Signed Financials

# GROUP DEVELOPMENTS LIMITED

## CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended

31 MARCH 2017

GROUP DEVELOPMENTS LIMITED

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 March 2017

CONTENTS

The Directors hereby present their report together with the audited separate 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 2017.

1. **Financial Results and Dividend**

For the financial year ended on 31 March 2017, the Company has reported a profit of MK2,015.7 million against a reported profit of MK1,475.2 million for the year ended on 31 March 2016. Operational matters have been discussed separately in this Report.

In order to conserve resources, the directors do not recommend a 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 separate 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 summarised below:

a) **Tea**
Inspite of drought in the country, tea production for the year under review was 2.07 million kgs, compared to last year's production of 1.60 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 realisation during the period was higher than the previous year. The 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 1.31 million kgs against last year's production of 1.39 million kgs. The slight fall in production during the year was mainly due to late flowering of macadamia plants because of adverse weather conditions which increased the maturity period.

c) **Tobacco**
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) **Naming'omba 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 March 2017, the subsidiary reported a profit of MK 1,622.3 million against a profit of MK 2,632.7 million in the previous year.

The subsidiary is continuing on its expansion program for macadamia and tea 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 2017, the subsidiary reported a profit of MK 519.8 million against a profit of MK1,105.6 million the previous year.

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 2017, the subsidiary reported a profit of MK 793.2 million compared to a profit of MK 284.2 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) Maifisi 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 6th 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

The Directors and secretary of Group Developments Limited who served during the year:-

| | | |
|---|---|---|
| Mr. Dev Kishan Sharda | - Chairman | - Whole year |
| Mr. Mahesh Sodhani | - Director | - Whole year |
| Mr. Arthur AlickMsowoya | - Director | - Whole year |
| Mr. E. Phakamea | - Secretary | - Up to 31 December 2016 |
| Mr. William Chibwe | - Director | - Whole year |
| Mr. Rennie Ng'omba | - Director | - Whole year |

During the year under review, Mr. Edson Phakamea resigned as Secretary of the Company with effect from 31 December 2016. Your Directors wish to place their sincere appreciation for the contribution made by the said outgoing Company Secretary.

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 Mahesh Sodhani
DIRECTOR

..................................................
AUTHORISED DIRECTOR

Date: 25/05 2017

GROUP DEVELOPMENTS LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT
For the year ended 31 March 2017

The Directors are responsible for the preparation and fair presentation 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 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended, and the notes to the 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 Companies Act, 2013 of Malawi. The directors are also responsible for preparing 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 Companies Act, 2013 of Malawi.

In preparing the consolidated and separate 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 the consolidated and separate annual financial statements, subject to any material departures being disclosed and explained in the annual consolidated and separate 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 consolidated and separate financial statements give a true and fair view in accordance with International Financial Reporting Standards (IFRS), and in the manner required by Companies Act, 2013 of Malawi.

Approval of consolidated and separate financial statements

The consolidated and separate annual financial statements of Group Developments Limited, were approved by the Board of Directors on 25 May 2017 and signed on its behalf by:

............................................................ ............................................................

Shri Mahesh Sodhani
DIRECTOR

AUTHORISED DIRECTOR

25/05/2017

KPMG
Chartered 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 GROUP DEVELOPMENTS LIMITED

### *Opinion*

We have audited the consolidated and separate financial statements of Group Developments Limited (the Company) and its subsidiaries set out on pages 6 to 38, which comprise the statements of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Group Developments Limited and its subsidiaries as at 31 March 2017, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' Code for Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other information*

The directors are responsible for the other information. The other information comprises the Directors' Report and the Directors' Responsibilities Statement but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of directors for the financial statements*

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by Companies Act, 2013 of Malawi and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the consolidated financial statement. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

KPMG

Lumion M. Gama
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi

25 May 2017

GROUP DEVELOPMENTS LIMITED

STATEMENTS OF FINANCIAL POSITION
At 31 March 2017
*In thousands of Malawi Kwacha*

| | Notes | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 5,427,962 | 5,171,289 | - | - |
| Investments in subsidiaries | 11 | - | - | 61,686 | 61,686 |
| Biological assets | 12 | 16,074,811 | 12,976,735 | - | - |
| | | 21,502,773 | 18,148,024 | 61,686 | 61,686 |
| **Currents assets** | | | | | |
| Future crop expenditure | 13 | 69,387 | 139,896 | - | - |
| Inventories | 14 | 596,821 | 366,355 | - | - |
| Trade and other receivables | 15 | 590,186 | 452,960 | - | - |
| Income tax recoverable | | 10,511 | - | - | - |
| Cash and cash equivalents | 17 | 1,200 | 1,136 | 344 | 136 |
| | | 1,268,105 | 960,347 | 344 | 136 |
| **Total assets** | | 22,770,878 | 19,108,371 | 62,030 | 61,822 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 19 | 1,284 | 1,284 | 1,284 | 1,284 |
| Share premium | 19 | 60,977 | 60,977 | 60,977 | 60,977 |
| Capital reserve | 19 | 301,564 | 301,564 | - | - |
| Property revaluation reserve | 19 | 3,287,104 | 3,106,229 | - | - |
| Biological assets revaluation reserve | 19 | 11,120,678 | 8,983,683 | - | - |
| Retained earnings | | (6,302,488) | (6,212,971) | (7,096,216) | (6,185,901) |
| | | 8,469,119 | 6,240,766 | (7,033,955) | (6,971,694) |
| **Non-current liabilities** | | | | | |
| Long Term Borrowings | 18 | 5,900,079 | 6,594,936 | 6,089,157 | 5,741,288 |
| Deferred income tax liability | 9 | 6,255,809 | 5,262,492 | - | - |
| | | 12,155,888 | 11,857,428 | 6,089,157 | 5,741,288 |
| **Current liabilities** | | | | | |
| Bank overdraft | 17 | 534,315 | 636,239 | - | 19 |
| Trade and other payables | 20 | 517,108 | 373,736 | 9,548 | - |
| Amounts due to related parties | 16 | - | - | 997,280 | 444,155 |
| Current loan portion | 18 | 1,094,448 | - | - | - |
| Income tax payable | | - | 202 | - | - |
| | | 2,145,871 | 1,010,177 | 1,006,828 | 444,174 |
| **Total liabilities** | | 14,301,759 | 12,867,605 | 7,095,985 | 6,185,462 |
| **Total equity and liabilities** | | 22,770,878 | 19,108,371 | 62,030 | 61,822 |

These consolidated and separate financial statements were approved for issue by the Company's board of directors on 25 May 2017 and were signed on its behalf by:

Shri Mahesh Sodhani
DIRECTOR

AUTHORISED DIRECTOR

GROUP DEVELOPMENTS LIMITED

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
**For the year ended 31 March 2017**
*In thousands of Malawi Kwacha*

| | Note | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|---|
| **Revenue** | 5 | **3,302,223** | 2,056,968 | **-** | - |
| Cost of sales | | **(1,686,947)** | (1,440,997) | **-** | - |
| **Gross profit** | | **1,615,276** | 615,971 | **-** | - |
| Other income | 6 | **85,396** | 242,935 | **-** | - |
| Fair value gain | 12 | **3,052,849** | 5,985,577 | **-** | - |
| Selling expenses | | **(101,953)** | (41,930) | **-** | - |
| Administration expenses | 7 | **(606,605)** | (481,334) | **(188)** | - |
| Revaluation loss | | **-** | (20,348) | **-** | (20,348) |
| **Operating profit/(loss) before finance costs** | | **4,044,963** | 6,300,871 | **(188)** | (20,348) |
| Exchange loss | 8 | **(421,159)** | (2,435,944) | **(347,777)** | (2,086,038) |
| Interest costs | 8 | **(692,272)** | (521,560) | **(562,350)** | (440,928) |
| **Profit/(loss) before income tax expense** | | **2,931,532** | 3,340,367 | **(910,315)** | (2,547,314) |
| Income tax expense | 9 | | (1,865,200) | **-** | (27) |
| **Profit/(loss) after tax** | | **2,025,248** | 1,475,167 | **(910,315)** | (2,547,341) |
| **Other comprehensive income** | | | | | |
| ***Items that will not be classified into profit or loss*** | | | | | |
| Surplus on revaluation of freehold land and development | | **290,110** | 3,475,271 | **-** | - |
| Deferred tax thereon | | **(87,033)** | (1,036,438) | **-** | 6,104 |
| **Total comprehensive income for the year** | | **2,228,325** | 3,914,000 | **(910,315)** | (2,541,237) |

GROUP DEVELOPMENTS LIMITED

## STATEMENTS OF CHANGES IN EQUITY
**For the year ended 31 March 2017**
*In thousands of Malawi Kwacha*

**Consolidated**

| | Share capital | Share premium | Property revaluation reserve | Capital reserve | Biological asset revaluation reserve | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Balance as at 1 April 2016** | 1,284 | 60,977 | 3,106,229 | 301,564 | 8,983,683 | (6,212,971) | 6,240,766 |
| *Total comprehensive income* | | | | | | | |
| Profit for the year | - | - | - | - | - | 2,025,248 | 2,025,248 |
| *Other comprehensive income* | | | | | | | |
| Other transfers | - | - | (22,201) | - | - | 22,229 | 28 |
| Revaluation surplus | - | - | 290,110 | - | - | - | 290,110 |
| Deferred tax on revaluation surplus | - | - | (87,033) | - | - | - | (87,033) |
| Biological assets fair value gains transferred | - | - | - | - | 3,052,849 | (3,052,849) | - |
| Deferred tax on fair value gains transferred | - | - | - | - | (915,855) | 915,855 | - |
| **Total other comprehensive income** | - | - | 180,876 | - | 2,136,994 | (2,114,765) | 203,105 |
| **Balance at 31 March 2017** | 1,284 | 60,977 | 3,287,105 | 301,564 | 11,120,677 | (6,302,488) | 8,469,119 |
| 2016 | | | | | | | |
| 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* | | | | | | | |
| Profit for the year | - | - | - | - | - | 1,475,167 | 1,475,167 |
| *Other comprehensive income* | | | | | | | |
| Revaluation surplus | - | - | 3,475,271 | - | - | - | 3,475,271 |
| Deferred tax on revaluation surplus | - | - | (1,036,464) | - | - | - | (1,036,464) |
| 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 |

GROUP DEVELOPMENTS LIMITED

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 March 2017
*In thousands of Malawi Kwacha*

**Separate**

| | Share capital | Share premium | Property revaluation reserve | Capital reserve | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| 2017 | | | | | | |
| Balance as at 1 April 2016 | 1,284 | 60,977 | - | - | (6,185,901) | (6,123,640) |
| Loss for the year | - | - | - | - | (910,315) | (910,315) |
| **Balance at 31 March 2017** | **1,284** | **60,977** | **-** | **-** | **(7,096,216)** | **(7,033,955)** |
| 2016 | | | | | | |
| 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) |
| Balance at 31 March 2016 | 1,284 | 60,977 | - | - | (6,185,901) | (6,123,640) |

GROUP DEVELOPMENTS LIMITED

STATEMENTS OF CASH FLOWS
For the year ended 31 March 2017
*In thousands of Malawi Kwacha*

| | Note | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit/(loss) before tax | | **2,931,532** | 3,340,367 | **(910,315)** | (2,547,314) |
| **Adjusted for:** | | | | | |
| Depreciation | 10 | **220,457** | 21,167 | - | - |
| Interest expense | 8 | **692,272** | 524,560 | **562,350** | 440,928 |
| Profit on disposal of assets | | - | (197,623) | - | - |
| Unrealised exchange loss on long term loan | | **399,592** | 2,233,427 | **347,869** | 2,086,038 |
| Unrealised exchange loss on foreign bank overdraft | | **31,396** | 271,869 | | |
| Revaluation loss | | - | 20,349 | - | 20,348 |
| Fair value gain on biological assets party | 12 | **(3,052,849)** | (5,985,577) | - | - |
| **Cashflows from/(used in) operations** | | **1,222,400** | 228,539 | **(96)** | - |
| Decrease/(increase) in future crop expenditure | | **70,508** | (66,819) | - | - |
| (Increase)/decrease in inventories | | **(230,466)** | 161,294 | - | - |
| Increase in trade and other receivables | | **(137,226)** | (224,583) | - | - |
| Increase in trade and other payables | | **133,851** | 97,208 | - | - |
| Increase in amounts due to related parties | | - | - | **553,125** | - |
| **Cash generated (used in)/from operations** | | **1,059,067** | 195,639 | **553,029** | - |
| Taxation paid | | **(10,712)** | (4,042) | - | - |
| **Net cash generated from operating activities** | | **1,048,355** | 191,597 | **553,029** | - |
| **Cash flows from investing activities** | | | | | |
| Development expenditure | | **(45,227)** | (18,478) | - | - |
| Proceeds from disposal of equipment | | - | 344,511 | - | - |
| Acquisition of property, plant and equipment | 10 | **(187,020)** | (561,805) | - | - |
| **Cash flows used in financing activities** | | **(232,247)** | (235,772) | - | - |
| Proceeds from loans received | 18 | - | 669,300 | | - |
| Interest paid | | **(682,724)** | (524,560) | **(552,802)** | - |
| **Net cash (used in)/ from financing activities** | | **(682,724)** | 144,740 | **227** | - |
| Net decrease in cash and cash equivalents | | **133,384** | 100,565 | **227** | - |
| Cash and cash equivalents at the beginning of the year | | **(635,103)** | (463,799) | **117** | **117** |
| Effect of movements in exchange rate on cash balances | | **(31,396)** | (271,869) | - | - |
| **Cash and cash equivalents at the end of the year** | 17 | **(533,115)** | (635,103) | **344** | 117 |

1. **General Information**

Group Developments Limited is a limited liability company incorporated under the Malawi Companies Act, 2013. 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 consolidated and separate financial statements ("the financial statement")have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Companies Act, 2013 of Malawi.

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 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 financial statements can be found in the following notes:

| | | |
|---|---|---|
| Note 3.13 and 9 | - | Recognition of deferred tax assets, availability of future taxable profit against which carry forward tax losses can be used. |
| Note 2.4.4 and 10 | - | Review of useful asset lives and impairment testing. |
| Note 3.5 and 12 | - | Key assumptions underlying in the biological asset model. |
| Note 3.9 | - | Impairment test: assumptions underlying recoverable amounts. |
| Note 3.15 and 20 | - | 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.

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.

## 3. 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.

### 3.1 Foreign currency translation

#### 3.1.1 Functional and presentation currency

Items included in the 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.

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

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 capitalised 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 recognised 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 realised on disposal. All other decreases are recognised in profit or loss.

**Subsequent costs**
Subsequent expenditure is capitalised 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.

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. Summary of significant accounting policies (continued)

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.

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, than 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 recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised 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 throughprofit 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. Summary of significant accounting policies (continued)

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.*

## 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 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.

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

**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 profit or loss, 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 financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting 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 recognised as personnel expenses in profit or loss. The Group has no further obligations once the contributions have been made.

**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 recognised for the amount expected to be paid if the Group has a present legal or onstructive 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 profit or loss 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 reporting date.

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3. Summary of significant accounting policies (continued)

**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 earning 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, amendments to standards and interpretations are not yet effective for the year ended 31 March 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

- ***IFRS 9 Financial instruments***

  This replaces existing guidance in *IAS 39 Financial Instruments: Recognition and measurement*

  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.

  The Company is assessing the possible impact on its financial statements resulting from the application of IFRS 9.

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

  This establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction contracts* and IFRIC 13 *Customer Loyalty Programmes.*

  IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018 with early adoption permitted.

  The company is assessing the possible impact on its financial statements resulting from the application of IFRS 15.

- **IFRS 16 Leases:** IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

  The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

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

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

- **Disclosure Initiative (Amendments to IAS 7):** The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities. The Company does not expect this amendment to have a significant impact on its financial statements.

- **Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12):** The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the amendment so far, the Company does not expect any significant impact.

*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:

| Consolidated | Note | 2017 | 2016 |
|---|---|---|---|
| **Financial assets** | | | |
| Trade and other receivables | 15 | **590,186** | 452,960 |
| Cash and bank balances | 17 | **1,200** | 1,136 |
| | | **591,386** | 454,096 |
| **Financial liabilities** | | | |
| Trade and other payables | 20 | **517,108** | 373,736 |
| Bank overdraft | 17 | **534,315** | 636,239 |
| | | **1,051,423** | 1,009,975 |
| Separate | | | |
| **Financial assets** | | | |
| Cash and bank balances | 17 | **344** | 136 |
| **Financial liabilities** | | | |
| Trade and other payables | 20 | **18,868** | - |
| Bank overdraft | 17 | - | 19 |
| Due to related party | 16 | **997,280** | 444,155 |
| | | **1,016,148** | 444,174 |

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.

*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:

| | 2017 | 2016 |
|---|---|---|
| **US$ denominated assets** | | |
| Receivables | **421,999** | 355,400 |
| **US$ denominated monetary liabilities** | | |
| Bank overdraft | **505,107** | 618,738 |

**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 negative number below indicates a decrease in profit where Malawi Kwacha weakens 5% against the United States Dollar. For a 5% strengthening of the Malawi Kwacha against the United States Dollar, there would be an equal and opposite impact on profit.

| | 2017 | 2016 |
|---|---|---|
| Profit or loss | **(5,616)** | (14,041) |

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 transcts 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 base lending rate, currently at **31%** per annum (2016: 35%) and semi-floating rate has been assumed at LIBOR plus **0.75%** (2016: LIBOR plus 0.75%), 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 year ended 31 March 2017 would have decreased/increased by **MK1.46 million** (2016: MK0.874 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 2017 would decrease/increase by **MK37.498 million** (2016: MK36.068 million).

*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 maximum credit risk exposure has also taken into account an exposure to other recivables such as advances. The company does not have significant credit risk exposure.

| | 2017 | 2016 |
|---|---|---|
| Maximum credit risk exposure | **590,186** | 452,960 |

### 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 2017<br>Consolidated | Note | Up to 1 Month | 1 to 3 Months | 3 to 12 Months | Total | Fair value |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Trade and other receivables | 15 | 421,277 | 147 | 168,762 | 590,186 | 590,186 |
| Bank and cash equivalents | 17 | 1,200 | - | - | 1,200 | 1,200 |
| | | 422,477 | 147 | 168,762 | 591,386 | 591,386 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 20 | 220,624 | 164,598 | 131,886 | 517,108 | 517,108 |
| Bank overdraft | 17 | - | - | 534,315 | 534,315 | 534,315 |
| **Total financial liabilities** | | 220,624 | 164,598 | 666,201 | 1,051,423 | 1,051,423 |
| **Periodic gap** | | 201,853 | (164,451) | (497,439) | (460,037) | (460,037) |
| **Cumulative gap** | | 201,853 | 37,402 | (460,037) | (460,037) | (460,037) |
| Separate | | | | | | |
| Bank and cash equivalents | 17 | 344 | - | - | 344 | 344 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 20 | 9,548 | - | - | 9,548 | 9,548 |
| Due to related party | 16 | 997,280 | - | - | 997,280 | 997,280 |
| **Total financial liabilities** | | 1,006,828 | - | - | 1,006,828 | 1,006,828 |
| **Periodic gap** | | (1,006,484) | - | - | (1,006,484) | (1,006,484) |
| **Cumulative gap** | | (1,006,484) | (1,006,484) | (1,006,484) | (1,006,484) | (1,006,484) |

*In thousands of Malawi Kwacha*

## 4. Financial Risk Management (continued)

### 4.8. Liquidity risk management (continued)

| 31 March 2016 Consolidated | Note | Up to 1 Month | 1 to 3 Months | 3 to 12 Months | Total | Fair value |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Trade and other receivables | 15 | 255,300 | 462 | 184,338 | 440,100 | 440,100 |
| Bank and cash equivalents | 17 | 1,136 | - | - | 1,136 | 1,136 |
| | | 256,436 | 462 | 184,338 | 441,236 | 441,236 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 20 | 42,349 | 48,444 | 282,943 | 373,736 | 373,236 |
| Bank overdraft | 17 | 636,239 | - | - | 636,239 | 636,239 |
| Total financial liabilities | | 678,588 | 48,444 | 282,943 | 1,009,975 | 1,009,975 |
| Periodic gap | | (422,152) | (47,982) | (98,605) | (568,739) | (568,739) |
| Cumulative gap | | (422,152) | (470,134) | (568,739) | (568,739) | (568,739) |
| Separate | | | | | | |
| **Financial assets** | | | | | | |
| Bank and cash equivalents | 17 | 136 | - | - | 136 | 136 |
| **Financial liabilities** | | | | | | |
| Due to related party | 16 | 444,155 | - | - | 444,155 | 444,155 |
| Bank overdraft | 17 | 19 | - | - | 19 | 19 |
| Total financial liabilities | | 444,174 | - | - | 444,174 | 444,174 |
| Periodic gap | | (444,038) | - | - | (444,038) | (444,038) |
| Cumulative gap | | (444,038) | (444,038) | (444,038) | (444,038) | (444,038) |

*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 2017 | Note | Carrying amount: Loans and receivables | Carrying amount: Other financial liabilities | Carrying amount: Total | Fair Value: Level 1 | Fair Value: Level 2 | Fair Value: Level 3 | Fair Value: Total |
|---|---|---|---|---|---|---|---|---|
| Financial assets not measured at fair value | | | | | | | | |
| Trade and other receivables | 15 | 590,186 | | 590,186 | - | - | - | - |
| Cash and cash equivalents | 17 | 1,200 | | 1,200 | - | - | - | - |
| | | 591,386 | | 591,386 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Long term borrowings | 17 | | 6,994,527 | 6,994,527 | - | - | - | - |
| Trade payables and other payables | 20 | | 517,108 | 517,108 | - | - | - | - |
| Bank overdrafts | 17 | | 534,315 | 534,315 | - | - | - | - |
| | | | 8,045,950 | 8,045,950 | - | - | - | - |

*In thousands of Malawi Kwacha*

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

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

**CONSOLIDATED**

| 31 March 2016 | Note | Carrying amount: Loans and receivables | Carrying amount: Other financial liabilities | Carrying amount: Total | Fair Value: Level 1 | Fair Value: Level 2 | Fair Value: Level 3 | Fair Value: Total |
|---|---|---|---|---|---|---|---|---|
| Financial assets not measured at fair value | | | | | | | | |
| Trade and other receivables | 15 | 452,960 | - | 452,960 | - | - | - | - |
| Cash and cash equivalents | 17 | 1,136 | - | 1,136 | - | - | - | - |
| | | 454,096 | - | 454,096 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Borrowings | 17 | - | 6,594,935 | 6,594,935 | - | - | - | - |
| Trade payables and other payables | 20 | - | 373,736 | 373,736 | - | - | - | - |
| Bank overdrafts | 17 | - | 636,239 | 636,239 | - | - | - | - |
| | | - | 7,604,910 | 7,604,910 | - | - | - | - |

*In thousands of Malawi Kwacha*

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

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

**SEPARATE**

| 31 March 2017 | Note | Carrying amount: Loans and receivables | Carrying amount: Other financial liabilities | Carrying amount: Total | Fair Value: Level 1 | Fair Value: Level 2 | Fair Value: Level 3 | Fair Value: Total |
|---|---|---|---|---|---|---|---|---|
| Financial assets not measured at fair value | | | | | | | | |
| Trade and other receivables | 15 | - | - | - | - | - | - | - |
| Cash and cash equivalents | 17 | 344 | - | 344 | - | - | - | - |
| | | 344 | - | 344 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Long term borrowings | 17 | - | 6,089,157 | 6,089,157 | - | - | - | - |
| Amount due to related companies | 16 | - | 997,280 | 997,280 | - | - | - | - |
| | | - | 7,086,437 | 7,086,437 | - | - | - | - |

*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 | Carrying amount<br>Loans and receivables | Available for sale | Other financial liabilities | Total | Fair Value<br>Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|---|---|---|
| Financial assets not measured at fair value | | | | | | | | | |
| Cash and cash equivalents | 17 | 136 | - | - | 136 | - | - | - | - |
| | | 136 | - | - | 136 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | | |
| Long term borrowings | 17 | - | - | 5,741,288 | 5,741,288 | - | - | - | - |
| Amount due to related companies | 16 | - | - | 444,155 | 444,155 | - | - | - | - |
| Bank overdrafts | 19 | - | - | 19 | 19 | - | - | - | - |
| | | - | - | 6,185,462 | 6,185,462 | - | - | - | - |

*In thousands of Malawi Kwacha*

| | | Consolidated | | Separate | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| 5. | **Revenue** | | | | |
| | *See accounting policy note 3.2* | | | | |
| | Tea | 1,950,749 | 1,314,515 | - | - |
| | Macadamia | 1,235,589 | 678,269 | - | - |
| | Tobacco | 115,885 | 64,184 | - | - |
| | | 3,302,223 | 2,056,968 | - | - |
| 6. | **Other income** | | | | |
| | *See accounting policy note 3.2.2* | | | | |
| | Profit on sale of property, plant and equipment | - | 197,622 | - | - |
| | Net revenue from other farm produce | 11,607 | 45,313 | - | - |
| | Other revenue | 73,789 | - | | - |
| | | 85,396 | 242,935 | | - |

Other revenue relate to insurance claim for loss of business, miscellaneous receipts, and sundry income.

| | | Consolidated | | Separate | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| 7. | **Administration expenses** | | | | |
| | Auditor's remuneration - current | 27,960 | 24,000 | - | - |
| | - prior year | 1,460 | 8,636 | - | - |
| | Bank charges | 13,309 | 6,175 | 188 | - |
| | Depreciation (Note 10) | 220,457 | 21,167 | - | - |
| | Directors expenses | 15,131 | 15,775 | - | - |
| | Legal fees and other professional services fees | 7,549 | 41,016 | - | - |
| | Other costs | 83,662 | 71,165 | - | - |
| | Repairs and maintenance expenses | 15,671 | 10,341 | - | - |
| | Salaries and wages | 203,519 | 265,181 | - | - |
| | Travelling expenses | 17,887 | 17,878 | - | - |
| | | 606,605 | 481,334 | 188 | - |

*In thousands of Malawi Kwacha*

| | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|
| **8. Finance income/(cost)** | | | | |
| *See accounting policy note 3.2* | | | | |
| **Exchange losses** | | | | |
| Unrealised exchange loss | **(421,159)** | (2,505,297) | **(347,777** | (2,086,038) |
| Realised exchange (loss)/gain | **-** | 69,353 | | - |
| | **(421,159)** | (2,435,944) | **(347,777** | (2,086,038) |
| Interest expense | **(692,272)** | (521,560) | **(562,350)** | (440,928) |
| Realised exchange gain | **-** | - | **-** | - |
| **Net finance cost** | **(1,113,431)** | (2,957,504) | **(910,127)** | (2,526,966) |

There is a notional loss of **K421,159** (2016: K2,505,297) as a result of exchange rate movement on translation of foreign currency borrowing, which is repayable in eight years.

Interest expenses includes an amount of **K562,350,346** (2016: K440,928,169) which relates to Gillanders (Mauritius) Holdings Limited, a related party and the Holding company of GDL.

| | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|
| **9. Taxation** | | | | |
| *See accounting policy note 3.13* | | | | |
| ***The taxation charge for the year comprises:*** | | | | |
| Current tax @ **30%** (2016: 30%) | - | 1,219 | **-** | - |
| Deferred tax (credit)/expense | **(9,571)** | 68,308 | **-** | - |
| | **(9,571)** | 69,527 | **-** | - |
| Deferred tax on biological asset | **915,855** | 1,795,673 | **-** | (6,077) |
| Total income tax charge | **906,284** | 1,865,200 | **-** | (6,077) |
| ***Income Tax reconciliation*** | | | | |
| Profit/(loss) before taxation | **2,931,532** | 3,340,367 | **(910,315)** | (2,547,314) |
| Income tax at **30%** (2016: 30%) | **(879,460)** | (1,002,110) | **273,095** | 764,194 |
| Reversal of deferred tax | **9,571** | (68,308) | **-** | 6,077 |
| Other permanent differences | **(36,395)** | (794,782) | **(273,095)** | (764,194) |
| | **(906,284)** | (1,865,200) | **-** | 6,077 |

The Group has taxable losses amounting to **K433 million** (2016: K134 million) which are available for offset against future taxable income. These losses are subject to agreement with the Malawi Revenue Authority.

*In thousands of Malawi Kwacha*

9. **Taxation (continued)**
*See accounting policy note 3.13*

**Deferred tax liabilities**

**Consolidated**

| | 2017 Assets | 2017 Liabilities | 2017 Net | 2016 Assets | 2016 Liabilities | 2016 Net |
|---|---|---|---|---|---|---|
| Property,Plant and Equipment | - | 1,416,617 | 1,416,617 | - | 1,329,584 | 1,329,584 |
| Fair value adjustments on biological assets | - | 4,848,763 | 4,848,763 | - | 3,932,908 | 3,932,908 |
| | - | 6,265,380 | 6,265,380 | - | 5,262,492 | 5,262,492 |

The movement in deferred tax is analysed as follows:

**2017**

| Consolidated | Balance at 1 April 2016 | Recognised in profit or loss | Recognised in comprehensive income | Balance at 31 March 2017 |
|---|---|---|---|---|
| Property, plant and equipment | 1,329,584 | - | 87,033 | 1,416,617 |
| Fair value adjustments on biological assets | 3,932,908 | 915,855 | - | 4,848,763 |
| Provisions | - | (9,571) | - | (9,571) |
| | 5,262,492 | 906,284 | 87,033 | 6,255,809 |

2016

| Consolidated | Balance at 1 April 2015 | Recognised in profit or loss | Recognised in comprehensive income | Balance at 31 March 2016 |
|---|---|---|---|---|
| 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 | 2,137,235 | 1,795,673 | - | 3,932,908 |
| | 2,362,073 | 1,863,981 | 1,036,438 | 5,262,492 |

**Separate**

| | | | | |
|---|---|---|---|---|
| Unrealised exchange losses | 6,077 | (6,077) | - | - |

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
**For the year ended 31 March 2017**
*In thousands of Malawi Kwacha*

**10. Property plant and equipment**
*See accounting policy note 3.4*
**Consolidated**

| | 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/valuation** | | | | | | | | |
| **2017** | | | | | | | | |
| At 1 April 2016 | 2,276,506 | 1,432,357 | 1,019,345 | 174,965 | 24,035 | 30,551 | 330,255 | 5,288,014 |
| Additions during the year | - | 59,296 | 86,927 | 26,636 | 1,405 | 12,756 | - | 187,020 |
| Transferred from WIP | - | 36,453 | 293,802 | - | - | - | (330,255) | - |
| Revaluation Surplus | 290,110 | - | - | - | - | - | - | 290,110 |
| **At 31 March 2017** | 2,566,616 | 1,528,106 | 1,400,074 | 201,601 | 25,440 | 43,307 | - | 5,765,144 |
| 2016 | | | | | | | | |
| At 1 April 2015 | 212,350 | 1,164,219 | 200,667 | 142,437 | 12,722 | 20,132 | 56,777 | 1,809,304 |
| Depreciation reversed | - | (271,116) | (104,002) | - | (7,071) | - | - | (382,189) |
| Additions during the year | - | 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 | 2,064,156 | 592,430 | 805,575 | - | 13,111 | - | - | 3,475,272 |
| Disposals during the year | - | (175,200) | (978) | - | - | - | - | (176,178) |
| At 31 March 2016 | 2,276,506 | 1,432,357 | 1,019,345 | 174,965 | 24,035 | 30,551 | 330,255 | 5,288,014 |
| **Depreciation** | | | | | | | | |
| **2017** | | | | | | | | |
| At 1 April 2016 | - | - | - | 105,056 | - | 11,669 | - | 116,725 |
| Charge for the year | - | 81,896 | 113,562 | 17,976 | 3,410 | 3,613 | - | 220,457 |
| **At 31 March 2017** | - | 81,896 | 113,562 | 123,032 | 3,410 | 15,282 | - | 337,182 |
| 2016 | | | | | | | | |
| At 1 April 2016 | - | 187,130 | 104,980 | 86,347 | 7,071 | 9,211 | - | 394,739 |
| Charge for the year | - | - | - | 18,709 | - | 2,458 | - | 21,167 |
| Eliminated on disposal | - | (28,312) | (978) | - | - | - | - | (29,290) |
| Released on revaluation | - | (158,818) | (104,002) | - | (7,071) | - | - | (269,891) |
| At 31 March 2016 | - | - | - | 105,056 | - | 11,669 | - | 116,725 |
| **Carrying amount** | | | | | | | | |
| **At 31 March 2017** | 2,566,616 | 1,446,210 | 1,286,512 | 78,569 | 22,030 | 28,025 | - | 5,427,962 |
| At 31 March 2016 | 2,276,506 | 1,432,357 | 1,019,345 | 69,909 | 24,035 | 18,882 | 330,255 | 5,171,289 |

*In thousands of Malawi Kwacha*

**10. Property plant and equipment (continued)**
*See accounting policy note 3.4*

| **Separate** | **Freehold land and development** | **Total** |
|---|---|---|
| **Cost/Valuation** | | |
| **2017** | | |
| As at 1 April 2016 | - | - |
| Disposal | - | - |
| **As at 31 March 2017** | - | - |
| 2016 | | |
| As at 1 April 2015 | 26,697 | 26,697 |
| Disposal | (26,697) | (26,697) |
| As at 31 March 2016 | - | - |
| **Depreciation** | | |
| **2017** | | |
| As at 1 April2016 | - | - |
| Disposal | - | - |
| **As at 31 March 2017** | - | - |
| **2016** | | |
| As at 1 April2015 | 6,349 | 6,349 |
| Disposal | (6349) | (6,349) |
| **As at 31 March 2016** | - | - |
| **Net book value** | | |
| **As at 31 March 2017** | - | - |
| As at 31 March 2016 | - | - |

Land and development, water schemes and plant and machinery are stated at revalued amounts as at 31 March 2017, and subsequent additions are included at cost.

The company has items of furniture and equipment with a cost of **MK10.5 million** (2016: MK3 million) which although fully depreciated are put to use.

*In thousands of Malawi Kwacha*

| | | Percentage holding | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|---|---|
| **11.** | **Investments in subsidiaries (at cost)**<br>*See accounting policy note 3.19* | | | | | |
| | ***Naming'omba Tea Estate Limited***<br>7,617,633 ordinary shares of K1 each, fully paid (stated at cost) | **100%** | - | - | **55,493** | 55,493 |
| | ***Group Holdings Limited***<br>1,928,234 ordinary shares of K1 each, fully paid (stated at cost) | **100%** | - | - | **6,093** | 6,093 |
| | ***Mafisi Tea Estate Limited***<br>1,499,999 ordinary shares of K1 each, fully paid (stated at cost) | **100%** | - | - | **100** | 100 |
| | | | - | - | **61,686** | 61,686 |

| | | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|---|
| **12.** | **Biological assets**<br>*See accounting policy note 3.5* | | | | |
| | At beginning of the year | **12,976,73** | 6,972,680 | - | - |
| | Additions during the year | **45,227** | 18,478 | - | - |
| | Fair value gains | | 5,985,577 | - | - |
| | **At end of year** | **16,074,81** | 12,976,735 | - | - |
| | **Fair value movement in the year** | | | | |
| | Fair value gain in the year | - | - | - | - |
| | *Analysed by:* | | | | |
| | Tea | **1,727,026** | 2,956,997 | - | - |
| | Macadamia | **1,253,906** | 2,889,661 | - | - |
| | Timber plantation | **71,917** | 138,919 | - | - |
| | | **3,052,849** | 5,985,577 | - | - |

**Information required in connection with Biological Assets**

**2017**

| Other information | Tea | Macadamia | Total |
|---|---|---|---|
| Hecterage covered at period end | **1,281** | **560** | **1,841** |
| Total tonnage harvested during the period | **8,124** | **1,305** | **9,429** |
| The proceeds net of point of sales costs | **1,877,897** | **1,212,320** | **3,090,217** |

*In thousands of Malawi Kwacha*

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

**2016**

| Other information | Tea | Macadamia | Total |
|---|---|---|---|
| Hecterage covered at year end | 1,281 | 404 | 1,685 |
| Total tonnage harvested during the year | 8,522 | 1,347 | 9,869 |
| The proceeds net of point of sales costs | 1,283,074 | 672,281 | 1,955,355 |

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

Biological assets and Land were valued as at 31 March 2017 by independent valuer, Dick Mupambireyi, a Biological Asset Surveyor of PRO-VAL (Pvt) Limited of Zimbabwe, who have experience in the location and category of Biological Assets and Land and are being used by a number of companies within the tea industry in Malawi. The independent valuers provide the fair values of the Company's Biological Assets and Land with sufficient regularity.

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **13. Future crop expenditure** | | | | |
| *See accounting policy note 3.6* | | | | |
| Macadamia | 69,387 | 53,293 | - | - |
| Tobacco | - | 86,603 | - | - |
| | 69,387 | 139,896 | - | - |
| **14. Inventories** | | | | |
| *See accounting policy note 3.7* | | | | |
| Finished goods: | | | | |
| - Macadamia | 191,939 | 114,994 | - | - |
| - Made tea | 216,913 | 94,224 | - | - |
| Consumables | 169,733 | 157,137 | - | - |
| Nursery | 18,236 | - | - | - |
| | 596,821 | 366,355 | - | - |
| **15. Trade and other receivables** | | | | |
| *See accounting policy note 3.8* | | | | |
| Trade | 421,999 | 355,400 | - | - |
| Other | 168,187 | 97,560 | - | - |
| **Total** | 590,186 | 452,960 | - | - |
| **15.1 Other receivables** | | | | |
| Prepayments | 16,761 | 12,860 | - | - |
| Value Added Tax claimable | 127,604 | 81,522 | - | - |
| Staff advances and other receivables | 23,822 | 3,178 | - | - |
| **Total** | 168,187 | 97,560 | - | - |

*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 Since their recoverability is very certain due to their short term nature.

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.

| | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|
| **16. Related parties** | | | | |
| **Amounts due to related party:** | | | | |
| Naming'omba Tea Estate | - | - | 997,280 | 444,155 |

None of the amounts due to related parties are secured. There were no balances due from related parties.

**17. Cash and cash equivalents**

*See accounting policy note 3.12*

| | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|
| Cash on hand at bank | 1,200 | 1,136 | 344 | 136 |
| Overdrafts presented in current liabilities | (534,315) | (636,239) | - | (19) |
| | (533,115) | (635,103) | 344 | 117 |

The overdraft facility is with First Merchant Bank Limited. A total overdraft facility equivalent to US$1.150 million at 7.75% interest rate per annum is secured by way of mortgage charge on Naming'omba which is 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 at bank's base rate minus 3% currently at 31% and is secured by the same collateral.

**18. Long term Borrowings**

| | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|
| First Merchant Bank Limited- opening balance | 853,647 | 36,957 | - | - |
| Receipt during the year | - | 669,300 | - | - |
| Exchange Loss | 51,723 | 147,390 | - | - |
| | 905,370 | 853,647 | - | - |
| Gillanders (Mauritius) Holdings Limited | 5,741,288 | 3,428,728 | 5,741,288 | 3,428,728 |
| Exchange loss | 347,869 | 2,312,560 | 347,869 | 2,312,560 |
| | 6,089,157 | 5,741,288 | 6,089,157 | 5,741,288 |
| **Total long term borrowings** | 6,994,527 | 6,594,935 | 6,089,157 | 5,741,288 |
| Maturing as follows: | | | | |
| **Short term portion due within 12 months** | 1,094,448 | - | - | - |
| **Long term portion due over 1 year** | 6,996,527 | 6,594,935 | 6,089,157 | 5,741,288 |

The First Merchant Bank Limited 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 and the first instalment started in April 2017.

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 and the first principal instalment is due in September 2017. Interest is charged at 7.00% per annum Plus 3 months Libor.*

*In thousands of Malawi Kwacha*

## 19. Equity

| | | Consolidated | | Separate | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| 19.1 | **Share capital**<br>*See accounting policy note 3.18* | | | | |
| | *Authorised:* | | | | |
| | 1,650,000 ordinary shares of K1 each | 1,650 | 1,650 | 1,650 | 1,650 |
| | ***Issued and fully paid:*** | | | | |
| | 1,283,574 ordinary shares of K1 each | 1,284 | 1,284 | 1,284 | 1,284 |
| | A total number of shares of **366,426** (2016: 366,426) remain unissued. | | | | |
| | The holders of ordinary share capital are entitled to dividend as declared in the annual general meeting. | | | | |
| 19.2 | **Share premium** | 60,977 | 60,977 | 60,977 | 60,977 |
| | Share premium arose on the issue of shares amounting to 1,283,574 @ K48.50 per share. It is not available for distribution. | | | | |
| 19.3 | **Property revaluation reserve** | 3,287,104 | 3,106,229 | - | - |
| | 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 | | | | |
| 19.4 | **Capital reserve** | 301,564 | 301,564 | - | - |
| | Capital reserve arose following injection of additional capital by the shareholders to settle liabilities directly with creditors. It is not available for distribution. | | | | |
| 19.5 | **Biological assets revaluation reserve** | 11,120,678 | 8,983,683 | - | - |
| | 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. | | | | |

## 20. Trade and other payables

*See accounting policy note 3.17*

| | Consolidated 2017 | Consolidated 2016 | Separate 2017 | Separate 2016 |
|---|---|---|---|---|
| Trade payables | 272,760 | 150,357 | - | - |
| Provisions | 244,348 | 223,379 | 9,548 | - |
| | 517,108 | 373,736 | 9,548 | - |

The provisions amount of **K244,348** includes K9,548 (2016: K nil ) interest payable to Gillanders (Mauritius) Holdings Limited which is a related party.

*In thousands of Malawi Kwacha*

**20. Trade and other payables (continued)**

| | | Consolidated | | Separate | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| **20.1** | **Provisions** | | | | |
| | *See accounting policy note 3.15* | | | | |
| | Employee provision | 138,519 | 151,189 | - | - |
| | Other provision | 105,829 | 72,190 | 9,548 | - |
| | | 244,348 | 223,379 | 9,548 | - |
| **20.2** | **Employee provisions** | | | | |
| | Wages provision | 66,802 | 95,422 | - | - |
| | Gratuity | 36,722 | 23,176 | - | - |
| | Leave pay | 34,995 | 32,591 | - | - |
| | | 138,519 | 151,189 | - | - |
| **20.3** | **Other provisions** | | | | |
| | At 1 April 2016 | 72,190 | 38,654 | - | - |
| | Net movements during the year | 33,639 | 33,536 | 9,548 | - |
| | | 105,829 | 72,190 | 9,548 | - |

Other provisions relate to electricity bills, TEVET levy, tea cess, withholding tax payable, audit fee provision, and loan interest accrual, etc

**21 Contingencies**

There were contingencies as at 31 March 2017 amounting to **MK5,856,380** (2016: K27,329,010), 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 2017 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.

*In thousands of Malawi Kwacha*

## 22. Going concern

The Company has reported a loss of **MK910.3 million** (2016: MK2.5 billion). The Company's current liabilities exceed the current assets by **MK1.01 billion** while the Group current liabilities exceed the current assets by **MK877.8 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. 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.

| Exchange rates | 2017 | 2016 |
|---|---|---|
| Kwacha/GBP | **921.06** | 1,032 |
| Kwacha/Rand | **55.33** | 44 |
| Kwacha/US Dollar | **735.00** | 683 |
| Inflation rate % | **16.5%** | 22.1% |

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

| | |
|---|---|
| Kwacha/GBP | **954.73** |
| Kwacha/Rand | **56.68** |
| Kwacha/US Dollar | **734.90** |

## 24. Capital commitments

There were no capital commitments as at **31 March 2017** (2016: K23,340,782).

## 25. Events after the repoting date

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