 824)	(6 726 303)

Kawalazi Estate Company Limited

Notes to the financial statements for the year ended 31 December 2025

1 Corporate information

Kawalazi Estate Company Limited is a private Company incorporated in Malawi under company registration number 2135. It is a subsidiary of Dhunseri Petrochem and Tea Pte Limited of Singapore, which is 100% ultimately owned by Dhunseri Tea & Industries Ltd of India.

The major activities of the Company are growing, processing and selling tea and macadamia.

2 Material accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and in a manner required by the Companies Act, 2013.

The financial statements have been prepared on a historical cost basis except for biological assets, items of property plant and equipment and financial instruments that are measured at fair value. The financial statements are presented in Malawi Kwacha which is the Company's functional and presentation currency.

2.2 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 3.

2 New or Revised Standards or Interpretations

In the current year, the Company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2025.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the Company. The following are the standards that became effective during annual reporting period beginning on 1 January 2025;

Effective date	Standard, Amendment or Interpretation
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Annual reporting periods beginning on or after 1 January 2025	Amendments to IAS 21: Lack of exchangeability - The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows
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The amendment did not have a material impact on the Company financial statements.

Notes to the financial statements for the year ended 31 December 2025

2 Material accounting policies (continued)**2.3 Changes in accounting policies and disclosures (continued)****2.2 Standards and Interpretations in issue, not yet effective**

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Company to determine the impact on the financial statements. As explained above, this would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

Effective date Standard, Amendment or Interpretation

Annual reporting periods beginning on or after 1 January 2026	Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7
	On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include: ▶ Clarifications of the requirements for recognition and derecognition of financial assets and liabilities. ▶ A clarification that financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled using an electronic payment system before the settlement date. ▶ Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed ▶ Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments ▶ The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The financial liabilities are currently being derecognized on the settlement date. The Group has assessed the impact of the amendments to the standard has on the primary consolidated and separate financial statements and notes to the consolidated and separate financial statements with a focus on timing of derecognition for financial liabilities settled through electronic payment systems across all material jurisdictions of operation. While the majority of the Bank's electronic settlement systems operate on a real-time basis, a limited number of systems involve a lag between instruction and settlement. Given the low volume and value of transactions processed through non-real-time systems, this change in timing is not expected to have a material impact on the Group's primary financial statements or related notes. The Group has therefore, elected **not** to apply the accounting policy option to derecognize financial liabilities prior to the settlement date for qualifying electronic payment systems. A review of other payment methods (including cheques, and debit cards) confirmed that existing recognition and derecognition policies already align with the requirements of the amendments.

Annual reporting periods beginning on or after 1 January 2027 IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as Centenary Bank Limited, that have specified main business activities (either providing finance to customers or investing in specific types of assets, or both).

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

Notes to the financial statements for the year ended 31 December 2025

2.3 Standards and Interpretations in issue, not yet effective (Continued)

Annual reporting periods beginning on or after 1 January 2027	IFRS 18 Presentation and Disclosure in Financial Statements
	Narrow-scope amendments have been made to IAS 7 <i>Statement of Cash Flows</i> , which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.
	The Company is currently working to identify all impacts the standard will have on the primary financial statements and notes to the consolidated and separate financial statements.
Annual reporting periods beginning on or after 1 January 2027	IFRS 19 Subsidiaries without Public Accountability: Disclosures
	In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated and separate financial statements, available for public use, which comply with IFRS accounting standards.
	The standard is not expected to have a material impact on the Company.
Annual Improvements to IFRS Accounting Standards - Volume 11	In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows
	The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed.
	The amendments are not expected to have a material impact on the Company's financial statements
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity; the amendments • Clarify the application of the 'own-use' requirements for in-scope contracts. • Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. • Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.
	The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.
	The Company does not expect that the amendments will have a material impact on its financial statements.

2.4.1 Foreign currency translations

The results and financial position of the company are expressed in Malawi Kwacha, which is the functional currency of the company and the presentation currency for the financial statements.

The Company's financial statements are presented in Malawi Kwacha. Transactions in foreign currencies are initially recorded by the Company in Malawi Kwacha using spot rates at the date the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Notes to the financial statements for the year ended 31 December 2025

2 Material accounting policies (continued)

2.4 Statement of material accounting policies

2.4.2 Property, plant and equipment

Land and buildings comprise mainly bearer plants, factories, retail outlets and offices. All property, plant and equipment is shown at fair value, based on valuation by external independent valuers, less subsequent depreciation. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. The current year transfer of excess depreciation on revaluation is K175 million.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings

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:

Bearer plants	-Tea bushes	63 Years
	-Macadamia	42 Years
Building		10 to 50 years
Plant & Machinery		4 to 25 years
Motor vehicles		3 to 5 years
Agricultural equipment		4 to 14 years
Furniture and equipment		3 to 7 years

Tea bushes, macadamia trees and timber stumps meet the definition of bearer plants and are accounted for as property, plant and equipment. Mature bearer plants are measured at fair value less accumulated depreciation. The fair value of timber, tea and macadamia is determined based on the present value of expected net cash flows from the plantations discounted at a current market-determined pre-tax rate adjusted for a long-term. Fair value movements include increased yields as plants and trees mature, and price movements reduced with expected cost increases. Immature bearer plants including timber, tea bushes and macadamia trees are measured at accumulated cost until they start to be commercially harvested.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Notes to the financial statements for the year ended 31 December 2025

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.2 Property, plant and equipment (continued)

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.

An item of property, plant and equipment is de-recognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of profit or loss when the asset is de-recognised.

2.4.3 Biological assets

Biological assets comprise of growing timber, growing tea and macadamia nuts on tea bushes and macadamia trees respectively. Timber, tea and macadamia on hand are measured at their fair value less costs to sell. Costs to sell include the incremental selling costs, including auctioneer's fees, commission paid to brokers and dealers and established costs of transport to the market but excludes finance costs and income taxes.

The tea bushes and macadamia trees are bearer plants and are therefore presented and accounted for as property, plant and equipment (Note 2.4.2). However, the fresh fruit/produce growing on the bushes or trees is accounted for as biological assets until the point of harvest. Timber that has been grown for 6 years is regarded as biological assets as it can be sold or used commercially.

2.4.4 Future crop expenditure

The Company's financial year and the crop seasons are not concurrent for both macadamia and tea. 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.

2.4.5 Impairment of non – financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Notes to the financial statements for the year ended 31 December 2025

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.5 Impairment of non – financial assets (continued)

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

2.4.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.4.7 Financial instruments– initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.4.7.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (e) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Notes to the financial statements for the year ended 31 December 2025

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7.1 Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7.1 Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7.1 Financial assets (continued)

Derecognition (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.4.7.2 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4.7.3 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7.3 Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.4.7.4 Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4.8 Inventories

Inventories, including stores and stocks of processed produce, are valued at the lower of cost and estimated net realisable value determined using the weighted average cost calculation method. In the case of processed produce, cost includes appropriate elements of direct processed costs and overheads. Expenditure on plant nurseries, less proceeds from nursery sales to third parties, 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 under property, plant and equipment.

Notes to the financial statements for the year ended 31 December 2025

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.9 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short – term deposits with maturity period of three months or less which are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short – term deposits as defined above, net of outstanding bank overdrafts.

2.4.10 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.

2.4.11 Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.12 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

2.4.13 Revenue from contracts with customers

The Company is in the business of growing and selling tea and macadamia. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Revenue from sale of tea and macadamia is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery or collection of the tea and macadamia. Delivery occurs when the products are shipped to their specified locations and the buyer has acknowledged receipt. The normal credit term is 30 days upon delivery or collection.

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.13 Revenue from contracts with customers (continued)

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets) Financial instruments – initial recognition and subsequent measurement.

2.4.14 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the financial statements for the year ended 31 December 2025

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.14 Taxes (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

Value added tax

Revenue, expenses and assets are recognised net of the amount of value added tax except;

- When the value added tax incurred on a purchase of assets or services is not recoverable in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from or payable to Malawi Revenue Authority is included as part of receivables or payables in the statement of financial position.

2 Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

2.4.15 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 a third party. 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.

(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.

(e) Gratuity

The Company pays gratuity to employees at the end of the contracts which is a maximum of a period of five years. A liability is recognised for the amount expected to be paid at the end of each year that an employee has been in employment of the Company.

2.4.16 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 is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the financial statements for the year ended 31 December 2025

2 Significant accounting policies

2.4 Summary of significant accounting policies (continued)

2.4.17 Fair value measurement

The Company measures financial instruments, and non-financial assets, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4.18 Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Notes to the financial statements for the year ended 31 December 2025

3 Significant accounting judgement, estimates and assumptions

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.

3.1 Bearer plants and biological assets

Bearer plants

The fair value of bearer plants is determined based on the present value of expected net cash flows from the bearer plants discounted at a current market-determined pre-tax rate adjusted for a long-term view. Fair value movements include increased yields as plants and trees mature, and price movements reduced with expected cost increases.

The average net selling price was projected based on the estimated price of tea in the market and an average of actual transaction over a period of five years. The average estimated cost considers field, factory and selling costs.

For the purpose of the discounted cash flow analysis, the lives of tea bushes are estimated at 65 years and those of macadamia trees at 35 years. The fair value of timber is based on the approximation of market prices. A discount factor of 8.5% has been used which considers time value for money and estimated country risk. Bearer plants are disclosed as part of property, plant and equipment in Note 5.

Bearer plants were valued using a model by Interval Services Proprietary Limited of Botswana as at 31st December 2019. The fair value has been arrived at by using discounted cash flow method.

Growing tea, macadamia nuts on the trees and growing timber are valued at the estimated harvest value at estimated selling price for the following season, less the estimated costs for harvesting, transport and selling.

The estimated harvest requires management to assess the expected yields for the following season considering weather conditions. In reviewing the estimated selling price, management assesses the markets for the forthcoming crop as well as the related foreign currency exchange rates. The carrying value of biological assets is disclosed in Note 6.

3.2 Useful lives and residual values of property, plant and equipment

The Company's management determines the estimated residual values, useful lives and related depreciation charges for property, plant and equipment. The estimates are based on expected useful economic lives of property, plant and equipment. They could change will increase the depreciation charge where useful lives are less than previously estimated lives and will write down technically obsolete on non-strategic assets that have been abandoned or sold.

3.3 Income taxes

The Company is subject to income tax in Malawi, and provision for income tax payable is made in the financial statements at year end. Subsequent to the year end a tax return is filed with the revenue authorities. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially provided, such differences are accounted for as an income tax under/over provision in the income statement for the period when such determination is made.

Notes to the financial statements for the year ended 31 December 2025

4 Financial risk management

Financial risk factors

The Company is exposed to a variety of financial risks such as market risk, credit risk and liquidity risk. The Company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The significant risks that the Company is exposed to are discussed below:

4.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities to the extent that these are exposed to general and specific market movements.

4.1.1 Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates.

The Company trades internationally and is exposed to foreign exchange risk arising from various currency exposures, with respect to the United States Dollar ("US\$"). 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.

The Company has set up a policy to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company makes prompt payment of all foreign currency denominated transactions once forex is available.

	USD Amount	K 000 Equivalent
At 31 December 2025		
Financial assets		
Trade receivables	700 104	1 213 863
Cash and Cash equivalents	337 672	585 416
	<u>1 037 776</u>	<u>1 799 279</u>
Financial liabilities		
Trade payables	2 036 346	3 530 685
Amounts due to related parties	969 808	1 681 486
Borrowings-bank overdraft	1 189 987	2 063 240
	<u>4 196 141</u>	<u>7 275 411</u>
Net on financial position	<u>(3 158 365)</u>	<u>(5 476 132)</u>
At 31 December 2024		
Financial assets		
Trade receivables	722 685	1 253 016
Cash and Cash equivalents	351 566	609 557
	<u>1 074 251</u>	<u>1 862 573</u>
Financial liabilities		
Trade payables	1 325 006	2 297 339
Amounts due to related parties	681 072	1 180 866
Borrowings-bank overdraft	4 231 458	7 336 643
	<u>6 237 536</u>	<u>10 814 848</u>
Net on financial position	<u>(5 163 285)</u>	<u>(8 952 275)</u>

Notes to the financial statements for the year ended 31 December 2025

4.1.2 Price risk

Price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to commodity price risk because tea prices are determined by the international market. To manage the price risk arising from sales the Company also monitors the exchange rate movement on the local auction sales. The Company had no forward contracts which tied it to fixed tea prices

4.1.3 Cash flow and fair value interest rate risk

Cash flow and fair value interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing position.

Interest rate risk sensitivity analysis

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's income statement and equity. The simulations are done monthly given the current loan facilities, to verify that the maximum loss potential is within the limit set by management.

	Effect on Loss before income tax 2025 K'000	Effect on Loss before income tax 2024 K'000
Interest rate change		
10% increase	(311 174)	(415 838)
10% decrease	311 174	415 838

A negative amount indicates a reduction in profit before tax while a positive amount indicates an increase in profit before tax.

4.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge the obligation. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, amounts due from related parties as well as credit exposures to wholesale and retail customers, including outstanding trade and other 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.

The maximum exposure to credit risk at 31 December is as follows:

	2025 K'000	2024 K'000
Trade and other receivables (excluding prepayments)	2 535 660	2 189 079
Cash and cash equivalents	585 416	609 557
	<u>3 121 076</u>	<u>2 798 636</u>

The fair value of financial assets at 31 December approximates the carrying amount as the impact of discounting is not significant. There is no significant concentration risk with respect to cash and cash equivalents as the Company holds bank accounts with large financial institutions with sound financial and capital cover.

4 Financial risk management (continued)

Notes to the financial statements for the year ended 31 December 2025

4.3 Liquidity risk management

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.

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

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

	Up to 1 month K'000	1 to 3 months K'000	3 to 12 months K'000	Undiscounted amount K'000	Carrying amount
At 31 December 2025					
Financial assets					
Trade and other receivables (excluding prepayments)	145 664	218 495	849 704	1 213 863	1 213 863
Cash and cash equivalents	585 416	-	-	585 416	585 416
Total financial assets	731 080	218 495	849 704	1 799 279	1 799 279
Financial liabilities					
Trade and other payables (excluding statutory liabilities)	529 603	882 671	2 118 411	3 530 685	3 530 685
Borrowings-bank overdraft	2 063 240	-	-	2 063 240	2 063 240
Amounts due to related parties	1 681 486	-	-	1 681 486	1 681 486
Total financial liabilities	4 274 329	882 671	2 118 411	7 274 411	7 274 411
Liquidity gap	(3 543 249)	(664 176)	(1 268 707)	(5 476 132)	(5 476 132)
Cumulative gap	(3 543 249)	(4 207 425)	(5 476 132)		
	Up to 1 month K'000	1 to 3 months K'000	3 to 12 months K'000	Undiscounted amount K'000	Carrying amount
At 31 December 2024					
Financial assets					
Trade and other receivables (excluding prepayments)	250 887	382 891	601 803	1 235 581	1 235 581
Cash and cash equivalents	609 557	-	-	609 557	609 557
Total financial assets	860 444	382 891	601 803	1 845 138	1 845 138
Financial liabilities					
Trade and other payables (excluding statutory liabilities)	1 008 077	526 904	1 245 612	2 780 593	2 780 593
Borrowings-bank overdraft	7 336 643	-	-	7 336 643	7 336 643
Loans	-	-	6 464 524	6 464 524	6 464 524
Amounts due to related parties	1 180 866	-	-	1 180 866	1 180 866
Total financial liabilities	9 525 586	526 904	7 710 136	17 762 626	17 762 626
Liquidity gap	(8 665 142)	(144 013)	(7 108 333)	(15 917 488)	(15 917 488)
Cumulative gap	(8 665 142)	(8 809 155)	(15 917 488)		

Notes to the financial statements for the year ended 31 December 2025

4.4 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:

	2025 K'000	2024 K'000
Total borrowings	15 873 683	13 800 384
Less: cash and cash equivalents	(585 416)	(609 557)
Trade and other payables	3 594 095	2 821 158
Related Party payables	1 681 486	1 180 866
Net debt	20 563 848	17 192 851
Equity	5 957 417	8 022 016
Total capital	26 521 265	25 214 867
Net debt to equity ratio	77.5%	68.2%

4.5

Agricultural risk management

Agricultural risk management strategies related to agricultural activities include the employment of specialists to market crops, installation of irrigation facilities where possible, growing drought resistant varieties and the continuous monitoring by management of local and foreign prices for produce.

4.6

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 1

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. At 31 December 2024, the Company had biological assets amounting to K619,122,000 (2022: K619,122,000) classified under level 3.

The company had also bearer plants and land and buildings carried at K13,782,182 and K3,810,758 respectively where level 3 inputs were used.

4

Financial risk management (continued)

4.6

Fair value hierarchy (continued)

Kawalazi Estate Company Limited

Notes to the financial statements for the year ended 31 December 2025

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value. The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amounts of other financial liabilities carried at amortised cost closely approximate their fair values. The impact of discounting on borrowings and trade and other payables is not significant due to the market terms (rates and tenor) available (borrowings) and because the instruments are short term in nature (trade and other payables).

The carrying amount of financial assets not held at fair value approximate the respective fair values as the instruments are short term in nature.

4.7 Financial instruments by category

	2025 K'000	2024 K'000
Assets as per statement of financial position		
Loans and receivables:		
Trade and other receivables (excluding prepayments)	1 251 610	1 067 837
Cash and cash equivalents	585 416	609 557
	<u>1 837 026</u>	<u>1 677 394</u>
Liabilities as per statement of financial position		
Other financial liabilities at amortized cost:		
Trade and other payables (excluding statutory liabilities)	3 530 685	2 696 626
Amounts due to related parties	1 681 486	1 180 866
Bank Overdraft	2 063 240	7 335 860
	<u>7 275 411</u>	<u>11 213 352</u>

Notes to the financial statements for the year ended 31 December 2025

5 Property, plant and equipment

	Freehold land	Buildings & construction	Plant and equipment	Agricultural equipment	Furniture & Fittings	Motor vehicles	Mature	Immature	Total
	K'000	K'000	K'000		K'000	K'000	K'000	K'000	K'000
Year ended 31 December 2025									
Opening net book amount	2 542 329	1 852 187	1 438 507	259 369	65 029	54 115	10 756 216	3 830 027	20 797 779
Additions	-	54 056	88 127	20 581	28 328	-	-	146 773	337 865
Reversal of dep on disposals	-	3 864	18 220	-	-	-	-	-	22 084
Assets Disposed	-	(4 546)	(21 430)	-	-	-	-	-	(25 976)
Depreciation charge	-	(72 473)	(189 384)	(13 813)	(2 252)	(5 631)	(243 004)	-	(526 557)
Closing net book amount	2 542 329	1 833 088	1 334 040	266 137	91 105	48 484	10 513 212	3 976 800	20 605 195
At 31 December 2025									
Cost	244 644	1 166 802	1 428 506	423 730	179 475	174 341	6 600 204	3 976 800	14 194 502
Valuation	2 297 685	1 157 166	2 291 231	117 846	25 094	75 632	7 051 764	-	13 016 418
Accumulated depreciation	-	(490 880)	(2 385 697)	(275 439)	(113 464)	(201 489)	(3 138 756)	-	(6 605 725)
Closing net book amount	2 542 329	1 833 088	1 334 040	266 137	91 105	48 484	10 513 212	3 976 800	20 605 195
Year ended 31 December 2024									
Opening net book amount	2 542 329	1 909 596	1 676 098	287 018	72 990	77 205	11 189 646	3 635 749	21 390 631
Additions	-	3 900	46 065	-	-	-	-	194 278	244 243
Depreciation charge	-	(61 309)	(283 656)	(27 648)	(7 962)	(23 090)	(433 430)	-	(837 095)
Closing net book amount	2 542 329	1 852 187	1 438 507	259 370	65 028	54 115	10 756 216	3 830 027	20 797 779
At 31 December 2024									
Cost	244 644	1 117 292	1 361 809	403 149	151 147	174 342	6 600 204	3 830 027	13 882 614
Valuation	2 297 685	1 157 166	2 291 231	117 847	25 092	75 633	7 051 764	-	13 016 419
Accumulated depreciation	-	(422 271)	(2 214 533)	(261 626)	(111 211)	(195 860)	(2 895 752)	-	(6 101 254)
Closing net book amount	2 542 329	1 852 187	1 438 507	259 370	65 028	54 115	10 756 216	3 830 027	20 797 779

Immature tea and timber are less than three and seven years respectively. The property, plant and equipment were revalued as at 31 December 2023 by directors. The Company movable and immovable assets including property, plant and equipment are pledged as collateral for bank overdraft (note 11).

Kawalazi Estate Company Limited

Notes to the financial statements for the year ended 31 December 2025

6 Biological assets – plantations

	Tea K'000	Macadamia K'000	Timber K'000	Total K'000
Year ended 31 December 2025				
Mature plantations				
Carrying amount at 1 January	148 850	262 967	391 632	803 449
Transfer of harvest to inventory	18 099	12 902	(36 785)	(5 784)
Carrying amount at 31 December 2025	166 949	275 869	354 847	797 665
Year ended 31 December 2024				
Mature plantations				
Carrying amount at 1 January	217 117	150 500	373 365	740 982
Transfer of harvest to inventory	(68 267)	112 467	18 267	62 467
Carrying amount at 31 December 2024	148 850	262 967	391 632	803 449
Plantation areas				
At 31 December 2025				
	Tea Hectares	Macadamia Hectares	Timber Hectares	Total Hectares
Mature	867	843	189	1 899
Immature	85	187	715	987
	952	1 030	904	2 886
	Kilograms	Kilograms	Cubic meters	
Expected output 2026	3 700 030	65 000	22 000	
Output of agricultural produce during the year (Kg)	3 400 692	66 963	14 425	
Plantation areas				
At 31 December 2024				
	Tea Hectares	Macadamia Hectares	Timber Hectares	Total Hectares
Mature	867	843	189	1 899
Immature	85	187	715	987
	952	1 030	904	2 886
	Kilograms	Kilograms	Cubic meters	
Expected output 2025	4 183 030	54 392	15 000	
Actual output for 2024	4 022 000	66 580	10 520	

The valuations of biological assets are calculated using estimates of expected future yields, selling prices, growing costs and appropriate discount rates all of which require judgement to determine (refer note 3).

	2025 K'000	2024 K'000
7 Future crop expenditure		
At beginning of the year		306 014
Additions during the year	145 440	
Transfer to profit or loss	-	(306 014)
At end of the year	145 440	-
8 Inventories		
Produce inventories	877 745	1 588 042
Consumable stores	2 448 224	1 542 998
Goods in transit	1 733	347 720
Nurseries	117 285	84 422
	3 444 987	3 560 182
	2025 K'000	2024 K'000
9 Trade and other receivables		
Trade receivables	1 231 229	1 253 016
Other receivables	20 381	22 612

Kawalazi Estate Company Limited

Notes to the financial statements for the year ended 31 December 2025

Prepayments	220 982	143 918
Staff debtors	22 194	16 280
Value Added Tax ("VAT") recoverable	1 261 856	897 171
	2 756 642	2 332 997
At 31 December, the ageing analysis of these trade receivables is as follows:		
Up to 1 month	145 664	250 887
1 month to 3 months	1 068 199	1 002 129
	1 213 863	1 253 016

As at 31 December 2025 trade receivables of K 1,213,863 (2024: K1,253, 016) were fully performing.

The Company writes off trade and related party receivables that are uncollectible. This determination is reached after considering the terms of trade and the financial position of each customer. Directors have also considered the credit loss that might arise from the trade receivables and have concluded that the carrying amounts approximate the fair values.

Each customer has been assessed individually and from the historical data all the cash flows are receivable within the 12-month cycle.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2025	2024
Foreign	1 231 230	1 253 016
Local	1 525 412	1 079 981
	2 756 642	2 332 997

10 Related party balances and transactions

Kawalazi Estate Company Limited is a wholly owned subsidiary of Dhunseri Petrochem & Tea Pte Limited, a company domiciled in Singapore.

	2025 K'000	2024 K'000
The following transactions were carried out with related parties:		
10.1 Purchases from fellow group companies		
Makandi Tea and Coffee Estates Limited	-	2 148 450
10.2 Procurement of services		
Corporate fees	203 516	270 836
Management fees - Dhunseri Petrochem & Tea Pte Limited	203 980	202 743
	407 496	473 579
10.3 Loan from Dhunseri Petrochem & Tea Pte Limited note 12		1 733 833
10.4 Key management personnel compensation		
Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is as follows:		
Short term benefits: Salaries and bonuses	377 671	442 813

Kawalazi Estate Company Limited

Notes to the financial statements for the year ended 31 December 2025

10 Related party balances and transactions (continued)

	2025	2024
The following year end balances arose from transactions with related parties	K'000	K'000
(i) Amounts due to related parties:		
Dhunseri Petrochem & Tea Pte Limited	337 495	43 346
Makandi Tea and Coffee Estates Limited	1 343 991	1 137 521
	<u>1 681 486</u>	<u>1 180 866</u>

Related party transactions include management fees on services rendered by the parent company and the purchase of goods for own use. Amounts due to/due from related parties are interest free.

Outstanding balances are unsecured and are repayable in cash.

Kawalazi Estate Company Limited has issued an unlimited guarantee in favour of Standard Bank (Malawi) Limited as part of the security for Makandi facilities amounting to US\$7.5 million. The facilities run up to 30 June 2029.

	2025	2024
11. Cash and cash equivalents	<u>585 416</u>	<u>609 557</u>

Reconciliation to cash flow statement

The above figures reconcile to the amount of cash and cash equivalents shown in the statement of cash flow at the end of financial year as follows:

Cash and bank balances	585 416	609 557
Bank overdraft	(2 063 240)	(7 335 860)
Net bank overdraft	<u>(1 477 824)</u>	<u>(6 726 303)</u>

Classification as cash and cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24-hour notice with no loss of interest.

The Company has overdraft facilities of USD 1 million and MK 25 million with National Bank of Malawi, in addition to a guarantee of K 40 million for the macadamia Export Processing Zone facility. It has also an Overdraft facility of USD.5 million with NBS Bank.

These facilities are secured by a charge over the tea factory equipment.

12. Loans-Long term		
National Bank Plc-Current	4,948,984	3,765,649
Dhunseri Petrochem & Tea Pte Limited	4,681,350	1,733,833
NBS Bank	2,510,206	-
	<u>12,140,540</u>	<u>5,499,482</u>
Loan-Short term		
National Bank Plc-Current	1,576,153	965,042
NBS Bank	93,750	-
	<u>1,669,903</u>	<u>965,042</u>
	<u>13,810,441</u>	<u>6,464,524</u>

The Company accessed a medium-term Capex loan of MK 4,7 billion (USD 3 million) from National Bank Plc at an annual interest rate of 7.5% to facilitate purchase of additional tea and curl machine and continuous fermenting unit machines to improve quality of tea leaves and installation of dicing machines to reduce Macademia. The loan will be repaid over a period of 3 years after a nine months moratorium 29 February 2024 to 30 October 2024. Interest will be serviced on a monthly basis during the moratorium period. Repayment will start on 30 November 2024 and the loan will be fully repaid on 30 October 2027.

Dhunseri Petrochem & Tea Pte Limited provided a convertible loan of MK 1,7 billion (USD 1 million) for the purpose of working capital. The loan attracts an annual interest rate of 7.6%. The loan is repayable over a period of 7 years from the effective date of repayment.

Kawalazi Estate Company Limited

Notes to the financial statements for the year ended 31 December 2025

	2025 K'000	2024 K'000
13 Share capital		
Authorized		
60 000 000 ordinary shares of K1 each	<u>60 000</u>	<u>60 000</u>
Issued and fully paid		
33 984 000 ordinary shares of K1 each	<u>33 984</u>	<u>33 984</u>
The unissued shares are under the control of directors subject to the limitations imposed by the Companies Act, 2013 and the Articles of Association of the Company.		
14 Trade and other payables		
Trade payables	2 426 838	2 297 339
Payroll liabilities	127 802	237 955
Statutory liabilities	63 410	40 565
General accruals and provisions	<u>976 045</u>	<u>247 135</u>
	<u>3 594 095</u>	<u>2 822 994</u>
15 Employee benefits obligations		
Pension	2 833	-
Gratuity	<u>14 738</u>	<u>19 472</u>
	<u>17 571</u>	<u>19 472</u>
<i>Nature and computation of employee benefits</i>		
Pension relates to the employee's contribution and company contributions for the month and was not remitted to the Pension house as at 31st December 2025. Gratuity is a total provision made for non-pensionable staff and is 5 % of the annual income of the concerned employees in accordance with their contract of employment.		
Trade payables are unsecured and are usually paid within 90 days of recognition.		
	<u>2 426 838</u>	<u>2 297 339</u>
The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.		
16 Revenue		
Tea	8 105 585	7 207 507
Macadamia	<u>1 325 977</u>	<u>3 171 496</u>
	<u>9 431 562</u>	<u>10 379 004</u>
17 Other income		
Sundry sales	<u>1 081 061</u>	<u>413 627</u>
Sundry sales include proceeds from macadamia dust, tractor hire, maize mill and honey, macadamia factory processing recoveries and scrap metal sales.		
18 Exchange losses (net)		
Exchange gains	144 100	369 268
Exchange losses	<u>(45 304)</u>	<u>(682 899)</u>
	<u>98 796</u>	<u>(313 631)</u>
19 Cost of sales		
Harvesting costs	1 361 336	1 262 010
Field maintenance costs	1 738 857	2 816 756
Primary processing costs	39 844	37 682
Indirect estates costs	1 060 200	764 983
Out grower purchases	20 597	2 211 435
Secondary processing costs	3 162 684	2 508 397
Opening and closing stock movement	<u>564 857</u>	<u>865 295</u>
	<u>7 948 374</u>	<u>9 466 558</u>

Kawalazi Estate Company Limited

Notes to the financial statements for the year ended 31 December 2025

	2025 K'000	2024 K'000
20 Administrative expenses		
Audit fees	86 696	37 277
Bank charges	96 084	136 171
Clinics	122 453	102 555
Communication	28 626	29 448
Depreciation	526 556	837 097
Directors expenses	8 670	8 670
Entertainment costs	23 695	11 708
Insurance	157 291	111 834
Land rent	8 371	8 374
Legal and professional fees	110 400	17 680
Management fees – Dhunseri Petrochem Pte Limited	203 980	202 743
Office and stores costs	32 534	18 111
Personnel expenses	20 169	5 247
Salaries and related costs (note 19.1)	623 051	551 644
Security costs	695 600	410 494
Stock write-offs and other expenses	54 084	2 121
Subscriptions and donations	97 879	59 659
Sundry expenses	2 696	915
Technical fees	203 516	270 836
Group office recharges	377 671	442 813
Travel and transport	116 685	142 854
	3 596 706	3 408 249
20.1 Salaries and related costs		
Salaries, wages & related costs	524 875	490 778
Pension costs	10 591	15 547
Leave and severance pay	24 711	11 961
Staff housing costs	11 811	8 783
Welfare and ration costs	51 063	24 575
	623 051	551 644
21 Selling and distribution expenses		
Transportation and brokerage costs	947 827	909 523
Sample postage charges	26 243	12 759
Cess on production	80 404	94 555
Warehouse and handling	110 932	23 534
	1 165 406	1 040 371
22 Finance cost		
Interest charges on bank overdraft and loans	1 006 886	786 525
23 Income tax		
Income tax credit	(1 708 944)	(1 457 462)
The tax on the Company's profit before tax differs from that that would arise using the legislated tax rate as follows:		
Loss before income tax expense	(3 111 738)	(4 160 236)
Tax at the rate of 30%	(933 521)	(1 248 070)
Additional tax incentives		
Temporary differences	(775 423)	(209 391)
	(1 708 944)	(1 457 462)
Income tax liability		
Opening balance	10 108	10 108
Current charge	47 158	-
	57 266	10 108

Notes to the financial statements for the year ended 31 December 2025

Deferred income tax liabilities

	Accelerated capital allowances K'000	Revaluation reserve K'000	Other K'000	Total K'000
At 1 January 2024	(20 865)	3 674 142	52 310	3 705 587
Charge to income statement	(1457 462)	-	-	(1 457 462)
At 31 December 2024	(1 478 327)	3 674 142	52 310	2 248 125
At 1 January 2025	(1 478 327)	3 674 142	52 310	2 248 125
Charge to income statement	(993 185)	-	-	(993 185)
At 31 December 2025	(2 471 512)	3 674 142	52 310	1 254 940

24 Contingent liabilities

The Company's land has been encroached by people of surrounding villages since 2010, and a claim for damages and a restraining order has been filed with the courts. The case is ongoing and directors have assessed that the company has a strong case. There are other ongoing cases in court arising in the normal operations of the company. The directors have assessed that the cases will not result in significant cash outlays.

25 Capital commitments

There were no outstanding capital commitments as at 31 December 2025 (2024: nil)

26 Events after the reporting date

The Reserve Bank of Malawi (RBM) revised the policy rate from 24% to 26% in February 2026. The Malawi Kwacha weakened relative to major foreign trading currencies by 3% in March 2026. The impact of these events will be reflected in the financial statements for the year ending 31 December 2026. There are no other events that require adjustment or disclosure in the financial statements.

27 Exchange and inflation rates

The closing exchange rates for the major foreign currencies affecting the performance of the company during the period are detailed below:

	2025	2024
United States Dollar (USD)	1 733.83	1 733.83
South African Rand (ZAR)	107.53	95.03
Inflation	26.0%	28.1%
At the time of approval of these financial statements, exchange rates were as follows:		
United States Dollar (USD)	1 751.00	
South African Rand (ZAR)	109.24	
Inflation	23.8%	

28 Going concern

The Company incurred a loss after tax of K1.4 billion (2024: K2.7 billion) for the year ended 31 December 2025 and as of that date and the company's current liabilities of K7.37 billion are covered by current assets of K7.7 billion by K0.34 billion.

The Shareholders for the Company approved various recommendations to enable the Company to return to profitability.

- The shareholders and the Board approved a shareholders' loan facility of US\$ 2.7million from Dhunseri. This funding will provide cashflow support to the Company for the foreseeable future.
- The Group office provides group treasury management support to the Company.

These financial statements have been prepared on the going concern basis, on the grounds that the directors and the shareholders have confirmed continued support and consider that the Company have put in place measures to ensure continuation of operations