

**GROUP DEVELOPMENTS LIMITED**  
**CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended**

**31 March 2016**

**GROUP DEVELOPMENTS LIMITED**

**CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

<b>CONTENTS</b>	<b>Page</b>
Directors' report	1
Directors' responsibility statement	2
Independent auditor's report	3
Consolidated and separate annual financial statements	
Statements of financial position	4
Statements of profit or loss and other comprehensive income	5
Statements of changes in equity	6-7
Statements of cash flows	8
Notes to the consolidated and separate annual financial statements	9

## GROUP DEVELOPMENTS LIMITED

### DIRECTORS' REPORT

For the year ended 31 March 2016

The Directors hereby present their report together with the audited Standalone and consolidated financial statements of Group Developments Limited (GDL) and its subsidiaries herein referred to as "Group" for the financial year ended on 31 March 2016.

#### 1. Financial Results and Dividend

For the financial year ended on 31<sup>st</sup> March, 2016, your Company has reported a profit of MK1,475.2 million against a reported loss of MK369.4 million for the 7 months period ended on 31<sup>st</sup> March, 2015. Operational matters have been discussed separately in this Report.

In order to conserve resources, your directors does not recommend dividend for the period under review.

#### 2. State of Company's Affairs

The results and state of affairs of the Group are set out in the standalone and consolidated 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 these financial statements.

The performance and state of affairs of the products in which the Company deals with are summarized below:

##### a. Tea

Inspite of severe drought in the Country, tea production for the year under review was 1.60 Million kgs, compared to last year's production of 1.36 million kgs. The increase in production is a reflection of improvement in health of the bushes, due to good agricultural practice and use of required manures and fertilizer. The tea price realization during the period was higher than the previous year. Your Company has started to gain goodwill in the international market and it is expected that in the coming years, there will be further improvement in price realisation.

##### b. Macadamia

During the year, Macadamia (N I H) production was 1.39 million kgs against last year's production of 1.68 million kgs. The fall in production was due to bad weather conditions.

During the period under review, the Macadamia factory, which was partly damaged due to fire, resulting in disruption of production, was renovated. The fully renovated factory was commissioned and was made operational from April, 2016.

The Directors expects that with the commissioning of the new Macadamia Factory quality & recovery will improve substantially leading to better results during the year.

##### c. Tobacco

The dry spell during the planting period affected the mortality rate of both flue cured tobacco and burley. Production for the year under review was lower than the previous year. Due to low demand prices were lower in the market. The Directors are undertaking a feasibility study on Tobacco and will decide on its continuity based on the reports of the said study.

#### 3. State of Affairs of the Subsidiaries

##### a) Namingomba Tea Estates Limited

Naming'omba Tea Estates Limited is the wholly owned subsidiary where major operations are taking place. The company is involved in growing, processing and selling tea, macadamia nuts, forestry products and tobacco.

For the financial year ended 31<sup>st</sup> March 2016, the subsidiary reported a profit of MK 2,632.7 million against a loss of MK 143.9 million in the previous year.

The subsidiary has embarked on an expansion program for Macadamia in the coming years in a phased manner.

##### b) Group Holdings Limited

Group Holdings Limited is another wholly owned subsidiary of your Company. The subsidiary rents out its land resources to a fellow subsidiary Naming'omba Estates Limited. For the financial year ended 31 March 2016, the subsidiary reported a profit of MK 1,105.6 million against a loss of MK342 million the previous year.

## GROUP DEVELOPMENTS LIMITED

### DIRECTORS' REPORT

For the year ended 31 March 2016

#### 3. State of Affairs of the Subsidiaries (continued)

##### c) Mafisi Tea Estates Limited

Mafisi Tea Estates Limited is the wholly owned subsidiary of your Company. The subsidiary rents out its tea and macadamia plantations to a fellow subsidiary Naming'omba Tea Estates Limited.

For the financial year ended 31 March 2016, the subsidiary reported a profit of MK 284.2 million vis a vis Profit of MK 1.1 million in the previous year.

#### 4. List of Bodies Corporate - Subsidiary or holding more than 25% of voting rights

The Company presently has the following three wholly owned subsidiaries:

- i) Naming'omba Tea Estates Limited
- ii) Mafisi Tea Estates Limited
- iii) Group Holdings Limited

The Registered office of the aforesaid subsidiaries is located at P. O. Box 2, Thyolo, Malawi.

Your Company is not beneficially entitled to equity shares of any body corporate, which confers the right to exercise more than 25% of the votes exercisable at a general meeting of a body corporate.

#### 5. Holding Company

Gillanders Holdings (Mauritius) Limited, having its registered office at 6<sup>th</sup> Floor, Tower A, 1 Cyber City, Ebene, Mauritius is the Holding Company of your Company. However, your Board understands that Gillanders Arbuthnot and Company Limited having its Registered Office at C 4, Gillander House, Netaji Subhas Road, Kolkata 700 001, is the ultimate holding Company.

#### 6. Auditors

Messrs. KPMG, Certified Public Accountants and Business Advisors (Malawi) and Statutory Auditor of the Company, who retire at the conclusion of the ensuing Annual General Meeting, and being eligible, offer themselves, for re-appointment till the conclusion of the next Annual General Meeting of the Company.

#### 7. Board of Directors and Secretary of the Company

During the year under review, Mr. Crispin Ngunde, Mrs Gloria Mbendera and Mr Barley Chima resigned as Directors of the Company with effect from September 17, 2015. Your Directors wish to place their sincere appreciation for the contribution made by the said outgoing Directors.

In accordance with the provisions of the Articles, Mr. Dev Kishan Sharda and Mr. Mahesh Sodhani, will retire in the ensuing Annual General Meeting, and being eligible, offers themselves, for re-appointment. The Board of Directors recommends their appointment.

#### 8. Appreciation

The Directors would like to record their appreciation for the co-operation and support received from the employees, shareholders, banks, government agencies and all stakeholders.

  
.....  
Shri D.K. Sharda  
CHAIRMAN

  
.....  
DIRECTOR

Date: 26/5/2016

**GROUP DEVELOPMENTS LIMITED**

**DIRECTORS' RESPONSIBILITY STATEMENT**

**For the year ended 31 March 2016**

The Directors are responsible for the preparation of the consolidated and separate annual financial statements of Group Developments Limited (GDL), comprising the consolidated and separate statements of financial position at 31 March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act, 1984. The directors are also responsible for presenting the directors' report.

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 annual financial statements comply with the Malawi Companies Act, 1984.

In preparing the annual 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 annual financial statements, subject to any material departures being disclosed and explained in the annual financial statements; and
- preparation of annual financial statements on a going concern basis unless it is inappropriate to presume that Group Developments Limited will continue in business.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of annual 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.

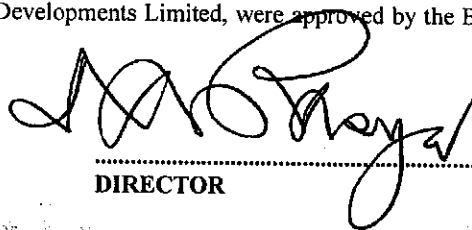
The auditor is responsible for reporting on whether the annual financial statements give a true and fair view in accordance with International Financial Reporting Standards (IFRS), and in the manner required by Malawi Companies Act, 1984.

**Approval of annual financial statements**

The consolidated and separate annual financial statements of Group Developments Limited, were approved by the Board of Directors on ..... 2016 and signed on its behalf by:



.....  
**Shri D.K. Sharda**  
**CHAIRMAN**



.....  
**DIRECTOR**

..... 2016



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

Telephone: (265) 01 820 744/ 01 820 391  
Fax : (265) 01 820 575  
E-mail: [mw-information@kpmg.com](mailto:mw-<u>information</u>@kpmg.com)  
Website: [www.kpmg.com/mw](http://www.kpmg.com/mw)

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GROUP DEVELOPMENTS LIMITED**

We have audited the accompanying consolidated and separate financial statements of Group Developments Limited which comprise the statements of financial position as at 31 March 2016 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 38.

### ***Directors' responsibility for the financial statements***

Directors are responsible for the preparation of consolidated and separate 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***

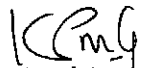
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

### ***Audit opinion***

In our opinion, these financial statements give a true and fair view of the consolidated and separate financial position of Group Developments Limited as at 31 March 2016, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by the Malawi Companies Act, 1984.

  
**Chartered Accountants**  
**Blantyre, Malawi**

26/5/.....2016

**GROUP DEVELOPMENTS LIMITED**

**STATEMENTS OF FINANCIAL POSITION**

**At 31 March 2016**

*In thousands of Malawi Kwacha*

	Notes	<u>Consolidated</u>		<u>Separate</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	5,171,289	1,322,616	-	20,348
Investments in subsidiaries	11	-	-	61,686	61,686
Biological assets	12	<u>12,976,735</u>	<u>6,972,680</u>	-	-
		<u>18,148,024</u>	<u>8,295,296</u>	<u>61,686</u>	<u>82,034</u>
<b>Current assets</b>					
Future crop expenditure	13	139,896	73,078	-	-
Inventories	14	366,355	527,649	-	-
Trade and other receivables	15	452,960	228,376	-	-
Amount due from related party	16	-	13	-	13
Cash and cash equivalents	17	<u>1,136</u>	<u>1,339</u>	<u>136</u>	<u>136</u>
		<u>960,347</u>	<u>830,455</u>	<u>136</u>	<u>149</u>
<b>Total assets</b>		<b><u>19,108,371</u></b>	<b><u>9,125,751</u></b>	<b><u>61,822</u></b>	<b><u>82,183</u></b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	18	1,284	1,284	1,284	1,284
Share premium	18	60,977	60,977	60,977	60,977
Capital reserve	18	301,564	301,564	-	1,907
Property revaluation reserve	18	3,106,229	667,422	-	14,179
Biological assets revaluation reserve	18	8,983,683	4,793,779	-	-
Retained earnings		<u>(6,212,971)</u>	<u>(3,498,234)</u>	<u>(6,185,901)</u>	<u>(3,660,752)</u>
		<u>6,240,766</u>	<u>2,326,792</u>	<u>(6,123,640)</u>	<u>(3,582,405)</u>
<b>Non-current liabilities</b>					
Long Term Borrowings	17	6,594,936	3,692,208	5,741,288	3,655,251
Deferred income tax liability	9	<u>5,262,492</u>	<u>2,362,073</u>	-	<u>6,077</u>
		<u>11,857,428</u>	<u>6,054,281</u>	<u>5,741,288</u>	<u>3,661,328</u>
<b>Current liabilities</b>					
Bank overdraft	17	636,239	465,138	19	19
Trade and other payables	19	373,736	276,529	-	-
Amounts due to related parties	16	-	-	444,155	3,241
Income tax payable		<u>202</u>	<u>3,011</u>	-	-
		<u>1,010,177</u>	<u>744,678</u>	<u>444,174</u>	<u>3,260</u>
<b>Total liabilities</b>		<b><u>12,867,605</u></b>	<b><u>6,798,958</u></b>	<b><u>6,185,462</u></b>	<b><u>3,664,588</u></b>
<b>Total equity and liabilities</b>		<b><u>19,108,371</u></b>	<b><u>9,125,751</u></b>	<b><u>61,822</u></b>	<b><u>82,183</u></b>

These annual financial statements were approved for issue by the Company's board of directors on ..... 2016 and were signed on its behalf by:

  
 Shri D.K. Sharda  
 CHAIRMAN

  
 DIRECTOR

**GROUP DEVELOPMENTS LIMITED**

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2016

In thousands of Malawi Kwacha

	Notes	<u>Consolidated</u>		<u>Separate</u>	
		12 month 2016	7 month period ended 31 March 2015	12 month 2016	7 month period ended 31 March 2015
<b>Revenue</b>	5	2,056,968	553,271	-	-
Cost of sales		<u>(1,440,997)</u>	<u>(241,102)</u>	-	-
<b>Gross profit</b>		615,971	312,169	-	-
Other income	6	242,935	46,893	-	149
Fair value gain	12	5,985,577	-	-	-
Selling expenses		<u>(41,930)</u>	<u>(11,365)</u>	-	-
Administration expenses	7	<u>(481,334)</u>	<u>(315,872)</u>	-	(19)
Revaluation loss		<u>(20,348)</u>	-	<u>(20,348)</u>	-
<b>Operating profit/(loss)</b>		6,300,871	31,825	<u>(20,348)</u>	130
Exchange (loss)/gain	8	<u>(2,435,944)</u>	<u>(201,085)</u>	<u>(2,086,038)</u>	(226,523)
Finance cost	8	<u>(524,560)</u>	<u>(182,018)</u>	<u>(440,928)</u>	-
<b>Profit/(loss) before taxation</b>		3,340,367	(351,278)	<u>(2,547,314)</u>	<u>(226,393)</u>
Income tax expense	9	<u>(1,865,200)</u>	<u>(18,200)</u>	<u>(27)</u>	-
<b>Profit/(loss) after tax</b>		1,475,167	(369,478)	<u>(2,547,341)</u>	<u>(226,393)</u>
<b>Other comprehensive income, net of deferred tax.</b>					
<i>Items that will not be classified into profit or loss</i>					
Revaluation surplus		3,475,271	-	-	-
Deferred Tax thereon		<u>(1,036,438)</u>	-	<u>6,104</u>	-
<b>Total comprehensive income for the</b>		<u>3,914,000</u>	<u>(369,478)</u>	<u>(2,541,237)</u>	<u>(226,393)</u>



**GROUP DEVELOPMENTS LIMITED**

**STATEMENTS OF CHANGES IN EQUITY**

For the year ended 31 March 2016

In thousands of Malawi Kwacha

**Consolidated**

**2016**

Balance as at 1 April 2015  
Total comprehensive income  
Profit for the period

	Share capital	Share premium	Property revaluation reserve	Capital reserve	Biological asset revaluation reserve	Retained earnings	Total
Balance as at 1 April 2015	1,284	60,977	667,422	301,564	4,793,779	(3,498,234)	2,326,792
Total comprehensive income	-	-	-	-	-	1,475,167	1,475,167
Profit for the period	-	-	-	-	-	-	-

Other comprehensive income

Revaluation surplus  
Deferred tax on revaluation surplus  
Biological assets fair value gains transferred  
Deferred tax on fair value gains transferred

Total other comprehensive income

Balance at 31 March 2016

Revaluation surplus	-	-	3,475,271	-	-	-	3,475,271
Deferred tax on revaluation surplus	-	-	(1,036,464)	-	-	-	(1,036,465)
Biological assets fair value gains transferred	-	-	-	-	5,985,577	(5,985,577)	-
Deferred tax on fair value gains transferred	-	-	-	-	(1,795,673)	1,795,673	-
Total other comprehensive income	-	-	2,438,807	-	4,189,904	(4,189,904)	2,438,807
Balance at 31 March 2016	1,284	60,977	3,106,229	301,564	8,983,683	(6,212,971)	6,240,766

**2015**

Balance as at 1 September 2014  
Total comprehensive income  
Loss for the period

Total comprehensive income

Balance at 31 March 2015

Balance as at 1 September 2014	1,284	60,977	667,422	301,564	4,793,779	(3,128,756)	2,696,270
Total comprehensive income	-	-	-	-	-	(369,478)	(369,478)
Loss for the period	-	-	-	-	-	(369,478)	(369,478)
Total comprehensive income	1,284	60,977	667,422	301,564	4,793,779	(3,498,234)	2,326,792

**GROUP DEVELOPMENTS LIMITED**

**STATEMENTS OF CHANGES IN EQUITY**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

**Separate**

	<u>Share capital</u>	<u>Share premium</u>	<u>Property revaluation reserve</u>	<u>Capital reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b>2016</b>						
Balance as at 1 April 2015	1,284	60,977	14,179	1,907	(3,660,752)	(3,582,405)
Revaluation deficit	-	-	(14,179)	(1,907)	16,086	-
Loss for the year	-	-	-	-	(2,541,235)	(2,541,235)
<b>Balance at 31 March 2016</b>	<u>1,284</u>	<u>60,977</u>	<u>-</u>	<u>-</u>	<u>(6,185,901)</u>	<u>(6,123,640)</u>
<b>2015</b>						
Balance as at 1 September 2014	1,284	60,977	14,179	1,907	(3,434,359)	(3,356,012)
Loss for the period	-	-	-	-	(226,393)	(226,393)
<b>Balance at 31 March 2015</b>	<u>1,284</u>	<u>60,977</u>	<u>14,179</u>	<u>1,907</u>	<u>(3,660,752)</u>	<u>(3,582,405)</u>

**GROUP DEVELOPMENTS LIMITED**

**STATEMENTS OF CASH FLOWS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

	Notes	<u>Consolidated</u>		<u>Separate</u>	
		<u>12 Month</u> <u>2016</u>	<u>7 month</u> <u>2015</u>	<u>12 month</u> <u>2016</u>	<u>7 month</u> <u>2015</u>
<b>Cash flows from operating activities</b>					
Profit/(loss) before tax		<b>3,360,715</b>	(351,278)	-	(226,393)
<i>Adjusted for:</i>					
Depreciation	10	<b>21,167</b>	28,342	-	-
Interest expense	8	<b>524,560</b>	182,018	<b>440,928</b>	-
Profit on disposal of assets		<b>(197,622)</b>	(190)	-	-
Unrealised exchange loss on long term loan		<b>2,233,427</b>	226,523	<b>2,086,038</b>	226,523
Fair value gain on biological assets		<b>(5,985,577)</b>	-	-	-
<b>Operating profit before working capital changes</b>		<b>(43,330)</b>	<b>85,415</b>	<b>-</b>	<b>130</b>
Increase in future crop expenditure		<b>(66,819)</b>	(11,166)	-	-
Decrease/(Increase) in inventories		<b>161,294</b>	(254,201)	-	-
Increase in trade and other receivables		<b>(224,583)</b>	(95,392)	-	-
Decrease/(increase) in amount due from related party		-	-	-	(13)
Increase in trade and other payables		<b>97,208</b>	157,029	-	-
(Decrease) in amounts due to related parties		-	(13)	<b>440,928</b>	-
<b>Cash (applied to)/generated from operations</b>		<b>(76,230)</b>	<b>(118,328)</b>	<b>440,928</b>	<b>117</b>
Taxation paid		<b>(4,042)</b>	<b>(5,093)</b>	-	-
<b>Net cash (utilized in)/generated from operating activities</b>		<b>(80,272)</b>	<b>(123,421)</b>	<b>440,928</b>	<b>117</b>
<b>Cash flows from investing activities</b>					
Development expenditure		<b>(18,478)</b>	-	-	-
Proceeds from disposal of equipment		<b>344,511</b>	1,420	-	-
Acquisition of property, plant and equipment	10	<b>(561,805)</b>	(91,426)	-	-
<b>Cash flows utilised in financing activities</b>		<b>(235,772)</b>	<b>(90,006)</b>	<b>-</b>	<b>-</b>
Proceeds from loans received		<b>669,300</b>	3,465,685	-	3,428,728
Settlement of guarantee	20	-	(3,428,728)	-	(3,428,728)
Interest expense		<b>(524,560)</b>	(182,018)	<b>(440,928)</b>	-
<b>Net cash (utilized in)/generated from financing activities</b>		<b>144,740</b>	<b>(145,061)</b>	<b>(440,928)</b>	<b>-</b>
Net decrease in cash and cash equivalents for the period		<b>(171,304)</b>	(358,488)	-	117
Cash and cash equivalents at the beginning of the period		<b>(463,799)</b>	(105,311)	-	-
<b>Cash and cash equivalents at the end of the period</b>	17	<b>(635,103)</b>	<b>(463,799)</b>	<b>-</b>	<b>117</b>
<b>Movement in working capital as required by Companies Act</b>		<b>(47,317)</b>	<b>(3,107,104)</b>	<b>-</b>	<b>-</b>

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

#### 1. General Information

Group Developments Limited is a limited liability company incorporated under the Malawi Companies Act, 1984. It has its subsidiary companies Naming'omba Estates Limited, Group Holdings Limited and Mafisi Tea Estates Limited together referred to as the "Group". The parent company is Gillanders (Mauritius) Holdings Limited.

The Group is involved in growing, processing and selling tea, macademia nuts and tobacco.

#### 2. Basis of preparation

##### 2.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Malawi Companies Act, 1984, Cap. 46:03.

These annual financial statements represent separate and consolidated results including the subsidiary companies, unless otherwise stated, the amounts have been rounded to the nearest thousands Malawi Kwacha.

##### 2.2 Basis of measurement

The annual financial statements have been prepared on the historical cost convention, except for financial instruments which are measured at fair value through profit or loss.

##### 2.3 Use of estimates and judgements

The preparation of annual 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 annual 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.

##### 2.4 Critical accounting estimates and judgements

The Group 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:

###### 2.4.1 Estimated impairment of trade receivable

The Group tests annually whether receivables have suffered any impairment and makes a provision for bad debts in accordance with the accounting policy stated in note 3.8. This assessment requires judgement.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

#### 2.4 Critical accounting estimates and judgements (continued)

##### 2.4.2 Income taxes

The Group is subject to income tax in Malawi, and provision for income tax payable is made in the annual 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.

##### 2.4.3 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 Group'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.

##### 2.4.4 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.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

#### 3. Summary of significant accounting policies

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

##### 3.1 Foreign currency translation

###### 3.1.1 Functional and presentation currency

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

###### 3.1.2 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 profit or loss and other 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.

##### 3.2 Revenue recognition

###### 3.2.1 Revenue

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 Group 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 Group; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

###### 3.2.2 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.

###### 3.2.3 Interest income

Interest income is recognised using the effective interest rate method. When a loan or receivable is impaired, the Group 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.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

#### 3. Summary of significant accounting policies (continued)

##### 3.3 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.

##### 3.4 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.

##### 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.

The estimated useful lives of significant items of property and equipment are as follows:

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.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

#### 3. Summary of significant accounting policies (continued)

##### 3.5 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.

##### 3.6 Future crop expenditure

The Group'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.

##### 3.7 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.

##### 3.8 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 Group 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.



## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

#### 3. Summary of significant accounting policies (continued)

##### 3.9 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non financial assets to determine whether there is any indication of impairment. If any such indicator exists, then the assets recoverable amount is estimated.

For impairment testing assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell.

Value in use is based on the estimated future cash flows discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognized to profit or loss.

##### 3.10 Financial assets

###### 3.10.1 Classification

The Group 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 Group does not currently have any financial assets other than trade and other receivables.

###### 3.10.2 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 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.

###### 3.10.3 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade - date - the date on which the Group 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 Group 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.

###### 3.10.4 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.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

#### 3. Summary of significant accounting policies (continued)

##### 3.11 Impairment of financial assets

##### 3.11.1 Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset 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 that can be reliably estimated.

The criteria that the Group 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 Group, 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 Group 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 profit or loss. 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 Group 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 profit or loss.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

#### 3. Summary of significant accounting policies (continued)

##### 3.11.2 Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. 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.

##### 3.12 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 months or less and bank overdrafts. Bank overdrafts are disclosed as current liabilities in the statement of financial position. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

##### 3.13 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 reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is 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 annual 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 assets 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.

##### 3.14 Employee benefits

###### 3.14.1 Pension

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognized as personnel expenses in the profit or loss. The Group has no further obligations once the contributions have been made.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

#### 3. Summary of significant accounting policies (continued)

##### 3.14.2 Other long-term employee benefits

###### *Severance pay*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior period.

###### *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group 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 measured reliably.

##### 3.15 Provisions

Provisions are recognised when the Group 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.

##### 3.16 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

##### 3.17 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.

##### 3.18 Equity

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

##### 3.19 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any impairment.

##### 3.20 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 annual financial statements.

<u>Standard/Interpretation</u>		<u>Date issued by IASB<sup>(1)</sup></u>	<u>Effective date Periods beginning on or after</u>
IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	May 2014	1 January 2016
IFRS 15	<i>Revenue from contracts with customers</i>	May 2014	1 January 2017
IFRS 9	<i>Financial Instruments</i>	July 2014	1 January 2018
IAS 1	<i>Disclosure Initiative</i>	December 2014	1 January 2016

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS For the year ended 31 March 2016

#### 3. Summary of significant accounting policies (continued)

##### 3.20 New standards and interpretations not yet adopted (continued)

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

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The 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 apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

###### **IFRS 9 Financial Instruments**

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

###### **IFRS 15 Revenue from contracts with customers**

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.

The standard will not have a significant impact on the Company's financial statement.

###### **Disclosure Initiative (Amendments to IAS 1)**

The amendments provide additional guidance on the application of materiality and aggregation when preparing annual financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

In thousands of Malawi Kwacha

#### 4 Financial Risk Management

##### 4.1 Financial risk factors

The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Board of 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.

##### 4.2. Financial risk management objectives

The following is the analysis of the financial instruments:

<u>Consolidated</u>	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>Financial assets</b>			
Trade and other receivables	15	440,100	219,889
Due from related party	16	-	13
Cash and bank balances	17	<u>1,136</u>	<u>1,339</u>
		<b>441,236</b>	<b>221,241</b>
<b>Financial liabilities</b>			
Trade and other payables	19	373,736	276,529
Bank overdraft	17	636,239	465,138
Due to related party	16	-	-
		<b>1,009,975</b>	<b>741,667</b>
<u>Separate</u>			
<b>Financial assets</b>			
Trade and other receivables	15	-	-
Due from related party	16	-	13
Cash and bank balances	17	<u>136</u>	<u>136</u>
		<b>136</b>	<b>149</b>
<b>Financial liabilities</b>			
Trade and other payables	19	-	-
Bank overdraft	17	19	19
Due to related party	16	<u>444,155</u>	<u>3,241</u>
		<b>444,174</b>	<b>3,260</b>

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

##### 4.3. Market risk management strategies

The Group is exposed to financial risks arising from changes in tea and macadamia prices. The Group 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 Group reviews its outlook for produce prices regularly in considering the need for active market risk management.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

In thousands of Malawi Kwacha

#### 4. Financial Risk Management (continued)

##### 4.5. Foreign currency risk management

The Group 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 Group's foreign currency denominated monetary assets and liabilities are as follows:

US\$ denominated assets	2016	2015
Receivables	355,400	179,128
Related party receivables	-	-
	<u>355,400</u>	<u>179,128</u>
US\$ denominated monetary liabilities		
Bank overdraft	<u>636,221</u>	<u>434,734</u>

##### Foreign currency sensitivity analysis

The Group'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.

	2016	2015
Profit or loss	<u>(14,041)</u>	<u>(6,210)</u>

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

The Group 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.

##### 4.6. Interest rate risk management

The Group 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 35% (2015:37%) and semi-floating rate has been assumed at LIBOR plus 0.75% (2015: LIBOR plus.75%), which is 7.75%.

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 period ended 31 March 2016 would have decreased/increased by **MK0.874 million** (2015: MK1.509 million).

If the semi-floating rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the period ended 31 March 2016 would decrease/increase by **MK36.068 million** (2015: MK18.28million).

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

In thousands of Malawi Kwacha

#### 4. Financial Risk Management (continued)

##### 4.7. Credit risk management

The Group 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.

	2016	2015
Maximum credit risk exposure	<u>902,005</u>	<u>236,492</u>

Included in the credit risk exposure above is MKnil (2015: MKNil) due from related companies with almost no credit risk.

##### 4.8. 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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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 2016

##### Consolidated

	<u>Note</u>	<u>Up to 1 Month</u>	<u>1 to 3 Months</u>	<u>3 to 12 Months</u>	<u>Total</u>	<u>Fair value</u>
<b>Financial assets</b>						
Trade and other receivables	15	255,300	462	184,338	440,100	440,100
Bank and cash equivalents	17	<u>1,136</u>	-	-	<u>1,136</u>	<u>1,136</u>
		<u>256,436</u>	<u>462</u>	<u>184,338</u>	<u>441,236</u>	<u>441,236</u>
<b>Financial liabilities</b>						
Trade and other payables	19	42,349	48,444	282,943	373,736	373,236
Bank overdraft	17	<u>636,239</u>	-	-	<u>636,239</u>	<u>636,239</u>
<b>Total financial liabilities</b>		<u>678,588</u>	<u>48,444</u>	<u>282,943</u>	<u>1,009,975</u>	<u>1,009,975</u>
<b>Periodic gap</b>		<u>(422,152)</u>	<u>(47,982)</u>	<u>(98,605)</u>	<u>(568,739)</u>	<u>(568,739)</u>
<b>Cumulative gap</b>		<u>(422,152)</u>	<u>(470,134)</u>	<u>(568,739)</u>	<u>(568,739)</u>	<u>(568,739)</u>

##### Separate

##### **Financial assets**

Trade and other receivables	15	-	-	-	-	-
Due from related party	16	-	-	-	-	-
Bank and cash equivalents	17	<u>136</u>	-	-	<u>136</u>	<u>136</u>
		<u>136</u>	-	-	<u>136</u>	<u>136</u>

##### **Financial liabilities**

Trade and other payables	19	-	-	-	-	-
Due to related party	16	444,155	-	-	444,155	444,155
Bank overdraft	17	<u>19</u>	-	-	<u>19</u>	<u>19</u>
<b>Total financial liabilities</b>		<u>444,174</u>	-	-	<u>444,174</u>	<u>444,174</u>

**Periodic gap** (444,038) (444,038) (444,038) (444,038) (444,038)

**Cumulative gap** (444,038) (444,038) (444,038) (444,038) (444,038)



**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

**4. Financial Risk Management (continued)**

**4.8. Liquidity risk management (continued)**

31 March 2015

Consolidated

	Note	Up to 1 Month	1 to 3 Months	3 to 12 Months	Total	Fair value
<b>Financial assets</b>						
Trade and other receivables	15	147,649	71,887	8,840	228,376	228,376
Bank and cash equivalents	17	<u>1,339</u>	<u>-</u>	<u>-</u>	<u>1,339</u>	<u>1,339</u>
		<u>148,988</u>	<u>71,887</u>	<u>8,840</u>	<u>229,715</u>	<u>229,715</u>
<b>Financial liabilities</b>						
Trade and other payables	19	125,477	29,280	188,777	276,529	276,529
Bank overdraft	17	<u>465,138</u>	<u>-</u>	<u>-</u>	<u>465,138</u>	<u>465,138</u>
Total financial liabilities		<u>590,615</u>	<u>29,280</u>	<u>188,777</u>	<u>741,667</u>	<u>741,667</u>
Periodic gap		<u>(441,627)</u>	<u>(42,607)</u>	<u>(179,938)</u>	<u>(511,952)</u>	<u>(511,952)</u>
Cumulative gap		<u>(441,627)</u>	<u>(399,012)</u>	<u>(578,958)</u>	<u>(511,952)</u>	<u>(511,952)</u>

Separate

Financial assets

Trade and other receivables	15	-	-	-	-	-
Due from related party	16	-	-	13	13	13
Bank and cash equivalents	17	<u>136</u>	<u>-</u>	<u>-</u>	<u>136</u>	<u>136</u>
		<u>136</u>	<u>-</u>	<u>13</u>	<u>149</u>	<u>149</u>
<b>Financial liabilities</b>						
Trade and other payables	19	-	-	-	-	-
Due to related party	16	3,241	-	-	3,241	3,241
Bank overdraft	17	<u>19</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
Total financial liabilities		<u>3,260</u>	<u>-</u>	<u>-</u>	<u>3,260</u>	<u>3,260</u>
Periodic gap		<u>(3,124)</u>	<u>-</u>	<u>(13)</u>	<u>(3,111)</u>	<u>(3,111)</u>
Cumulative gap		<u>(3,124)</u>	<u>(3,124)</u>	<u>(3,111)</u>	<u>(3,111)</u>	<u>(3,111)</u>

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

**4. Financial Risk Management (continued)**

**4.9. Financial instruments – Fair values and risk management**

**a) 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

**CONSOLIDATED**

**31 March 2016**

	<u>Note</u>	<u>Loans and receivables</u>	<u>Carrying amount</u>		<u>Fair Value</u>		
			<u>Available for sale</u>	<u>Other financial liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets not measured at fair value							
Trade and other receivables	15	452,960	-	-	-	-	-
Amount due from group companies	16	-	-	-	-	-	-
Cash and cash equivalents	17	<u>1,136</u>	-	-	-	-	-
		<u>454,096</u>	-	-	-	-	-
				<u>Total</u>			<u>Total</u>
Financial liabilities not measured at fair value							
Borrowings	17	-	-	<u>6,594,935</u>	-	-	-
Trade payables and other payables	19	-	-	<u>373,736</u>	-	-	-
Bank overdrafts	17	-	-	<u>636,239</u>	-	-	-
				<u>7,604,910</u>	-	-	-

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

**4. Financial Risk Management (continued)**

**4.9. Financial instruments – Fair values and risk management (continued)**

**CONSOLIDATED**

31 March 2015

	Note	Loans and receivables	Carrying amount		Fair Value			
			Available for sale	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Trade and other receivables	15	228,376	-	-	-	-	-	-
Amount due from group companies	16	-	-	-	-	-	-	-
Cash and cash equivalents	17	<u>1,339</u>	-	-	-	-	-	<u>1,339</u>
		<u>229,728</u>	-	-	-	-	-	<u>229,728</u>
Financial liabilities not measured at fair value								
Borrowings	17	-	-	3,692,208	-	-	-	3,692,208
Trade payables and other payables	19	-	-	276,529	-	-	-	276,529
Bank overdrafts	17	-	-	<u>465,138</u>	-	-	-	<u>465,138</u>
		-	-	<u>4,433,875</u>	-	-	-	<u>4,433,875</u>

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

**4. Financial Risk Management (continued)**

**4.9. Financial instruments – Fair values and risk management (continued)**

**SEPARATE**

**31 March 2016**

	Note	Loans and receivables	Carrying amount		Fair Value				
			Available for sale	Other financial liabilities	Level 1	Level 2	Level 3	Total	
Financial assets not measured at fair value									
Trade and other receivables	15	-	-	-	-	-	-	-	-
Amount due from related companies	16	-	-	-	-	-	-	-	-
Cash and cash equivalents	17	<u>136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
Borrowings	17	-	-	<u>5,741,288</u>	-	-	-	-	-
Amount due to related companies	16	-	-	-	-	-	-	-	-
Bank overdrafts	19	-	-	<u>19</u>	-	-	-	-	-
		-	-	<u>5,741,307</u>	-	-	-	-	-

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2016

In thousands of Malawi Kwacha

**4. Financial Risk Management (continued)**

**4.9. Financial instruments – Fair values and risk management (continued)**

**SEPARATE**

31 March 2015

	Note	Loans and receivables	Carrying amount		Fair Value				
			Available for sale	Other financial liabilities	Level 1	Level 2	Level 3		
					Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value									
Trade and other receivables	15	-	-	-	-	-	-	-	-
Amount due from related companies	16	13	-	-	13	-	-	-	13
Cash and cash equivalents	17	136	-	-	136	-	-	-	136
		149	-	-	149	-	-	-	149
Financial liabilities not measured at fair value									
Borrowings	17	3,655,251	-	-	3,655,251	-	-	-	3,655,251
Amount due to related companies	16	3,241	-	-	3,241	-	-	-	3,241
Bank overdrafts	19	18	-	-	18	-	-	-	18
		3,658,510	-	-	3,658,510	-	-	-	3,658,510

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

5.	Revenue	<u>Consolidated</u>		<u>Separate</u>	
		12 month <u>2016</u>	7 month <u>2015</u>	12 month <u>2016</u>	7 month <u>2015</u>
	<i>See accounting policy note 3.2</i>				
	Tea	1,314,515	327,872	-	-
	Macadamia	678,269	225,399	-	-
	Tobacco	64,184	-	-	-
		<u>2,056,968</u>	<u>553,271</u>	<u>-</u>	<u>-</u>
6.	Other income				
	<i>See accounting policy note 3.2.2</i>				
	Profit on sale of fixed assets	197,622	-	-	-
	Net revenue on other farm produce	45,313	46,744	-	149
	Investment income received	-	149	-	-
		<u>242,935</u>	<u>46,893</u>	<u>-</u>	<u>149</u>
7.	Administration expenses				
	Auditor's remuneration - current	24,000	12,815	-	-
	- prior year	8,636	-	-	-
	Bank charges	6,175	4,430	-	19
	Depreciation (Note 10)	21,167	28,342	-	-
	Directors expenses	-	155	-	-
	Insurance expenses	15,775	7,020	-	-
	Legal fees and other professional services fees	41,016	23,248	-	-
	Other costs	71,165	18,286	-	-
	Repairs and maintenance expenses	10,341	49,265	-	-
	Salaries and wages	265,181	169,792	-	-
	Travelling expenses	17,878	2,519	-	-
		<u>481,334</u>	<u>315,872</u>	<u>-</u>	<u>19</u>

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

8. Finance income/(cost)	<u>Consolidated</u>		<u>Separate</u>	
	<u>12 month</u> <u>2016</u>	<u>7 month</u> <u>2015</u>	<u>12 month</u> <u>2016</u>	<u>7 month</u> <u>2015</u>
<i>See accounting policy note 3.2</i>				
<b>Exchange (loss)/gain</b>				
Realised exchange gain	69,353	25,438	-	-
Unrealised exchange loss	<u>(2,505,297)</u>	<u>(226,523)</u>	<u>(2,086,038)</u>	<u>(226,523)</u>
	<u>(2,435,944)</u>	<u>(201,085)</u>	<u>(2,086,038)</u>	<u>(226,523)</u>

There is a notional loss of **K2,505,297** (2015:K2,086,038) as a result of exchange rate movement on translation of foreign currency

**Finance cost**

Interest expense	<u>524,560</u>	<u>182,018</u>	<u>440,928</u>	<u>-</u>
------------------	----------------	----------------	----------------	----------

Finance cost includes an amount of **K440,928,169** (2015: K169,149,201) which relates to Gillanders (Mauritius) Holdings Limited, a related party and holding company of GDL.

**9. Taxation**  
*See accounting policy note 3.13*

*The taxation charge for the year comprises:*

Current tax @ 30% (2015: 30%)	1,219	418	-	-
Deferred taxation expense/(credit)	<u>68,308</u>	<u>17,782</u>	<u>-</u>	<u>-</u>
	69,527	18,200	-	-
Deferred tax on biological asset	<u>1,795,673</u>	<u>-</u>	<u>(6,077)</u>	<u>-</u>
Total income tax charge	<u>1,865,200</u>	<u>18,200</u>	<u>(6,077)</u>	<u>-</u>

**Income Tax reconciliation**

Profit/loss (loss) before taxation	3,360,715	(351,278)	(2,526,966)	(226,393)
Income tax at 30%	(1,008,215)	105,383	758,090	67,918
Reversal of deferred tax	(68,308)	(17,782)	6,077	-
Other permanent differences	<u>(788,677)</u>	<u>(105,801)</u>	<u>(758,090)</u>	<u>-</u>
	<u>(1,865,200)</u>	<u>(18,200)</u>	<u>6,077</u>	<u>-</u>

The Group has taxable losses amounting to **K134 million** (2015: K445 million) which are available for offset against future taxable income. These losses are subject to agreement with the Malawi Revenue Authority.

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

**9. Taxation (continued)**

*See accounting policy note 3.13*

**Deferred income tax**

**Consolidated**

	<u>2016</u>			<u>2015</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	-	1,329,584	1,329,584	-	314,507	314,507
Fair value adjustments on biological assets	-	<u>3,932,908</u>	<u>3,932,908</u>	-	<u>2,137,235</u>	<u>2,137,235</u>
	-	<u>5,262,492</u>	<u>5,262,492</u>	<u>(89,669)</u>	<u>2,451,742</u>	<u>2,362,073</u>

**Separate**

Unrealised exchange losses	-	-	-	-	<u>6,077</u>	<u>6,077</u>
----------------------------	---	---	---	---	--------------	--------------

The movement in deferred tax is analysed as follows:-

	<u>Balance at 1 April 2015</u>	<u>Recognised in profit or loss</u>	<u>Recognised in comprehensive income</u>	<u>Balance at 31 March 2016</u>
<b><u>Consolidated</u></b>				
Tax losses	(89,669)	89,669	-	-
Property, plant and equipment	314,507	(21,361)	1,036,438	1,329,584
Fair value adjustments on biological assets	<u>2,137,235</u>	<u>1,795,673</u>	-	<u>3,932,908</u>
	<u>2,362,073</u>	<u>1,863,981</u>	<u>1,036,438</u>	<u>5,262,492</u>
<b><u>Separate</u></b>				
Unrealised exchange losses	<u>6,077</u>	<u>(6,077)</u>	-	-



**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2016

In thousands of Malawi Kwacha

10. Property plant and equipment See accounting policy note 3.4 <u>Consolidated</u>	<u>Freehold land and development</u>	<u>Freehold buildings and constructions</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Water schemes</u>	<u>Furniture, fittings and equipment</u>	<u>Capital work in progress</u>	<u>Total</u>
<u>Cost</u>								
<b>2016</b>								
At 1 April 2015	212,350	1,183,460	155,924	135,694	14,411	21,195	56,777	1,779,811
Depreciation Reversed	-	(245,380)	(87,151)	-	(8,631)	-	-	(341,162)
Additions during the period	-	22,113	61,306	32,528	5,273	10,419	430,166	561,805
Transferred from WIP	-	99,911	56,777	-	-	-	(156,688)	-
Revaluation Surplus	2,043,808	592,430	305,575	-	13,111	-	-	3,454,924
Disposal	-	(175,200)	(978)	-	-	-	-	(176,178)
At 31 March 2016	<u>2,256,158</u>	<u>1,477,333</u>	<u>991,453</u>	<u>168,222</u>	<u>24,164</u>	<u>31,614</u>	<u>330,255</u>	<u>5,279,199</u>
<b>2015</b>								
As at 1 September 2014	212,350	1,183,460	153,924	119,424	12,350	11,608	-	1,693,116
Additions during the year	-	-	2,000	21,001	2,061	9,587	56,777	91,426
Disposal	-	-	-	(4,731)	-	-	-	(4,731)
At 31 March 2015	<u>212,350</u>	<u>1,183,460</u>	<u>155,924</u>	<u>135,694</u>	<u>14,411</u>	<u>21,195</u>	<u>56,777</u>	<u>1,779,811</u>
<u>Depreciation</u>								
<b>2016</b>								
At 1 April 2015	-	273,692	88,129	74,760	8,631	11,983	-	457,195
Charge for the period	-	-	-	18,709	-	2,458	-	21,167
Eliminated on disposal	-	(28,312)	(978)	-	-	-	-	(29,290)
Eliminated on revaluation	-	(245,380)	(87,151)	-	(8,631)	-	-	(341,162)
At 31 March 2016	-	-	-	<u>93,469</u>	-	<u>14,441</u>	-	<u>107,910</u>
<b>2015</b>								
At 1 September 2014	-	259,330	81,530	73,751	6,415	11,328	-	432,354
Charge for the period	-	14,362	6,599	4,510	2,216	655	-	28,342
Eliminated of disposal	-	-	-	(3,501)	-	-	-	(3,501)
At 31 March 2015	-	<u>273,692</u>	<u>88,129</u>	<u>74,760</u>	<u>8,631</u>	<u>11,983</u>	-	<u>457,195</u>
<b>Carrying amount</b>								
At 31 March 2016	<u>2,256,158</u>	<u>1,477,333</u>	<u>991,453</u>	<u>74,753</u>	<u>24,164</u>	<u>17,173</u>	<u>330,255</u>	<u>5,171,289</u>
At 31 March 2015	212,350	909,768	67,795	60,934	5,780	9,212	56,777	1,322,616

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

10. Property plant and equipment (continued) <i>See accounting policy note 3.4</i>	<b>Freehold land and development</b>	<b>Furniture, fittings and equipment</b>	<b>Total</b>
<u>Separate</u>			
<u>Cost</u>			
<b>2016</b>			
As at 1 April 2015	26,697	-	26,697
Disposal	<u>(26,697)</u>	-	<u>(26,697)</u>
As at 31 March 2016	-	-	-
<b>2015</b>			
As at 1 April 2014	26,697	3,378	30,075
As at 31 March 2015	<u>26,697</u>	<u>3,378</u>	<u>30,075</u>
<b><u>Depreciation</u></b>			
<b>2016</b>			
As at 1 April 2015	6,349	-	6,349
Disposal	<u>(6,349)</u>	-	<u>(6,349)</u>
As at 31 March 2016	-	-	-
<b>2015</b>			
As at 1 September 2014	-	-	-
As at 1 March 2015	<u>6,349</u>	<u>3,378</u>	<u>9,727</u>
<b>Net book value</b>			
As at 31 March 2016	-	-	-
As at 31 March 2015	<u>20,348</u>	-	<u>20,348</u>

Land and development, water schemes and plant and machinery are stated at revalued amounts as at 31 March 2016, 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 Group.

The company has items of furniture and equipment with a cost of **MK3 million** (2015: MK3 million) which although fully depreciated are put to use.

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2016

In thousands of Malawi Kwacha

	<u>Consolidated</u>		<u>Separate</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>11. Investments in subsidiaries</b>				
<i>See accounting policy note 3.19</i>				
<i>Naming'omba Tea Estate Limited</i>				
7,617,633 ordinary shares of K1 each, fully paid (stated at cost)	-	-	55,493	55,493
<i>Group Holdings Limited</i>				
1,928,234 ordinary shares of K1 each, fully paid (stated at cost)	-	-	6,093	6,093
<i>Mafisi Tea Estate Limited</i>				
1,499,999 ordinary shares of K1 each, fully paid (stated at cost)	-	-	100	100
	<u>-</u>	<u>-</u>	<u>61,686</u>	<u>61,686</u>
<b>12. Biological assets</b>				
<i>See accounting policy note 3.5</i>				
At beginning of period	6,972,680	6,972,680	-	-
Additions during the year	18,478	-	-	-
Fair value gains	5,985,577	-	-	-
<b>At end of period</b>	<b>12,976,735</b>	<b>6,972,680</b>	<b>-</b>	<b>-</b>
<b>Fair value movement in the year</b>				
Fair value gain in the year			-	-
<i>Analysed by:</i>				
Tea	2,956,997	-	-	-
Macadamia	2,889,661	-	-	-
Timber plantation	138,919	-	-	-
	<u>5,985,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>2016</b>				
Other information	<u>Tea</u>	<u>Macadamia</u>	<u>Total</u>	
Hectareage covered at period end	1,287	404	1,692	
Total tonnage harvested during the period	8,522	1,347	9,869	
The proceeds net of point of sales costs	1,283,074	672,281	1,955,355	

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2016

In thousands of Malawi Kwacha

**12. Biological assets (continued)**  
See accounting policy note 3.5

**Information required in connection with Biological Assets**

2015

Other information	Tea	Macadamia	Total
Hectareage 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

The production and proceeds comprises of Mafisi Tea Estates Limited, Group Holdings Limited and Namingomba Tea Estates Limited.

	<u>Consolidated</u>		<u>Separate</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>13. Future crop expenditure</b> See accounting policy note 3.6				
Macadamia	53,294	18,780	-	-
Tobacco	86,603	54,298	-	-
	<u>139,897</u>	<u>73,078</u>	<u>-</u>	<u>-</u>
<b>14. Inventories</b> See accounting policy note 3.7				
Finished goods:				
- Macadamia	114,994	232,315	-	-
- Made tea	94,224	200,733	-	-
Consumables	157,137	94,601	-	-
	<u>366,355</u>	<u>527,649</u>	<u>-</u>	<u>-</u>
<b>15. Trade and other receivables</b> See accounting policy note 3.8				
Trade	355,400	183,453	-	-
Other	97,560	36,436	-	-
	452,960	219,889	-	-
Prepayments	-	8,487	-	-
Total	<u>452,960</u>	<u>228,376</u>	<u>-</u>	<u>-</u>

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 March 2016**

*In thousands of Malawi Kwacha*

**15. Trade and other receivables (continued)**

The carrying amounts of trade and other receivables approximates their fair value due to their short term nature.

There is no impairment in the trade and other receivables.

The maximum exposure to credit risks at the reporting date is the collateral carrying value on each class of receivable mentioned above. The Group did not hold any collateral on the receivables.

	<u>Consolidated</u>		<u>Separate</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>16. Related parties</b>				
<b>Amounts due from relate parties:</b>				
Gillanders (Mauritius) Holdings Limited	<u>---</u>	<u>13</u>	<u>---</u>	<u>13</u>
<b>Amounts due to related parties:</b>				
Naming'omba Tea Estate	-	-	444,155	2,824
Group Holdings Limited	<u>---</u>	<u>---</u>	<u>---</u>	<u>417</u>
	<u>---</u>	<u>---</u>	<u>444,155</u>	<u>3,241</u>

None of the amounts due to related parties are secured.

**17. Cash and cash equivalents**

*See accounting policy note 3.12*

Cash on hand at bank	1,136	1,339	136	136
Overdrafts presented in current liabilities	<u>(636,239)</u>	<u>(465,138)</u>	<u>(19)</u>	<u>(19)</u>
	<u>(635,103)</u>	<u>(463,799)</u>	<u>117</u>	<u>117</u>

The overdraft facility is with First Merchant Bank Limited. A total facility equivalent to US\$1.250 million is secured by way of mortgage charge on Naming'omba to be created. Presently the Bank holds title deeds for Mafisi Estates Limited.

The First Merchant Bank has also granted an overdraft facility of MK50 million. Secured by the same collateral.

**Long term Borrowings**

First Merchant Bank Limited- opening balance	36,957	-	-	-
Receipt during the year	669,300	36,957	-	-
Exchange Loss	<u>147,390</u>	<u>---</u>	<u>---</u>	<u>---</u>
	<u>853,647</u>	<u>36,957</u>	<u>---</u>	<u>---</u>
Gillanders (Mauritius) Holdings Limited	3,428,728	3,428,728	3,428,728	3,428,728
Exchange loss	<u>2,312,560</u>	<u>226,523</u>	<u>2,312,560</u>	<u>226,523</u>
	<u>5,741,288</u>	<u>3,655,251</u>	<u>5,741,288</u>	<u>3,655,251</u>
<b>Total long term borrowings</b>	<u>6,594,935</u>	<u>3,692,208</u>	<u>5,741,288</u>	<u>3,655,251</u>

The First Merchant Bank Limited has granted a long-term loan to Naming'omba Tea Estates Limited in the amount of US\$1,250,000 at 7.75% interest rate per annum, repayable in 7 years with 24 months moratorium on principle.

The Long term Unsecured Loan of USD 8,407,000 from Gillanders (Mauritius) Holdings Limited which is a related party is repayable in 8 years with 2 year moratorium on the principal amount. Interest is charged at 7.00% per annum Plus 3 months Libor.

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2016

In thousands of Malawi Kwacha

18.	Equity	<u>Consolidated</u>		<u>Separate</u>	
		2016	2015	2016	2015
18.1	<b>Share capital</b> <i>See accounting policy note 3.18</i>				
	<i>Authorised:</i>				
	1,650,000 ordinary shares of K1 each	<u>1,650</u>	<u>1,650</u>	<u>1,300</u>	<u>1,650</u>
	<i>Issued and fully paid:</i>				
	1,283,574 ordinary shares of K1 each	<u>1,284</u>	<u>1,284</u>	<u>1,284</u>	<u>1,284</u>
	A total number of shares of 366,426 (2015: 366,426) remain unissued.				
	The holders of ordinary share capital are entitled to dividend as declared in the annual general meeting.				
18.2	<b>Share premium</b>	<u>60,977</u>	<u>60,977</u>	<u>60,977</u>	<u>60,977</u>
	Share premium arose on the issue of share capital of 1,283,574. It is not available for distribution.				
18.3	<b>Property revaluation reserve</b>	<u>3,085,908</u>	<u>667,422</u>	<u>---</u>	<u>14,179</u>
	Property revaluation reserve represents the increase in value of property arising from revaluation of property from time to time. It is not available for distribution to shareholders				
18.4	<b>Capital reserve</b>	<u>299,657</u>	<u>301,564</u>	<u>---</u>	<u>1,907</u>
	Capital reserve arose following injection of additional capital by the shareholders to settle liabilities directly with creditors. It is not available for distribution.				
18.5	<b>Biological assets revaluation reserve</b>	<u>8,983,683</u>	<u>4,793,779</u>	<u>---</u>	<u>---</u>
	Biological assets revaluation reserve represents the increase in fair value of the biological assets following revaluations of the biological assets to their fair value less deferred income tax. The revaluation reserve is not available for distribution to the shareholders.				
19.	<b>Trade and other payables</b>				
	<i>See accounting policy note 3.17</i>				
	Trade payables	<u>150,357</u>	<u>118,274</u>	<u>---</u>	<u>---</u>
	Accruals and provisions	<u>223,379</u>	<u>158,255</u>	<u>---</u>	<u>---</u>
		<u>373,736</u>	<u>276,529</u>	<u>---</u>	<u>---</u>

The provisions amount of K223,379 includes K nil (2015: K5,902) interest payable to Gillanders (Mauritius) Holdings Limited which is a related party.

**GROUP DEVELOPMENTS LIMITED**

**NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 March 2016

In thousands of Malawi Kwacha

19.	Trade and other payables (continued)	<u>Consolidated</u>		<u>Separate</u>	
		2016	2015	2016	2015
19.1	<b>Accrual and provisions</b> <i>See accounting policy note 3.15</i>				
	Employee provision	151,189	119,501	-	-
	Other provision	<u>72,190</u>	<u>38,654</u>	-	-
		<u>223,379</u>	<u>158,155</u>	-	-
19.2	<b>Employee accruals</b>				
	Wages provision	95,422	89,836	-	-
	Gratuity	23,176	13,219	-	-
	Leave pay	<u>32,591</u>	<u>16,446</u>	-	-
		<u>151,189</u>	<u>119,501</u>	-	-
19.3	<b>Other provisions</b>				
	At 1 April 2015	38,654	39,735	-	-
	Net movements during the period	<u>33,536</u>	<u>(1,081)</u>	-	-
		<u>72,190</u>	<u>38,654</u>	-	-
20.	<b>Guarantee liability</b>				
	At beginning of period	-	3,428,728	-	-
	Crystallization of liability	-	-	-	-
	Settlement of guarantee	-	<u>(3,428,728)</u>	-	-
	<b>At end of period</b>	-	-	-	-

The guarantee liability arose following the crystallisation of the floating charge on Naming'omba Estates, Mafisi Tea Estates and Group Holdings Limited. The guarantee was settled by proceeds of loan from Gillanders (Mauritius) Holdings Limited (see note 17).

**21. Contingencies**

There were contingencies as at 31 March 2016 amounting to **MK27,329,010** (2015: K108,276,019), arising from the fact that the company is a defendant in a number of legal cases that are before the Courts of Malawi. While liability is not admitted, the directors have formed an opinion that their outcome would not have a significant impact on the results of the Group.

**ESCROW Account**

At the reporting date the company remained a signatory to the ESCROW account held at CDH Investment Bank Limited with a balance of (USD1.5 million) as at 31 March 2016 whereby according to the share purchase agreement, all liabilities that would be discovered which were not disclosed to the new shareholders at the completing of the sale agreement would be settled.

In the opinion of directors the escrow account holds sufficient funds to meet such liabilities.

## GROUP DEVELOPMENTS LIMITED

### NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2016

In thousands of Malawi Kwacha

#### 22. Going concern

The company has reported a loss of **MK2.5 billion** (2015: 226 million). The company's current liabilities exceed the current assets by **MK444 million** while the Group current liabilities exceed the current assets by **MK49.83 million**. This condition casts doubt on the company's ability to remain a going concern.

The financial statements have been prepared on a going concern basis which assumes that the company will be able to meet the mandatory repayment terms of all its liabilities as and when they fall due.

The shareholders have undertaken to continue to support the company and have further subordinated their loan to the company.

#### 23. Capital commitments

Capital commitments as at 31 March 2016 amounted to **MK23,340,782** (2015: K6,325,770). These will be financed by internally generated resources.

#### 24. Comparability

Current years figures are not comparable with that of previous period which was seven months only.

#### 25. Events after the reporting date

There have been no events subsequent to year end necessitating adjustments or disclosures to these annual financial statements.