

NAMING'OMBA TEA ESTATES LIMITED

FINANCIAL STATEMENTS
For the 7 month period ended 31 March 2015

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31 March 2015

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NAMING'OMBA TEA ESTATES LIMITED

DIRECTORS' REPORT

For the 7 month period ended 31 March 2015

The Directors have pleasure in presenting their report together with the audited financial statements of the company for the 7 month period ended on 31 March 2015.

1. Nature of Business

Naming'omba Tea Estates Limited is involved in growing, processing and selling tea, macadamia nuts, forestry products and tobacco.

2. Incorporation and Registered Office

The Company is a limited liability company incorporated under the Malawi Companies Act, 1984 and its registered office is at Naming'omba Tea Estate, P.O. Box 2, Thyolo, Malawi.

3. Financial performance

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

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

As Regards to Qualified Audit opinion on IAS 16 *Property, plant & equipment*. The Directors are of the view that the entity was acquired few months ago as a going concern. As such with the change in reporting period it was not practical to revalue the property in that short period. However the directors have undertaken to carry out a complete revaluation as required by IAS 16 *Property, plant & equipment* by 31 March 2016.

4. Takeover and Change in Management

During the financial year 2014-15, Gillanders (Mauritius) Holdings Limited, Mauritius, a wholly owned subsidiary of Gillanders Arbuthnot and Company Limited, India, acquired 100% equity shares of Group Developments Limited from O & G Investments Limited and its nominees. In the process of this acquisition, all liabilities which were due to NBS Bank Limited were paid and the securities discharged.

5. Board of directors and secretary of the Company

The Directors and secretary of Naming'omba Tea Estates Limited who served during the year:-

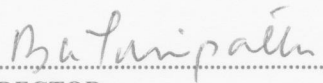
Mr. Digvijai Singh	-	Managing Director from 22-12-2014
Mr. Birendra Kumar Tripathi	-	Director from 22-12-2014
Mr. Crispin Ngunde	-	Director from 22-12-2014
Ms. Gloria Mbendera	-	Director from 22-12-2014
Mr. Barkley Chima	-	Director from 22-12-2014
Mr. E. Phakamea	-	Secretary
Mr. A. Chioko	-	Chairman (up to 22-12-2014)
Mr. L.Munkhonda	-	Director (up to 22-12-2014)
Mrs. K. Phoya	-	Director (up to 22-12-2014)
Mr. A. Suluma	-	Director (up to 22-12-2014)

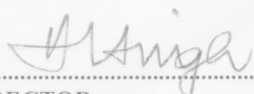
6. Legal advisors

Wilson and Morgan
P O Box 527
Blantyre

7. Auditors

Messrs KPMG, Certified Public Accountants and Business Advisors (Malawi) have expressed their willingness to continue in office as auditors in respect of the Company's 31 March 2016 financial statements and a resolution proposing their appointment will be tabled at the forthcoming Annual General Meeting.


.....
DIRECTOR


.....
DIRECTOR

Date: 22 May 2015

NAMING'OMBA TEA ESTATES LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

For the 7 month period ended 31 March 2015

The directors are responsible for the preparation and fair presentation of the financial statements of Naming'omba Tea Estates Limited, comprising the statement of financial position at 31 March 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 7 month period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act, 1984.

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

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

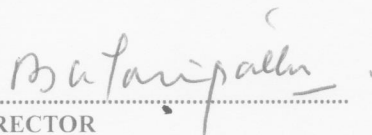
- maintenance of proper accounting records;
- selection of suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- compliance with applicable accounting standards, when preparing financial statements, subject to any material departures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

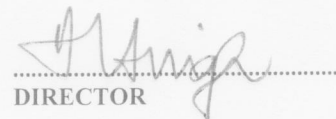
The directors are responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Company's ability to remain a going concern and have no reason to believe the business will not be a going concern in the year ahead,

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

The financial statements were approved by the board of directors on 22 May 2015 and are signed on its behalf by:


.....
DIRECTOR


.....
DIRECTOR

Date: 22 May 2015



2014000062

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

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E-mail: mw-fminformation@kpmg.com
Website: www.kpmg.com/mw

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

We have audited the accompanying financial statements of Naming'omba Tea Estates Limited, which comprise the statement of financial position at 31 March 2015, and the statements of profit or loss and other comprehensive income, statement of changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes, set out from pages 4 to 30. The company's financial statements of previous year were audited by another auditor who expressed unqualified opinion.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Basis of qualified opinion

Qualification

The company carries its items of Property, plant and equipment at fair value using the revaluation model as described in note 2.5 International Financial Reporting Standards IAS 16: *Property, plant and equipment* requires that assets carried under the revaluation model be revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.


As indicated in note 5, the Company's items of land and buildings were last revalued on 28 February 1978. In addition IAS 16 requires the disclosure of the carrying amount that would have been recognized had the assets been carried under the cost model. These disclosures have not been provided. It was impracticable for us to quantify the financial effects of this matter.

Qualified opinion

In our opinion, except for the effects of matter raised in the basis of qualified opinion paragraph, these financial statements give a true and fair view of the financial position of Naming'omba Tea Estates Limited as at 31 March 2015, and of its financial performance and cash flows for the seven month period then ended in accordance with International Financial Reporting Standards and in a manner required by the Malawi Companies Act, 1984.

Other matter

The financial statements for the previous year were audited by another auditor who expressed an unqualified opinion on these financial statements in their report dated 18 December 2014.


Certified Public Accountants and Business Advisors
Blantyre, Malawi

22 May 2015

NAMING'OMBA TEA ESTATES LIMITED

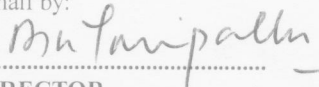
STATEMENT OF FINANCIAL POSITION

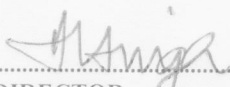
As at 31 March 2015

In thousands of Malawi Kwacha

	<u>Notes</u>	<u>7 month period ended 31 March 2015</u>	<u>12 month period ended 31 August 2014</u>
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,134,679	1,071,767
Biological assets	6	<u>5,688,656</u>	<u>5,688,656</u>
		<u>6,823,335</u>	<u>6,760,423</u>
Current assets			
Future crop expenditure	7	73,078	61,912
Inventories	8	527,649	273,448
Trade and other receivables	9	228,376	132,984
Amounts due from related parties	10	8,116	2,824
Cash and cash equivalents	12	<u>1,203</u>	<u>4,404</u>
		<u>838,422</u>	<u>475,572</u>
Total assets		<u>7,661,757</u>	<u>7,235,995</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	7,618	7,618
Share premium		54,876	54,876
Capital reserve		264,412	264,412
Property revaluation reserve		517,425	517,425
Biological asset revaluation reserve		3,894,916	3,894,916
Retained earnings		<u>(21,760)</u>	<u>122,143</u>
		<u>4,717,487</u>	<u>4,861,390</u>
Non-current liabilities			
Deferred tax	19	1,945,499	1,927,717
Long term borrowings	12	<u>36,957</u>	<u>-</u>
		<u>1,982,456</u>	<u>1,927,717</u>
Current liabilities			
Bank overdraft	12	465,120	109,715
Trade and other payables	14	118,375	79,765
Provisions	14.1	158,154	39,735
Amount due to related parties	10	<u>220,165</u>	<u>217,673</u>
		<u>961,814</u>	<u>446,888</u>
Total liabilities		<u>2,944,270</u>	<u>2,374,605</u>
Total equity and liabilities		<u>7,661,757</u>	<u>7,235,995</u>

These financial statements were approved by the Company's Board of Directors on 22 May 2015 and were signed on its behalf by:


.....
DIRECTOR


.....
DIRECTOR

The financial statements are to be read in conjunction with the notes on pages 8 to 30.

The independent auditor's report is on page 3.

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the 7 month period ended 31 March 2015

In thousands of Malawi Kwacha

	<u>Notes</u>	7 month period ended 31 March 2015	12 Month period ended 31 August 2014
Turnover	15	553,271	1,067,466
Cost of sales		(241,102)	(560,148)
Selling expenses		<u>(11,365)</u>	<u>(25,125)</u>
Gross profit*		300,804	482, 193
Other income	16	46,744	17,597
Fair value on revaluation of biological assets	6	-	1,172,716
Administration expenses	17	<u>(317,288)</u>	<u>(500,455)</u>
Operating profit/(loss)		30,260	1,172,051
Exchange gain		25,438	56,651
Finance cost	18	<u>(182,018)</u>	<u>(18,896)</u>
(Loss)/profit before taxation		<u>(126,320)</u>	1,209,806
Income (tax expense)/credit	19	<u>(17,583)</u>	<u>(222,630)</u>
Total comprehensive (loss)/income for the year		<u>(143,903)</u>	<u>987,176</u>

The financial statements are to be read in conjunction with the notes on pages 8 to 30.

The independent auditor's report is on page 3.

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY
For the 7 month period ended 31 March 2015
In thousands of Malawi Kwacha

2015	Share Capital	Share Premium	Revaluation reserve	Capital reserve	Biological asset revaluation reserve	Retained earnings	Total
Balance as at 1 September 2014	7,618	54,876	517,425	264,412	3,894,916	122,143	4,861,390
<i>Total comprehensive income</i>	-	-	-	-	-	(143,903)	(143,903)
Profit for the period	-	-	-	-	-	(143,903)	(143,903)
Total comprehensive income	-	-	-	-	-	(143,903)	(143,903)
Balance as at 31 March 2015	7,618	54,876	517,425	264,412	3,894,916	(21,760)	(4,717,487)
2014							
Balance as at 1 September 2013	7,618	54,876	736,322	145,537	3,074,015	(44,132)	3,974,236
<i>Total comprehensive income</i>	-	-	(218,897)	-	820,901	987,176	987,176
Profit for the year	-	-	(218,897)	-	820,901	(820,901)	(218,897)
Other comprehensive income	-	-	(218,897)	-	820,901	166,275	768,279
Total comprehensive income	-	-	(218,897)	-	820,901	166,275	768,279
<i>Transactions with owners of the company</i>	-	-	-	118,875	-	-	118,875
Liabilities taken over	-	-	-	118,875	-	-	118,875
Total transactions with owners of the company	-	-	-	118,875	-	-	118,875
Balance as at 31 August 2014	7,618	54,876	517,425	264,412	3,894,916	122,143	4,861,390

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

NAMING'OMBA TEA ESTATES LIMITED

STATEMENT OF CASH FLOWS
For the 7 month period ended 31 March 2015
In thousands of Malawi Kwacha

	<i>Notes</i>	7 month period ended 31 March 2015	12 Month period ended 31 August 2014
Cash flows from operating activities			
(Loss)/profit before taxation		(126,320)	1,209,806
<i>Adjusted for:</i>			
Depreciation	5	27,284	47,016
Fair value gain		-	(1,172,716)
Profit/(loss) on disposal of property, plant and equipment		(190)	499
Interest paid	18	<u>182,018</u>	<u>18,896</u>
		82,792	103,501
Operating profit before working capital changes			
Increase in future crop expenditure		(11,166)	(24,664)
Increase in inventories		(254,201)	(151,598)
Increase in trade and other receivables		(95,392)	(3,258)
(Increase)/decrease in amount due from related parties.		(5,292)	24,537
Increase/(decrease) in trade and other payables		157,029	(60,442)
Increase/(decrease) in amounts due to related parties		<u>2,492</u>	<u>(56,942)</u>
		(123,738)	(168,867)
Cash utilized in operating activities			
Taxation		<u>199</u>	<u>13,379</u>
		(123,539)	(155,488)
Net cash utilized in operating activities			
Cash flows from investing activities			
Proceeds from sale of assets		1,420	-
Acquisition of property, plant and equipment	5	<u>(91,426)</u>	<u>(40,181)</u>
		<u>(90,006)</u>	<u>(40,181)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings	12	36,957	-
Capitalised accounts payables		-	118,875
Interest paid	18	<u>(182,018)</u>	<u>(18,896)</u>
		<u>(145,061)</u>	<u>99,979</u>
Net cash (utilized in)/generated from financing activities			
Net decrease in cash and cash equivalents for the period		(358,606)	(95,690)
Cash and cash equivalents at the beginning of the period		<u>(105,311)</u>	<u>(9,621)</u>
		<u>(463,917)</u>	<u>(105,311)</u>
Cash and cash equivalents at the end of the year			
	12	<u>(94,709)</u>	<u>(2,805)</u>
Movement in working capital as defined by legislation			

The financial statements are to be read in conjunction with the notes on pages 8 to 30.

The independent auditor's report is on page 3

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the 7 month period ended 31 March 2015

1. General Information

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Basis of measurement

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

2.1.3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognised in the financial statements can be found in the following notes:

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (Continued)

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates "the functional currency". The financial statements are presented in Malawi Kwacha (K) which is the company's functional and presentation currency.

2.2.2 Transactions and balances

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

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

2.3 Revenue recognition

2.3.1 Turnover

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

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

2.3.2 Other income

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

2.3.3 Interest income

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (Continued)

2.4 Development cost

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

Replanting and in-filling costs are expensed when incurred.

2.5 Property, plant and equipment

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

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

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

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

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

Subsequent costs

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

On going repairs and maintenance are expensed as incurred.

2.6 Depreciation

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

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

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (Continued)

2.7 Biological assets

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

2.8 Future crop expenditure

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

2.9 Inventories

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

2.10 Trade and other receivables

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

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (Continued)

2.11 Impairment of non-financial assets

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

2.12 Financial assets

2.12.1 Classification

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

2.12.2 Loans and receivables

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

2.12.3 Recognition and measurement

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

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

2.12.4 Offsetting financial instruments

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (Continued)

2.13 Impairment of financial assets

2.13.1 Assets carried at amortised cost

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

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

- significant financial difficulty of the issuer or obligant;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the debtors financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measureable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) Adverse changes in the payment of borrowers in the portfolio;
 - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The company first assesses whether objective evidence of impairment exists.

The amount of the loss is then measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (Continued)

2.13.2 Assets classified as available for sale

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

2.14 Cash and cash equivalents

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

2.15 Deferred and current income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

2.16 Pension fund and severance pay

2.16.1 Pension

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (Continued)

2.16.2 Severance pay

The liability recognised in the statement of financial position in respect of severance pay obligations is calculated in accordance with the requirements of the Malawi Employment (Amendment) Act (as amended in 2010, effective retrospectively from 1 July 2011) and arises on termination of:

- (i) Redundancy or retrenchment due to economic difficulties, technical, structural or operational requirements of the company.
- (ii) Unfair dismissal
- (iii) Non-expatriate personnel earning less than an average of K10,000 per month.

In addition, the company has provided for severance pay in respect of an unfunded pension obligation resulting from introduction of the Pensions Act 2011 and the Employment (Amended) Act. The provision is determined as the difference between pension contributions plus the growth of the fund for each eligible employee and his hypothetical severance pay. Obligation, as from 31 May, 2011 is calculated on the following basis:

Length of service	Severance payable
Up to 5 years	Two weeks' wages for each year
More than 5 years but than 10 years	Two weeks' wages for each of the first five years completed plus less three weeks' wages for each of the subsequent years completed.
More than 10 years	Two weeks' wages for each of the first five years completed plus three weeks' wages for each of the next five years completed plus four weeks wages for each subsequent year completed:

2.17 Provisions

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

2.18 Borrowings

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

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

2.19 Trade payables

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

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

2.20 Equity

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (Continued)

2.21 New Standards and Interpretations not yet adopted

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

New or amended standards	Summary of requirements
IFRS 9 <i>Financial instruments</i>	This replaces existing guidance in IAS 39 <i>Financial Instruments: Recognition and measurement</i> This includes revised guidance on classification and measurements of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.
IFRS 15 <i>Revenue from contracts with customers</i>	This establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i> , IAS 11 <i>Construction contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i> . IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017 with early adoption permitted.
<i>Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41)</i>	These amendments require bearer plants, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 <i>Property, Plant and Equipment</i> , instead of IAS 41 <i>Agriculture</i> . This is effective for annual reporting periods beginning 1 January 2016.
IFRS 14 <i>Regulatory Deferral Accounts</i>	This is an interim standard for first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. This is effective for annual reporting periods beginning 1 January 2016.
<i>Equity Method in Separate Financial Statements (Amendments to IAS 27)</i>	The amendment allows the use of equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. This is effective for annual reporting periods beginning 1 January 2016.
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>	When a parent loses control of a subsidiary in a transaction with an associate or joint venture, there a conflict between the existing guidance on consolidation and equity accounting. The amendment addresses this conflict by creating new dividing lines. This is effective for annual reporting periods beginning 1 January 2016.
<i>Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)</i>	The amendment requires business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. This is effective for annual reporting periods beginning 1 January 2016.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (Continued)

2.22 New Standards and Interpretations not yet adopted (Continued)

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

This amendment introduces a rebuttable presumption that the use of revenue based amortization method for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue. The amendments also explicitly state the revenue-based method of depreciation cannot be used for property, plant and equipment.

This is effective for annual reporting periods beginning 1 January 2016.

Annual Improvements to IFRSs 2012–2014 Cycle – various standards

These annual improvements provide amendments to a collection of standards as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
 - Changes in the method for disposal
- IFRS 7 *Financial Instruments: Disclosures*
 - Continuing involvement for servicing contracts
 - Offsetting disclosures in condensed interim financial statements
- IAS 19 *Employee Benefits*
 - Discount rate in regional market sharing the same currency
- IAS 34 *Interim Financial Reporting*
 - Disclosure of information elsewhere in the interim financial report

These are effective for annual reporting periods beginning 1 January 2016.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

3. Financial Risk Management

3.1 Financial risk factors

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

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

3.2. Financial risk management objectives

The following is the analysis of the financial instruments:

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Financial assets			
Trade and other receivables	9	228,376	132,984
Due from related party	10	8,116	2,824
Cash and bank balances	12	<u>1,203</u>	<u>4,404</u>
Financial liabilities			
Borrowings	12	36,957	-
Trade and other payables	14	276,529	119,500
Bank overdraft	12	465,120	109,715
Due to related party	10	<u>220,165</u>	<u>217,673</u>

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

3.3. Market risk management strategies

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the 7 month period ended 31 March 2015

3.4 Foreign currency risk management

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

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

USD denominated assets	<u>2015</u>	<u>2014</u>
Receivables	179,128	129,375
USD denominated monetary liabilities		
Bank overdraft	434,734	-
Foreign currency sensitivity analysis		

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

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

	<u>2015</u>	<u>2014</u>
Profit or loss	(5.56 million)	2.81 million

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

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

3.5 Interest rate risk management

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on exposure to interest rate for non-derivative instruments at the reporting date. For the floating rate and semi-floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. The floating rate has been assumed at 37% (2014: 41%).

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

If the floating interest rates had been 5% higher/lower and all other variables were held constant, the company's profit for the year ended 31 March 2015 would have decreased/increased by **MK1.509 million** (2014: MK2.38 million).

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the 7 month period ended 31 March 2015

3.6 Credit risk management

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

	<u>2015</u>	<u>2014</u>
Maximum credit risk exposure	<u>228,376</u>	<u>132,984</u>

Included in the credit risk exposure above is **MK8.1 million** (2014: MK2.8 million) due from group companies with almost no credit risk.

3.7 Liquidity risk management

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

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

31 March 2015

	<u>Note</u>	<u>Up to 1 Month</u>	<u>1 to 3 Month</u>	<u>3 to 12 Month</u>	<u>Total</u>	<u>Fair value</u>
Financial assets						
Trade and other receivables	9	147,649	71,887	8,840	228,376	228,376
Due from related parties	10	5,292	-	2,824	8,116	8,116
Cash and cash equivalents	12	<u>1,203</u>	<u>-</u>	<u>-</u>	<u>1,203</u>	<u>1,203</u>
		<u>154,144</u>	<u>71,887</u>	<u>11,664</u>	<u>237,695</u>	<u>237,695</u>
Financial liabilities						
Trade and other payables	14	58,571	29,280	188,778	276,629	276,629
Bank overdraft	12	465,120	-	-	465,120	465,120
Due to related parties	10	<u>220,165</u>	<u>-</u>	<u>-</u>	<u>220,165</u>	<u>220,165</u>
Total financial liabilities		<u>743,856</u>	<u>29,280</u>	<u>188,778</u>	<u>961,914</u>	<u>961,914</u>
Periodic gap		(589,712)	(42,607)	(177,114)	(809,433)	(809,433)
Cumulative gap		(589,712)	(632,319)	(809,433)	(809,433)	(809,433)

31 August 2014

	<u>Note</u>	<u>Up to 1 Month</u>	<u>1 to 3 Month</u>	<u>3 to 12 Month</u>	<u>Total</u>	<u>Fair value</u>
Financial assets						
Trade and other receivables	9	69,739	62,242	1,003	132,984	132,984
Due from related parties	10	2,824	-	-	2,824	2,824
Cash and cash equivalents	12	<u>4,404</u>	<u>-</u>	<u>-</u>	<u>4,404</u>	<u>4,404</u>
		<u>76,967</u>	<u>62,242</u>	<u>1,003</u>	<u>140,212</u>	<u>140,212</u>
Financial liabilities						
Trade and other payables	14	69,688	14,428	35,384	119,500	119,500
Bank overdraft	12	109,715	-	-	109,715	109,715
Due to related parties	10	<u>217,673</u>	<u>-</u>	<u>-</u>	<u>217,673</u>	<u>217,673</u>
Total financial liabilities		<u>397,076</u>	<u>14,428</u>	<u>35,384</u>	<u>446,888</u>	<u>446,888</u>
Periodic gap		(320,109)	(47,814)	(34,381)	(306,676)	(306,676)
Cumulative gap		(320,109)	(367,923)	(306,676)	(306,676)	(306,676)

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the 7 month period ended 31 March 2015

3.8 Financial instruments – Fair values and risk management

Accounting classifications and fair values

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

31 March 2015		Carrying amount				
		<u>Note</u>	<u>Loans and receivables</u>	<u>Available for sale</u>	<u>Other financial liabilities</u>	<u>Total</u>
Financial assets not measured at fair value						
Trade and other receivables	9	228,376	-	-	228,376	
Amount due from group companies	10	8,116	-	-	8,116	
Cash and cash equivalents	12	1,203	-	-	1,203	
Financial liabilities not measured at fair value						
Amount due to group companies	10	220,164	-	-	220,164	
Trade and other payables	14	276,529	-	-	276,529	
Bank overdrafts	12	465,120	-	-	465,120	
31 August 2014		Carrying amount				
		<u>Note</u>	<u>Loans and receivables</u>	<u>Available for sale</u>	<u>Other financial liabilities</u>	<u>Total</u>
Financial assets not measured at fair value						
Trade and other receivables	9	132,984	-	-	132,984	
Amount due from group companies	10	2,824	-	-	2,824	
Cash and cash equivalents	12	4,404	-	-	4,404	
Financial liabilities not measured at fair value						
Amount due to group companies	10	217,673	-	-	217,673	
Trade and other payables	14	119,500	-	-	119,500	
Bank overdrafts	12	109,715	-	-	109,715	

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

4 Critical accounting estimates and judgements

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

4.1 Estimated impairment of trade receivable

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

4.2 Income taxes

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

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

4.3 Biological assets valuation

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

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

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

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

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

4.4 Assets' economic lives and residual values

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the 7 month period ended 31 March 2015
In thousands of Malawi Kwacha

5	Property plant and equipment See accounting policy note 2.5	Freehold land and development	Freehold buildings and constructions	Plant and machinery	Motor vehicles	Water schemes	Furniture, fittings and equipment	Capital work in progress	Total
	Cost								
	2015								
	As at 1 September 2014	79,799	1,016,883	198,667	126,167	10,661	10,545	-	1,442,722
	Additions during the period	-	-	2,000	21,001	2,061	9,587	56,777	91,426
	Disposal during the period	-	-	-	(4,731)	-	-	-	(4,731)
	As at 31 March 2015	79,799	1,016,883	200,667	142,437	12,722	20,132	56,777	1,529,417
	2014								
	As at 1 September 2013	79,799	1,016,883	195,883	90,354	10,335	9,787	-	1,403,041
	Additions during the year	-	-	2,784	36,313	326	758	-	40,181
	Disposal during the year	-	-	-	(500)	-	-	-	(500)
	As at 31 August 2014	79,799	1,016,883	198,667	126,167	10,661	10,545	-	1,442,722
	Depreciation								
	2015								
	As at 1 September 2014	-	173,826	98,381	85,338	4,854	8,556	-	370,955
	Charge for the period	-	13,304	6,599	4,510	2,216	655	-	27,284
	Eliminated on disposals	-	-	-	(3,501)	-	-	-	(3,501)
	As at 31 March 2015	-	187,130	104,980	86,347	7,070	9,211	-	394,738
	2014								
	As at 1 September 2013	-	153,488	88,145	69,978	4,753	7,577	-	323,941
	Charge for the year	-	20,338	10,236	15,360	101	979	-	47,016
	As at 31 August 2014	-	173,826	98,381	85,338	4,854	8,556	-	370,955
	Carrying amount								
	As at 31 March 2015	79,799	829,753	95,687	56,090	5,652	10,921	56,777	1,134,679
	As at 31 August 2014	79,799	843,057	100,286	40,829	5,807	1,989	-	1,071,767

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

5. Property plant and equipment (continued)

Land and development, water schemes and plant and machinery are stated at revalued amounts as at 28 February 1978, and subsequent additions are included at cost.

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

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

In thousands of Malawi Kwacha

6	Biological assets	31 March	August
	<i>See accounting policy note 2.7</i>	<u>2015</u>	<u>2014</u>
	Opening balance	5,688,656	4,515,940
	Fair value gains	-	1,172,716
	Closing balance	<u>5,688,656</u>	<u>5,688,656</u>
	Fair value movement in the period		
	Fair value gain in the period	-	1,172,716
	Analysed by:		
	Tea	-	735,968
	Macadamia	-	375,159
	Timber plantation	-	61,589
		<u>-</u>	<u>1,172,716</u>

2015

Other information	<u>Tea</u>	<u>Macadamia</u>	<u>Total</u>
Hectarage covered at period end	1,287	804	2,091
Total tonnage harvested during the period	4,116	1,430	5,546
The proceeds net of point of sales costs	319,117	222,796	541,913

2014

Other information	<u>Tea</u>	<u>Macadamia</u>	<u>Total</u>
Hectarage covered at year end	1,287	804	2,091
Total tonnage harvested during the year	7,159	1,390	8,549
The proceeds net of point of sales costs	644,793	313,286	958,079

NB: The production and proceeds is the combination of Mafisi, Group Holdings Limited and Naming'omba Tea Estates Limited.

The directors are of the opinion that the valuation of biological asset is not necessary as at 31 March 2015 because the business has been in operation only for seven month from the last day of valuation, which also happen to be within date of purchasing the business. Management will be carrying full valuation of biological asset in the subsequent reporting period. The Directors are of the opinion that the carrying value would not be significantly different from fair value even if the valuation were carried out.

7

Future crop expenditure

See accounting policy note 2.8

Macadamia	18,780	61,912
Tobacco	<u>54,298</u>	-
	<u>73,078</u>	<u>61,912</u>

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

In thousands of Malawi Kwacha

	31 March 2015	August 2014
8 Inventories		
<i>See accounting policy note 2.9</i>		
Finished goods:		
Macadamia	232,315	161,624
Made tea	200,733	61,053
Consumables	<u>94,601</u>	<u>50,771</u>
	<u>527,649</u>	<u>273,448</u>
9 Trade and other receivables		
<i>See accounting policy note 2.10</i>		
Trade	183,453	130,556
Other	<u>44,923</u>	<u>2,428</u>
	<u>228,376</u>	<u>132,984</u>
<p>The fair value of trade and other receivables approximates their carrying amounts.</p> <p>Trade and other receivables do not contain impaired assets.</p> <p>The maximum exposure to credit risks at the reporting date is the collateral carrying value on each class of receivable mentioned above. The company did not hold any collateral on the receivables.</p>		
10 Related parties		
<i>See accounting policy note 2.10 and 2.19</i>		
Due from:		
Mafisi Tea Estates Limited	2,688	-
Group Holdings Limited	2,604	-
Group Development Limited	<u>2,824</u>	2,824
	<u>8,116</u>	<u>2,824</u>
Amounts due to related parties:		
Group Holding Limited	53,805	52,929
Mafisi Tea Estate Limited	<u>166,360</u>	<u>164,744</u>
	<u>220,165</u>	<u>217,673</u>

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

In thousands of Malawi Kwacha

	7 month period ended 31 March <u>2015</u>	12 month period ended 31 August <u>2014</u>
11	Related party transactions	
	During the year the following transactions were carried out with related parties	
	Group Holdings Limited	
	Rent for use of land	<u>876</u> <u>12,810</u>
	Mafisi Tea Estates Limited	
	Rent for use of land	<u>1,616</u> <u>12,810</u>
12	Cash and cash equivalents	
	<i>See accounting policy note 2.14</i>	31 March 31 August
	<u>2015</u>	<u>2014</u>
	Cash at bank	1,203 4,404
	Bank overdrafts	<u>(465,120)</u> <u>(109,715)</u>
	<u>(463,917)</u>	<u>(105,311)</u>
	The working capital facilities from FMB Bank amounting to USD 1.150 Million (one million one hundred fifty thousand) and MK50 Million (Malawi Kwacha Fifty Million). Security charge by way of equitable mortgage over the assets of Naming'omba Tea Estates Limited to be created and presently title deeds of Mafisi Tea Estates Limited is held by the Bank.	
	Long term borrowing	
	FMB Bank	<u>36,957</u> <u>-</u>
	The foreign currency long term loan from FMB Bank is repayable over 7 years with 24 month moratorium on the principal amount. Interest is charged at 7.75% per annum. The loan is secured by a charge by way of equitable Mortgage over the assets of Naming'omba Tea Estates Limited to be created and presently title deeds of Mafisi Tea Estates Limited are held by the Bank.	
13	Share capital	
	<i>See accounting policy note 2.20</i>	
	Authorised:	
	8,000,000 ordinary shares of K1 each	<u>8,000</u> <u>8,000</u>
	Issued and fully paid:	
	7,617,633 ordinary shares of K1 each	<u>7,618</u> <u>7,618</u>
	Group Holding Limited	
14	Trade and other payables	
	<i>See accounting policy note 2.19</i>	
	Trade payables	<u>118,375</u> <u>79,765</u>

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

In thousands of Malawi Kwacha

14	Trade and other payables (continued)	31 March <u>2015</u>	31 August <u>2014</u>
14.1	Provisions		
	Employee provision	89,835	-
	Other provision	<u>68,319</u>	<u>39,735</u>
		<u>158,154</u>	<u>39,735</u>
14.2	Employee provision		
	Wages provision	60,169	-
	Gratuity	13,219	-
	Leave pay	<u>16,446</u>	<u>-</u>
		<u>89,835</u>	<u>-</u>
14.3	Other provisions		
	At 1 September 2014	39,735	142,952
	Net movements during the period	<u>28,584</u>	<u>(103,217)</u>
	Balance at period end	<u>68,319</u>	<u>39,735</u>
15	Turnover	7 month period ended 31 March <u>2015</u>	12 month period ended 31 August <u>2014</u>
	<i>See accounting policy note 2.3.1</i>		
	Tea	329,285	644,793
	Tea Sales Return	(1,413)	-
	Macadamia	225,399	313,286
	Tobacco	<u>-</u>	<u>109,387</u>
		<u>553,271</u>	<u>1,067,466</u>
16	Other income		
	<i>See accounting policy note 2.3.2</i>		
	Net revenue on other farm produce	<u>46,744</u>	<u>17,597</u>
17	Administration expenses		
	Audit remuneration - Fees	12,815	9,000
	Bank charges	4,411	7,209
	Depreciation (Note 10)	27,284	47,019
	Directors expenses	155	14,817
	Estate rent	2,495	25,619
	General administration	-	5,398
	Insurance	7,020	9,899
	Legal fees and other professional services fees	23,248	41,878
	Other costs	18,286	37,870
	Repairs and maintenance	49,265	48,820
	Salaries and wages	169,791	250,003
	Travelling	<u>2,518</u>	<u>2,923</u>
		<u>317,288</u>	<u>500,455</u>

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

In thousands of Malawi Kwacha

18	Finance income/cost <i>See accounting policy note 2.3.3</i>	7 month period ended 31 March 2015	12 month period ended 31 August 2014
	Exchange gain/(loss)		
	Unrealised gain/loss	<u>25,438</u>	<u>56,651</u>
	Finance cost		
	Interest expense	<u>182,018</u>	<u>18,896</u>
19	Taxation <i>See accounting policy note 2.15</i>		
	<i>Income tax expense</i>		
	<i>Current tax expense</i>		
	Current tax @ 30% (2014: 30%)	199	-
	Deferred tax (expense) /credit	<u>(17,782)</u>	<u>129,185</u>
		<u>(17,583)</u>	<u>129,185</u>
	Deferred tax on Biological assets revaluation	-	<u>(351,815)</u>
		<u>(17,583)</u>	<u>(222,630)</u>

The Company has taxable losses amounting to **K446 million** (2014: K255 million) which are available for offset against future taxable income. These losses are subject to agreement by Malawi Revenue Authority.

Deferred income tax

	<u>2015</u>			<u>2014</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Tax losses	-	-	-	(89,669)	-	(89,669)
Property, Plant & Equipment	-	1,983,446	1,983,446	-	2,017,386	2,017,386
Provisions	<u>(37,947)</u>	-	<u>(37,947)</u>	-	-	-
	<u>(37,947)</u>	<u>1,983,446</u>	<u>1,945,499</u>	<u>(89,669)</u>	<u>2,017,386</u>	<u>1,927,717</u>

The movement in deferred tax is analysed as follows:-

	Balance at 1 September 2014	Recognised in profit or loss	Balance at 31 March 2015
Tax losses	(89,669)	89,669	-
Property, plant and equipment	2,017,386	(33,940)	1,983,446
Provisions	-	<u>(37,947)</u>	<u>(37,947)</u>
	<u>(1,927,717)</u>	<u>17,782</u>	<u>1,945,499</u>

20 **Contingent liabilities**

The Company has an Escrow arrangement with NBS Bank whereby any liabilities that are discovered subsequent to take over and which were not disclosed to the new shareholders would be paid from the Escrow account. At the reporting period the company had contingent liability of MK30.6 million which would be settled under the Escrow rearrangement.

NAMING'OMBA TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

21. Exchange rates and inflation

The average of the year end selling rates of major foreign currencies affecting the performance of the Company are stated below, together with the increase in the National Consumer Price Index, which represents an official measure of inflation.

	31 March <u>2015</u>	31 August <u>2014</u>
Exchange rates		
Kwacha/GBP	756	748.00
Kwacha/Rand	43	45.00
Kwacha/US Dollar	490	450.00
Inflation rate %	<u>23.7%</u>	<u>22.9%</u>

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

Kwacha/GBP	717.39
Kwacha/Rand	40.6
Kwacha/US Dollar	468.52

22. Going concern

At the reporting date, the company has posted losses of **MK143 million** (2014: MK987 million Profit). The company's net liabilities exceed the current assets by MK123 million. These conditions among others cast doubt on the entity ability to continue as a going concern. In preparing these financial statements the directors have considered these factors and have formed an opinion that the entity remains a going concern. In forming this opinion, the directors have taken into account that they have just taken over the management of the company which was in a dilapidated state. They have undertaken a rehabilitation program which will lead to improve productivity and quality of tea and macadamia nuts being the main products from the estate.

23. Capital commitments

Their capital commitments as at 31 March 2015 amounted to **MK6,325,770** (31 August 2014: Knil). These commitments are to be financed by internally generated resources.

24. Subsequent events

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