



**Makandi Tea & Coffee Estates
Limited**

**Financial statements for the year ended
31 December 2024**



Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

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The principal activities of Makandi Tea & Coffee Estates Limited (the Company) are the growing, processing and sale of tea and macadamia. The Company is a wholly owned subsidiary of Dhunseri Petrochem & Tea Pte Limited incorporated in Singapore.

DIRECTORS

The particulars of the directors who served office during the year are as follows:

C.K. Dhanuka	Chairman	Full year
M. Dhanuka	Director	Full year
B. Dhanuka	Director	Full year
R. Sharma	Director	Full year
M. Beriwala	Director	Full year
S. Hara	Director	Full year
S. Nain	Director	Full year
S. Latif, SC	Director	Full year
B. Bajoria	Director	Up to 07 September 2024
S. Rampuria	Director	From 07 September 2024

COMPANY SECRETARY

S. Hara

REGISTERED OFFICE

Tunga Estate
P O Box 5598
Limbe
Company registration number 2868.

AUDITOR

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

LEGAL ADVISOR

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

BANKERS

National Bank of Malawi Plc
NBS Bank Plc

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Statement of directors' responsibilities

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

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

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

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

The directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to maintain adequate systems of internal control to prevent and detect fraud and other irregularities.

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

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

Director: 

Director: 

8 May 2025

Independent auditor's report to the shareholders of Makandi Tea and Coffee Estates Limited

Opinion

We have audited the consolidated and separate financial statements of Makandi Tea and Coffee Estates Limited set out on pages 5 to 54 which comprise the consolidated and separate statements of financial position as at 31 December 2024 and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 December 2024, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM), and the requirements of the Companies Act, 2013.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information consists of the statement of directors' responsibilities. The other information 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 or 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and separate financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2013, 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and separate 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 consolidated and separate 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 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 entities within the group and its business activities to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group's audit. We remain solely responsible for our audit opinion.

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


Chartered Accountants (Malawi)
Monica Lungu - Partner
Registered Practicing Accountant
23 June 2025

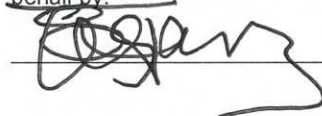
Makandi Tea & Coffee Estates Limited

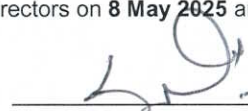
Consolidated and separate financial statements for the year ended 31 December 2024

Consolidated and separate statements of financial position as at 31 December 2024

	Note	CONSOLIDATED		COMPANY	
		2024	2023	2024	2023
		K'000	K'000	K'000	K'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	30 499 726	29 456 822	28 234 039	27 164 237
Investments in subsidiaries	6	-	-	1 984 595	1 984 595
		30 499 726	29 456 822	30 218 634	29 148 832
Current assets					
Biological assets	7	1 582 966	2 123 927	1 582 966	2 123 927
Future crop expenditure	8	450 870	400 307	450 870	400 307
Inventories	9	3 710 284	2 444 057	3 710 284	2 444 057
Trade and other receivables	10	1 783 315	945 933	1 783 315	945 933
Amounts due from related parties	11.3(i)	1 137 425	3 073 485	1 137 425	3 073 485
Current income tax asset	24.3	20 880	12 684	13 221	4 316
Cash and cash equivalents	12	74 732	909 839	64 490	886 446
		8 760 472	9 910 232	8 742 571	5 638 229
TOTAL ASSETS		39 260 198	39 367 054	38 961 205	39 027 303
EQUITY AND LIABILITIES					
EQUITY					
Share capital	13	15 862	15 862	15 862	15,862
Share premium		1 146 935	1 146 935	1 146 935	1 146,935
Revaluation reserve		13 684,112	14 155 853	13 579 801	14 045,761
Accumulated (losses)/ retained earnings		(3 168 625)	(1 983 160)	(3 401 697)	(2 244,331)
Total equity		11 678 284	13 335,490	11 340 901	12 964 227
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	14	5 730 843	6 280 479	5 768 894	6 312 163
Deferred acquisition consideration	25	79 897	198 317	79 897	198 317
Long term borrowings	17	16 450 041	8 993 313	16 450 041	8 993 313
		22 260 781	15 472 109	22 298 832	15 503 793
Current liabilities					
Trade and other payables	16	2 077 822	2 066 322	2 074 722	2 063 694
Deferred acquisition consideration	25	125 733	135 289	125 733	135 289
Amounts due to related parties	11.3 (ii)	3 667	217 050	7 106	219 506
Borrowings	17	2 860 076	7 956 540	2 860 076	7 956 540
Employee benefits liabilities	15	253 835	184 254	253 835	184 254
Total current liabilities		5 321 133	10 559 455	5 321 472	10 559 283
Total liabilities		27 581 914	26 031 564	27 620 304	26 063 076
Total equity and liabilities		39 260 198	39 367 054	38 961 205	39 027,303

These financial statements were authorised for issue by the Board of directors on **8 May 2025** and were signed on its behalf by:

 Director

 Director

The notes on pages 10 to 53 form part of these financial statements. Auditors' report is on page 3 to 4

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Consolidated and separate statements of profit or loss or other comprehensive income for the year ended 31 December 2024

	Note	CONSOLIDATED		COMPANY	
		2024 K'000	2023 K'000	2024 K'000	2023 K'000
Revenue	18	12 948 754	8 796 954	12 948 754	8 796 954
Cost of sales	19	(8 600 145)	(6 675 857)	(8 600 145)	(6 675 857)
Gross profit		4 348 609	2 121 097	4 348 609	2 121 097
Distribution costs	20	(848 184)	(541 837)	(848 184)	(541 837)
Administrative expenses	22	(3 665 899)	(7 383 785)	(3 641 794)	(7 352 444)
Other income	21	20 272	15 895	35 705	14 822
Other costs		-	-	-	-
Fair value gain/(loss) on biological assets	7	(540 961)	829 156	(540 961)	829 156
Operating loss		(686 163)	(4 959 474)	(646 625)	(4 929 206)
Finance costs	23	(1 518 470)	(793 530)	(1 518 470)	(793 530)
Loss before income tax		(2 204,633)	(5 753 004)	(2 165 095)	(5 722 736)
Income tax expense	24	547 427	712 102	541 769	706 309
Loss for the year		(1 657 206)	(5 040 902)	(1 623 326)	(5 016 427)
Total comprehensive (loss)/income for the year		<u>(1 657 206)</u>	<u>(5 040 902)</u>	<u>(1 623 326)</u>	<u>(5 016 427)</u>

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Statement of changes in equity for the year ended 31 December 2024

Consolidated

	Share capital K'000	Share premium K'000	Revaluation reserve K'000	Retained earnings K'000	Total K'000
At 1 January 2023	15 862	1 146 935	14 858 811	2 586 001	18 607 609
Loss for the year	-	-	-	(5 040 902)	(5 040 902)
Impairment of bearer asset	-	-	(231 217)	-	(231 217)
Transfer of excess depreciation	-	-	(471 741)	471 741	-
At 31 December 2023	<u>15 862</u>	<u>1 146 935</u>	<u>14 155 853</u>	<u>(1 983 160)</u>	<u>13 335 490</u>
At 1 January 2024	15 862	1 146 935	14 155 853	(1 983 160)	13 335 490
Loss for the year	-	-	-	(1 657 206)	(1 657 206)
Transfer of excess depreciation	-	-	(471 741)	471 741	-
At 31 December 2024	<u>15 862</u>	<u>1 146 935</u>	<u>13 684 112</u>	<u>(3 168 625)</u>	<u>11 678 284</u>

Company

	Share capital K'000	Share premium K'000	Revaluation reserve K'000	Retained earnings K'000	Total K'000
At 1 January 2023	15 862	1 146 935	14 742 938	2 306 136	18 211 871
Loss for the year	-	-	-	(5 016 427)	(5 016 427)
Transfer of excess depreciation	-	-	(465 960)	465 960	-
Impairment of bearer assets	-	-	(231 217)	-	(231 217)
At 31 December 2023	<u>15 862</u>	<u>1 146 935</u>	<u>14 045 761</u>	<u>(2 244 331)</u>	<u>12 964 227</u>
At 1 January 2024	15 862	1 146 935	14 045 761	(2 244 331)	12 964 227
Loss for the year	-	-	-	(1 623 326)	(1 623 326)
Transfer of excess depreciation	-	-	(465 960)	465 960	-
At 31 December 2024	<u>15 862</u>	<u>1 146 935</u>	<u>13 579 801</u>	<u>(3 401 697)</u>	<u>11 340 901</u>

Note:

Retained earnings include fair value gains on biological assets of nil (2023: nil) net of tax

Makandi Tea & Coffee Estates Limited
Consolidated and separate financial statements for the year ended 31 December 2024
Consolidated and separate statement of cash flows for the year ended 31 December 2024

	Note	CONSOLIDATED		COMPANY	
		2024	2023	2024	2023
		K'000	K'000	K'000	K'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before income tax		(2 204 633)	(5 753 004)	(2 165 095)	(5 722 736)
Adjustments for:					
- Fair value gain/(loss) on biological assets	7	540 961	(829 156)	540 961	(829 156)
- Depreciation	5	943 915	972 898	917 017	940 712
- Interest payable	23	1 402 321	793 530	1 402 321	793 530
- Interest on deferred purchase consideration	25	116 149	62 375	116 149	62 375
-Gain on disposal assets		(6 313)	-	(6 313)	-
- Unrealised exchange losses on long term borrowings and deferred purchase consideration		401,254	3 143 953	401,254	3 143 953
Cash generated from operating activities before changes in working capital		1,193,654	(1 609 404)	1,206,294	(1 611 322)
Increase in future crop expenditure		(50 563)	(136 255)	(50 563)	(136 255)
Increase in inventories		(1 266 227)	(567 250)	(1 266 227)	(567 250)
(Increase)/Decrease in trade and other receivables		(837 382)	6 914	(837 382)	6 914
Decrease/(increase) in amounts due from related parties		1 936 060	(3 073 485)	1 936 060	(3 073 485)
Increase in trade and other payables		11 500	881 692	11 028	881 692
Decrease in amounts due to related parties		(213 383)	(45 949)	(212 400)	(43 643)
Increase in employee benefit liabilities		69 581	13 410	69 581	13 410
Cash generated from operations		843,240	(4 530 327)	856,391	(4 529 939)
Interest paid	23	(1 402 321)	(793 530)	(1 402 321)	(793 530)
Taxation paid	24.3	(10 405)	(1 255)	(10 405)	(1 255)
Net cash flows generated from/(utilized in) operating activities		(569,486)	(5 325 112)	(556,335)	(5 324 724)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	5	(1 994 382)	(1 606 016)	(1 994 382)	(1 606 016)
Proceeds from disposal of property, plant and equipment	5	13 876	-	13 876	-
Net cash flows used in investing activities		(1 980 506)	(1 606 016)	(1 980 506)	(1 606 016)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of deferred acquisition consideration		(254,133)	(154 403)	(254,133)	(154 403)
Proceeds from long-term borrowings		14 498 522	3 220 043	14 498 522	3 220 043
Repayment of long-term borrowings		(8 014 508)	-	(8 014 508)	-
Net cash flows generated from financing activities		6 229,881	3,065 640	6,229,881	3 065 640
Net Increase/(decrease) in cash and cash equivalents		3 679 889	(3 865 488)	3 693 040	(3 865 100)
Cash and cash equivalents at beginning of the year		(5 771 701)	(1 906 213)	(5 795 094)	(1 929 994)
Cash and cash equivalents at end of the year	12	(2 091 812)	(5 771 701)	(2 102 054)	(5 795 094)

1 Corporate Information

Makandi Tea and Coffee Estates Limited (The company) is a private Company incorporated in Malawi. The company registration number is 2868. It is a subsidiary of Dhunseri Petrochem and Tea Pte Limited which is 100% ultimately owned by Dhunseri Tea & Industries Ltd.

The major activities of the group are growing (plantation), manufacture and selling of tea and macadamia.

The Company owns 100% of the shareholding of AM Henderson & Sons Limited, Ntimabi Estate Limited and Chiwale Estate Management Services Limited. The main business of A.M. Henderson & Sons Limited is that it owns the title deed to Chiwale estate which was sub-leased to Makandi Tea and Coffee Limited. Ntimabi also owns land that has been subleased to Makandi. Both subsidiaries main income is rental income from the sub-lease of land. Chiwale Estate Management Services Limited is a dormant company.

The consolidated and separate financial statements for the year ended 31 December 2024 comprises the company and its subsidiaries AM Henderson & Sons Limited, Ntimabi Estate Limited and Chiwale Estate Management Services Limited (together referred to as "the Group").

2 Material accounting policies

2.1 Preparation

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

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

2.2 Basis of consolidation

The separate financial statements reflect the interest in the two entities controlled by the company at cost less any impairment. The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the Company and all entities controlled by the company as if they were a single business entity. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. Material accounting policies (continued)

2.2 Basis of consolidation (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Use of estimates and judgements

The preparation of the consolidated and separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 3.

2.4 Adoption of new and revised International Financial Reporting Standards

(a) Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments became effective as at 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS

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

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

2.4 Adoption of new and revised International Financial Reporting Standards (Continues)

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2026	<p>Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7</p> <p>Measurement of Financial Instruments (The Amendments). The Amendments include:</p> <ul style="list-style-type: none"> • A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date • Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed • Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments • The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI) <p>The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Group is currently not intending to early adopt the Amendments</p>
Annual reporting periods beginning on or after 1 January 2025	<p>Lack of exchangeability – Amendments to IAS 21</p> <p>In August 2023, the IASB issued amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows</p>
Annual reporting periods beginning on or after 1 January 2027	<p>IFRS 18 – Presentation and Disclosure in Financial Statements</p> <p>In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. Earlier application of the standard is permitted and must be disclosed. IFRS 18 will apply retrospectively</p>
Annual reporting periods beginning on or after 1 January 2027	<p>IFRS 19 Subsidiaries without Public Accountability: Disclosure</p> <p>In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. Early application permitted. As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19</p>

Notes to the consolidated and separate financial statements

2 Material accounting policies (continued)

2.5 Summary of material accounting policies

2.5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.2 Foreign currency translation

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

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

2.5.3 Property, plant and equipment

Property, plant and equipment comprise mainly bearer plants, factories, retail outlets and offices. Certain property, plant and equipment is shown at fair value, based on valuation by external independent valuers, less subsequent depreciation. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation surplus is recorded in OCI and credited to the revaluation reserve in equity. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit and loss during the financial period in which they are incurred.

Land and capital work in progress are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Bearer plants	-Tea bushes	65 Years
	-Macadamia	35 Years
Building		10 to 25 years
Plant & Machinery		3 to 10 years
Motor vehicles		2 to 10 years
Furniture and equipment		3 to 10 years

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.3 Property, plant and equipment (continued)

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.5.4 Biological assets

Biological assets comprise of growing timber, macadamia nuts on macadamia trees, and growing tea on tea bushes. The expected harvest of growing timber, growing tea and macadamia nuts is measured at their fair value less relevant costs including costs to sell. Costs to sell include the incremental selling costs, including auctioneer' fees, commission paid to brokers and dealers and established costs of transport to the market but excludes finance costs and income taxes. Other relevant costs include harvesting costs and costs of maintaining fields.

The fresh fruit/produce growing on the bushes or trees to be harvested within a year is accounted for as biological assets. Timber that has been grown for 6 years is regarded as biological assets as it can be sold or used commercially.

Fair value movements include increased yields as plants and trees mature, price movements reduced with expected cost increases.

2.5.5 Future crop expenditure

The Group's financial year and the crop seasons are not concurrent for macadamia. Accordingly, expenditure incurred prior to the reporting date in respect of crops which will be harvested in the subsequent financial year is carried forward at cost to be charged against the corresponding revenue.

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.6 Impairment of non – financial assets

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

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

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

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

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

2.5.7 Borrowing Costs

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

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

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (continued)

2.5.8 Financial instruments– initial recognition and subsequent measurement

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

2.5.8.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy 2.5.14 in section (e) Revenue from contracts with customers.

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

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

Subsequent measurement

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

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

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.5.8 Financial instruments– initial recognition and subsequent measurement (continued)

2.5.8.1 Financial assets (continued)

Financial assets at amortised cost (debt instruments)

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

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

And

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

Financial assets at amortised cost (debt instruments) (continued)

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

And

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

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

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

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.5.8 Financial instruments– initial recognition and subsequent measurement (continued)

2.5.8.1 Financial assets (continued)

the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

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

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

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

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

Derecognition

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

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

Or

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.5.8 Financial instruments– initial recognition and subsequent measurement (continued)

2.5.8.1 Financial assets (continued)

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

Derecognition (continued)

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

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

2.5.8.2 Impairment of financial assets

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

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

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

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.5.8 Financial instruments– initial recognition and subsequent measurement (continued)

2.5.8.3 Financial liabilities

internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

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

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.5.8 Financial instruments– initial recognition and subsequent measurement (continued)

Derecognition

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

2.5.8.4 Off-setting of financial instruments

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

2.5.9 Inventories

Inventories, including stores and stocks of processed produce, are valued at the lower of cost and estimated net realisable value determined using the weighted average cost calculation method. In the case of processed produce, cost includes appropriate elements of direct processed costs and overheads. Expenditure on plant nurseries, less proceeds from nursery sales to third parties, is included under inventory until such time as the plants are transferred out to the fields, at which point related costs are transferred to bearer plants under property, plant and equipment.

2.5.10 Cash and short-term deposits

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

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

2.5.11 Share capital

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

2.5.12 Provisions

General

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

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

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.5.13 Leases

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

Company as a lessee

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

Short-term leases and leases of low-value assets

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

2.5.14 Revenue from contracts with customers

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

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

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

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

(i) Variable consideration

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

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

2.5.15 Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.5.15 Taxes (continued)

the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

Deferred tax (continued)

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

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

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

Value added tax

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

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

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

2.16 Employee benefits

(a) Short term employee benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as medical aid contributions.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the 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 estimated reliably.

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.16 Employee benefits(continued)

(b) Pension plan

The Group contributes to a pension fund administered by a third party. The scheme is a defined contribution pension plan and is funded through payments to a trustee-administered fund. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(e) Gratuity

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

2.17 Dividend distribution

Dividends are recorded in the Group's financial statements in the period in which they are declared.

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

2.18 Fair value measurement

The Group measures financial instruments, and non-financial assets, at fair value at each reporting date.

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

2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.18 Fair value measurement (continued)

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

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

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

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

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

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

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.19 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or

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2 Material accounting policies (continued)

2.5 Summary of material accounting policies (Continued)

2.18 Fair value measurement (continued)

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

3 Material accounting judgement, estimates and assumptions

The Group makes estimates and assumptions concerning the future. The estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Accounting estimates and judgements that are critical affect the valuation of biological assets. Because there is no active market for these biological assets, the fair values of existing at each reporting date. The Group uses discounted cash flow analysis to establish the fair value of these biological assets.

3.1 Bearer plants and biological assets

Bearer Plants

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

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

For the purpose of the discounted cash flow analysis, the lives of tea bushes are estimated at 65 years and those of macadamia trees at 35 years.

A discount factor of 8.5% has been used which considers time value for money and estimated country risk. Bearer plants are disclosed as part of property, plant and equipment in note 5

Biological assets

Growing tea and macadamia nuts on the trees, and growing timber are valued at the estimated harvest valued at estimated selling price for the following season, less the estimated costs for harvesting, transport and selling. The estimated harvest requires management to assess the expected yields for the following season considering weather conditions. In reviewing the estimated selling price management assesses the markets for the forthcoming crop as well as the related foreign currency exchange rates. The carrying value of biological assets is disclosed in note 7.

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3.1 Bearer plants and biological assets(continued)

The following table illustrates the sensitivity to a percentage variation in each of the significant unobservable inputs used to measure the fair value of the biological assets on 31 December 2024

Significant variable inputs	Consolidated Impacts in the fair value resulting from 5% Increase	Company Impacts in the fair value resulting from 5% decrease
	K'000	K'000
Average yield - 5%	106,196	(106,196)
Average sales price - 5%	106,196	(106,196)
Discounting rate - 1%	-	-

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

The Group's management determines the estimated residual values, useful lives and related depreciation charges for property, plant and equipment. The estimates are based on expected useful economic lives of property, plant and equipment. They could change will increase the depreciation charge where useful lives are less than previously estimated lives and will write down technically obsolete on non-strategic assets that have been abandoned or sold. The carrying value of property, plant and equipment is disclosed in note 5 to the consolidated and separate financial statements.

3.3 Income taxes

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

4 Financial risk management

Financial risk factors

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

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

4 Financial risk management (continued)

4.1 Market risk

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

4.1.1 Foreign exchange risk

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

The Group trades internationally and is exposed to foreign exchange risk arising from various currency exposures, with respect to the United States Dollar ("US\$"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency.

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

Consolidated	USD Amount	K 000 Equivalent
At 31 December 2024		
Financial assets		
Trade and other receivables (excluding prepayments)	1,028,541	1,783,315
Amounts due to related parties	656,019	1,137,425
Cash and cash equivalents	43,102	74,732
	<u>1,727,662</u>	<u>2,995,472</u>
Financial liabilities		
Trade and other payables (excluding statutory liabilities)	1,195,086	2,072,076
Amounts due to related parties	2,115	3,667
Borrowings	1,649,571	2,860,076
	<u>2,846,772</u>	<u>4,935,819</u>
Net on financial position	<u>(1,119,110)</u>	<u>(1,940,347)</u>

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At 31 December 2023

Financial assets

Trade and other receivables (excluding prepayments)	561,942	945,933
Amounts due to related parties	1,825,836	3,073,485
Cash and cash equivalents	540,499	909,839
	<u>2,928,277</u>	<u>4,929,257</u>

Financial liabilities

Trade and other payables (excluding statutory liabilities)	1,227,520	2,066,322
Amounts due to related parties	128,940	217,048
Borrowings	4,726,667	7,956,540
	<u>6,083,127</u>	<u>10,239,910</u>

Net on financial position	<u>(3,154,850)</u>	<u>(5,310,653)</u>
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Company	USD Amount	K 000 Equivalent
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At 31 December 2024

Financial assets

Trade and other receivables (excluding prepayments)	1,028,541	1,783,315
Amounts due from related parties	656,019	1,137,425
Cash and cash equivalents	37,195	64,490
	<u>1,721,755</u>	<u>2,985,230</u>

Financial liabilities

Trade and other payables (excluding statutory liabilities)	1,193,298	2,068,976
Amounts due to related parties	4,098	7,106
Borrowings	1,649,571	2,860,076
	<u>2,846,967</u>	<u>4,936,158</u>

Net on financial position	<u>(1,125,212)</u>	<u>(1,950,928)</u>
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At 31 December 2023

Financial assets

Trade and other receivables (excluding prepayments)	561,941	945,933
Amounts due from related parties	1,825,836	3,073,485
Cash and cash equivalents	526,603	886,446
	<u>2,914,380</u>	<u>4,905,864</u>

Financial liabilities

Trade and other payables (excluding statutory liabilities)	1,225,958	2,063,693
Amounts due to related parties	130,400	219,506
Borrowings	4,726,667	7,956,540
	<u>6,083,025</u>	<u>10,239,739</u>

Net on financial position	<u>(3,168,645)</u>	<u>(5,333,875)</u>
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4.1.1 Foreign exchange risk(continued)

At 31 December 2024, if currency had weakened or strengthened by 5% against the foreign currencies with all other variables held constant, the effect on post-tax (loss)/profit for the year would be K827.402 million (2023: K677.056 million)

4.1.2 Price risk

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

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

4.1.3 Cash flow and fair value interest rate risk

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

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

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

Interest rate risk sensitivity analysis

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit or loss and equity. The simulations are done

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monthly given the current loan facilities, to verify that the maximum loss potential is within the limit set by management.

	<u>Consolidated</u>		<u>Company</u>	
	Effect on profit before income tax	Effect on profit before income tax	Effect on profit before income tax	Effect on profit before income tax
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Interest rate change				
2 % increase	342,871	327,940	342,871	327,940
2 % decrease	(342,871)	(327,940)	(342,871)	(327,940)

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

4.2 Credit risk

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

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

	<u>CONSOLIDATED</u>		<u>COMPANY</u>	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Trade and other receivables (excluding prepayments)	1,783,315	945,933	1,783,315	945,933
Amounts due from related parties	1,137,425	3,073,485	1,137,425	3,073,485
Cash and cash equivalents	74,732	909,839	64,490	886,446
	<u>2,995,472</u>	<u>4,929,257</u>	<u>2,985,230</u>	<u>4,905,864</u>

The fair value of financial assets at 31 December 2024 approximates the carrying amount as the impact of discounting is not significant.

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

4.3 Liquidity risk management

Liquidity risk is the risk that the Group may fail to meet its payment obligations when they fall due, the consequences of which may be the failure to meet the obligations to creditors.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The 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:

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4 Financial risk management (continued)

4.3 Liquidity risk management (continued)

CONSOLIDATED

At 31 December 2024

	Up to 1 month K'000	6 to 12 months K'000	above 12 months K'000	Total K'000
Financial assets				
Trade and other receivables (excluding prepayments)	1,783,315	-	-	1,783,315
Amounts due from related parties	1,137,425			1,137,425
Cash and cash equivalents	74,732	-	-	74,732
Total financial assets	2,995,472	-	-	2,995,472
Financial liabilities				
Trade and other payables (excluding statutory liabilities)	2,072,076	-	-	2,072,076
Borrowings	2,166,544	693,532	16,450,041	19,310,117
Amounts due to related parties	3,667	-	-	3,667
Total financial liabilities	4,242,287	693,532	6,450,041	21,385,860
Periodic gap	1,246,815	693,532	16,450,041	18,390,388
Cumulative gap	1,246,815	693,532	16,450,041	18,390,388

At 31 December 2023

Financial assets				
Trade and other receivables (excluding prepayments)	945,933	-	-	945,933
Amounts due from related parties	3,073,485			3,073,485
Cash and cash equivalents	909,839	-	-	909,839
Total financial assets	4,929,257	-	-	4,929,257
Financial liabilities				
Trade and other payables (excluding statutory liabilities)	2,066,322	-	-	2,066,322
Borrowings	-	1,262,498	15,687,355	16,949,853
Amounts due to related parties	217,040	-	-	217,048
Total financial liabilities	2,283,370	1,262,498	15,687,355	19,233,223
Periodic gap	2,645,887	1,262,498	(15,687,355)	(14,303,966)
Cumulative gap	2,645,887	1,383,389	(14,303,966)	(14,303,966)

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4 Financial risk management (continued)

4.3 Liquidity risk management (continued)

COMPANY

	Up to 1 month K'000	6 to 12 months K'000	above 12 months K'000	Total K'000
At 31 December 2024				
Financial assets				
Trade and other receivables (excluding prepayments)	1,783,315	-	-	1,783,315
Amounts due from related parties	1,137,425	-	-	1,137,425
Cash and cash equivalents	64,490	-	-	64,490
Total financial assets	2,985,230	-	-	2,985,230
Financial liabilities				
Trade and other payables (excluding statutory liabilities)	2,072,076	-	-	2,072,076
Borrowings	2,166,544	693,532	16,450,041	19,310,117
Amounts due to related parties	3,667	-	-	3,667
Total financial liabilities	4,242,287	-	-	21,385,860
Periodic gap	1,257,057	-	-	18,400,860
Cumulative gap	1,940,347	693,532	16,450,041	18,400,860
At 31 December 2023				
Financial assets				
Trade and other receivables (excluding prepayments)	945,933	-	-	945,933
Amounts due from related parties	3,073,485	-	-	3,073,485
Cash and cash equivalents	886,446	-	-	886,446
Total financial assets	4,905,864	-	-	4,905,864
Financial liabilities				
Trade and other payables (excluding statutory liabilities)	2,063,693	-	-	2,063,693
Borrowings	-	1,262,498	15,687,355	16,949,853
Amounts due to related parties	219,506	-	-	219,506
Total financial liabilities	2,283,199	1,262,498	15,687,355	19,233,052
Periodic gap	2,622,665	(1,262,498)	(15,687,355)	(14,327,188)
Cumulative gap	2,622,665	(1,360,167)	(14,327,188)	

4.4 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and

4. Financial risk management (continued)

non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

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4.4 Capital risk management

The gearing ratios at 31 December were as follows:

	CONSOLIDATED		COMPANY	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
Total borrowings	19,310,117	16,949,853	19,310,117	16,949,853
Less: cash and cash equivalents	(74,732)	(909,839)	(64,490)	(886,446)
Net debt	19,235,385	16,040,014	19,245,627	16,063,407
Equity	11,948,806	13,566,707	11,611,423	13,195,444
Total capital	31,183,791	29,606,721	30,857,050	29,258,851
Net debt to equity ratio	62%	54%	62%	55%

4.5 Agricultural risk management

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

4.6 Fair value hierarchy

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

Quoted market prices - Level 1

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

Valuation technique using observable inputs - Level 2

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

Valuation technique using significant and unobservable inputs - Level 3

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

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

The Group had no financial assets or liabilities carried at fair value as at 31 December 2024 (2023: K nil). At 31 December 2024 the Group had biological assets amounting to K1,582,966,000 (2023: K2,123,927,000) classified under level 3 in addition, the group had bearer plants disclosed as property, plant and equipment of K22,193,011,000 (2023: K21,111,602,000) classified under level 3.

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

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4 Financial risk management (continued)

4.6 Fair value hierarchy (continued)

Valuation technique using significant and unobservable inputs - Level 3 (continued)

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

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

4.7 Financial instruments by category

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Assets as per statement of financial position				
Loans and receivables:				
Trade and other receivables (excluding prepayments)	1,783,315	945,933	1,783,315	945,933
Amounts due from related parties	1,137,425	3,073,485	1,137,425	3,073,485
Cash and cash equivalents	74,762	909,839	64,490	886,446
	<u>2,995,502</u>	<u>4,929,257</u>	<u>2,985,230</u>	<u>4,905,864</u>
Liabilities as per statement of financial position				
Other financial liabilities at amortised cost:				
Trade and other payables (excluding statutory liabilities)	2,072,076	2,066,322	2,068,976	2,063,693
Amounts due to related parties	2,860,076	217,048	2,860,076	219,506
Borrowings	3,667	7,956,540	7,106	7,956,540
	<u>4,935,819</u>	<u>10,239,910</u>	<u>4,936,819</u>	<u>10,239,759</u>

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5 Property, plant and equipment

Consolidated

	Freehold land K'000	Freehold buildings K'000	Plant and equipment K'000	Furniture & Fittings K'000	Motor vehicles K'000	Bearer plants		Total
						Mature K'000	Immature K'000	K'000
Year ended 31 December 2023								
Opening net book amount	3 866 766	1 700 344	3 083 740	40 137	349 453	12 776 305	7 337 266	29 154 011
Additions	-	121 831	106 881	30 707	28 177	-	1 318 420	1 606 016
Transfer from immature	-	-	-	-	-	593 135	(593 135)	-
Impairment of bearer assets	-	(110 331)	(442 787)	(18 439)	(80 951)	(330 308)	-	(330 308)
Depreciation charge	-	1 711 844	2 747 834	52 405	296 679	(320 389)	-	(972 897)
Closing net book amount	3 866 766	1 711 844	2 747 834	52 405	296 679	12 718 743	8 062 551	29 456 822
At 31 December 2023								
Cost/valuation	3 866 766	1 822 175	3 190 621	70 844	377 630	13 039 132	8 062 551	30 429 719
Accumulated depreciation	-	(110,331)	(442,787)	(18,439)	(80,951)	(320 390)	-	(972 897)
Closing net book amount	3,866,766	1 711 844	2 747 834	52 405	296 679	12 718 743	8 062 551	29 456 822
Year ended 31 December 2024								
Opening net book amount	3 866 766	1 711 844	2 747 834	52 405	296 679	12 718 743	8 062 551	29 456,822
Additions	-	77 333	74 149	110 210	-	-	1 732 690	1 994 382
Transfer from immature	-	-	-	-	-	1 257 340	(1 257 340)	-
Disposals: Cost	-	-	-	-	(10,626)	-	-	(10,626)
Accumulated depreciation	-	-	-	-	3,063	-	-	3,063
Depreciation charge	-	(104 601)	(424 301)	(20 114)	(74 509)	(320 389)	-	(943 915)
Closing net book amount	3 866 766	1 684 576	2 397 682	142 501	214 607	13 655 694	8 537 901	30 499 726
At 31 December 2024								
Cost/valuation	3 866 766	1 789 177	2 815 029	162 615	286 053	13 973 083	8 537 901	31,440 578
Accumulated depreciation	-	(104 601)	(424 301)	(20 114)	(71,446)	(320 389)	-	(940 852)
Closing net book amount	3 866 766	1 684 576	2 397 682	142 501	214 607	13 655 694	8 537 901	30 499 726

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

Company

	Freehold land	Freehold buildings & construction	Plant and equipment	Furniture & Fittings	Motor vehicles	Bearer plants Mature	Bearer plants Immature	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Year ended 31 December 2023								
Opening net book amount	1 913 747	1 328 592	3 083 740	40 137	349 453	12 776 306	7 337 266	26 829 241
Additions	-	121 831	106 881	30 707	28 177	-	1 318 420	1 606 016
Transfer from immature	-	-	-	-	-	593 135	(593 135)	-
Impairment of bearer assets	-	-	-	-	-	(330 308)	-	(330 308)
Depreciation charge	-	(78 145)	(442 787)	(18 439)	(80 951)	(320 390)	-	(940 712)
At 31 December 2023	1 913 747	1 372 278	2 747 834	52 405	296 679	12 718 743	8 062 551	27 164 237
Cost/valuation	1 913 747	1 450 423	3 190 621	70 844	377 630	13 039 133	8 062 551	28 104 949
Accumulated depreciation	-	(78 145)	(442 787)	(18 439)	(80 951)	(320 390)	-	(940 712)
Closing net book amount	1 913 747	1 372 278	2 747 834	52 405	296 679	12 718 743	8 062 551	27 164 237
Year ended 31 December 2024								
Opening net book amount	1 913 747	1 372 278	2 747 834	52 405	296 679	12 718 743	8 062 551	27 164 237
Additions	-	77 333	74 149	110 210	-	-	1 732 690	1 994 382
Transfer from immature	-	-	-	-	-	1 257 340	(1 257 340)	-
Disposals: Cost	-	-	-	-	(10,626)	-	-	(10,626)
Accumulated depreciation	-	-	-	-	3,063	-	-	3,063
Depreciation charge	-	(77 703)	(424 301)	(20 114)	(74 509)	(320 390)	-	(917 017)
Closing net book amount	1 913 747	1 371 908	2 397 682	142 501	214 607	13 655 693	8 537 901	28 234 039
At 31 December 2024								
Cost/valuation	1 913 747	1 449 611	2 821 983	162 615	286 053	13 976 083	8 537 318	29 147 993
Accumulated depreciation	-	(77 703)	(424 301)	(20 114)	(71 446)	(320 390)	-	(913 954)
Closing net book amount	1 913 747	1 371 908	2 397 682	142 501	214 607	13 655 693	8 537 901	28 234 039

The property, plant and equipment were revalued as at 31 December 2022 by the directors. The basis of valuation was market value assuming continuing present usage. In the opinion of directors, these amounts approximate the fair value of property, plant and equipment at the reporting date. The Company movable and immovable assets including property, plant and equipment are pledged as collateral for bank overdraft (note 12 & 17)

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

5 Property, plant and equipment

CONSOLIDATED	At Cost K'000	Accumulated depreciation	Total K'000
Freehold land	2 397 622	-	2,397,622
Freehold buildings	1,587 455	411 256	1 176 199
Plant, equipment and furniture	4 510 960	2 034 659	2 476 301
Motor vehicles	951 789	412 790	538 999
	<u>9 447 826</u>	<u>2,858 705</u>	<u>6,589 121</u>
COMPANY			
Freehold land	488 528	-	488,528
Freehold buildings	1 119 331	344 525	774 806
Plant, equipment and furniture	4 510 960	2 034 659	2 476 301
Motor vehicles	951 789	412 790	538 999
	<u>7,070,608</u>	<u>2 791,974</u>	<u>4 278,634</u>

6 Investments in subsidiaries

	2024 K'000	2023 K'000
AM Henderson Limited	1,064,431	1,064,431
Ntimabi Estate Limited	920,164	920,164
	<u>1,984,595</u>	<u>1,984,595</u>

The cost of investment in Chiwale Estate Management Services Limited was MK1 million and it was impaired in the books of Makandi Tea and Coffee Estates Limited because it is a dormant company.

7 Biological assets – Harvest

CONSOLIDATED	Tea K'000	Macadamia K'000	Timber K'000	Total K'000
Year ended 31 December 2023				
Carrying amount at 1 January	478,574	455,097	361,100	1,294,771
Fair value adjustment	126,100	473,138	229,918	829,156
Carrying amount at 31 December 2023	<u>604,674</u>	<u>928,235</u>	<u>591,018</u>	<u>2,123,927</u>
Year ended 31 December 2024				
Carrying amount at 1 January	604,674	928,235	591,018	2,123,927
Fair value adjustment	196 236	(754 928)	17 731	(540 961)
Carrying amount at 31 December 2024	<u>800,910</u>	<u>173,307</u>	<u>608,749</u>	<u>1 582 966</u>
COMPANY				
Year ended 31 December 2023				
Carrying amount at 1 January	478,574	455,097	361,100	1,294,771
Fair value adjustment	126,100	473,138	229,918	829,156
Carrying amount at 31 December 2023	<u>604,674</u>	<u>928,235</u>	<u>591,018</u>	<u>2,123,927</u>
Year ended 31 December 2024				
Carrying amount at 1 January	604,674	928,235	591,018	2,123,927
Fair value adjustment	196 236	(754 928)	17 731	(540 961)
Carrying amount at 31 December 2024	<u>800,910</u>	<u>173,307</u>	<u>608,749</u>	<u>1 582 966</u>

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

7 Biological assets – Harvest

CONSOLIDATED

Expected plantation areas to harvest

At 31 December 2024

	Tea Hectares	Macadamia Hectares	Timber Hectares	Total Hectares
Mature	1,884	515	79	2,478
Immature	-	1,488	628	2,116
	<u>1,884</u>	<u>2,003</u>	<u>707</u>	<u>4,594</u>

	Kilograms	Kilograms	Cubic meters	
Output of agricultural produce during the year (Kg)	5 135 529	206 276	23 234	
Expected produce	5 003 803	227 270	24 029	

Expected plantation areas to harvest

At 31 December 2023

	Tea Hectares	Macadamia Hectares	Timber Hectares	Total Hectares
Mature	1,884	423	62	2,369
Immature	-	1,578	645	2,223
	<u>1,884</u>	<u>2,001</u>	<u>707</u>	<u>4,592</u>

	Kilograms	Kilograms	Cubic meters	
Output of agricultural produce during the year (Kg)	4,172,214	275,620	22,132	
Expected produce	4,095,858	356,232	20,988	

COMPANY

Expected plantation areas to harvest

At 31 December 2024

	Tea Hectares	Macadamia Hectares	Timber Hectares	Total Hectares
Mature	1,884	515	79	2,478
Immature	-	1,488	628	2,116
	<u>1,884</u>	<u>2,003</u>	<u>707</u>	<u>4,594</u>

	Kilograms	Kilograms	Cubic meters	
Output of agricultural produce during the year (Kg)	5 135 529	206 276	23 234	
Expected produce	5 003 803	227 270	24 029	

At 31 December 2023

Expected plantation areas to harvest

	Tea Hectares	Macadamia Hectares	Timber Hectares	Total Hectares
Mature	1,884	423	62	2,369
Immature	-	1,578	645	2,223
	<u>1,884</u>	<u>2,001</u>	<u>707</u>	<u>4,592</u>

	Kilograms	Kilograms	Cubic meters	
Output of agricultural produce during the year (Kg)	4,172,214	275,620	22,132	
Expected produce	4,095,858	356,232	20,988	

7 Biological assets – plantations

There is no expected yield from immature tea of less than three years old and immature macadamia nut trees of less than seven years old.

The fair value of growing tea, macadamia nut and growing timber is determined using inputs that are unobservable using the best information available in the circumstances and therefore are level 3 fair value category.

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

	CONSOLIDATED		COMPANY	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
8 Future crop expenditure				
At beginning of the year	400 307	264,052	400 307	264,052
Additions during the year	450 870	400,307	450 870	400,307
Transfer to produce inventories on harvesting	(400 307)	(264,052)	(400 307)	(264,052)
At end of the year	<u>450 870</u>	<u>400,307</u>	<u>450 870</u>	<u>400,307</u>
9 Inventories				
Sundry consumables	1 392 590	1,287,952	1 392 590	1,287,952
Agricultural produce	1 997 256	918,429	1 997 256	918,429
Tea nursery	1 976	6,086	1 976	6,086
Macadamia nursery	316 491	230,925	316 491	230,925
Forestry nursery	3 971	665	3 971	665
	<u>3 710 284</u>	<u>2,444,057</u>	<u>3 710 284</u>	<u>2,444,057</u>
10 Trade and other receivables				
Trade receivables	808 267	286 254	808 267	286 254
Value Added Tax ('VAT') recoverable	887 861	519 933	887 861	519 933
Other receivables	87 187	139 746	87 187	139 746
	<u>1 783 315</u>	<u>945 933</u>	<u>1 783 315</u>	<u>945 933</u>
At 31 December, the ageing analysis of these trade receivables is as follows:				
Up to 1 month	475 080	173 169	475 080	173 169
1 month to 3 months	333 187	113 085	333 187	113 085
	<u>808 267</u>	<u>286 254</u>	<u>808 267</u>	<u>286 254</u>

As of 31 December 2024, trade receivables of K808,267,000 (2023: K286,254,000) were fully performing.

As at 31 December 2024, Group and Company trade receivables of K Nil (2023: K Nil) were past due and not impaired.

These relate to a number of independent customers for whom there is no recent history of default.

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

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

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

10 Trade and other receivables

The ageing analysis of these trade receivables is as follows:

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
3 months to 12 months	-	-	-	-

It was assessed that all receivables are expected to be recovered within credit period.

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

United States Dollars	808 267	286 254	808 267	286 254
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The Group does not hold any collateral as security and the maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The fair value of Group's trade and other receivables are as stated above, because of their short tenor. There are no impaired trade and other receivables.

11 Related party balances and transactions

The relationships between the group and company and respective related parties is as detailed below:

Name	Relationship
Dhunseri Petrochem & Tea (Pte) Ltd	Holding Company
Kawalazi Estate Company Ltd	fellow group subsidiary
A.M. Henderson & Sons Limited	Subsidiary
Ntimabi Estate Limited	Subsidiary

The following transactions were carried out with related parties:

11.1 Sales to fellow group subsidiary

Kawalazi Estate Company Limited	2 148 450	1 924 766	2 148 450	1,924,766
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11.2 Fees charged

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Land rent - A.M. Henderson & Sons Limited	-	-	(5 000)	(4 000)
Accountancy fees - A.M. Henderson & Sons Ltd	-	-	400	400
Land rent - Ntimabi Estate Limited	-	-	(3 000)	(2 000)
Accountancy fees - Ntimabi Estate Limited	-	-	400	400
Dhunseri Petrochem & Tea Pte Ltd (note 20):				
Group recharges	444 306	306,324	444 306	306 324
Management fees	203 980	137,105	203 980	137 105
Technical fees	358 371	229,227	358 371	229 227
	999 457	672,656	999 457	667 456

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

The following year end balances arose from transactions with related parties		Consolidated		Company	
		2024	2023	2024	2023
		K'000	K'000	K'000	K'000
11.3 (i)	Amounts due from related parties:				
	Kawalazi Estate Company Limited	1 137 425	3,073,485	1 137 425	3,073,485
11.3 (ii)	Amounts due to related parties				
	A.M. Henderson & Sons Ltd	-	-	2,576	2,080
	Ntimabi Estate Ltd	-	-	863	378
	Kawalazi Estate Company Limited	-	-	-	-
	Dhunseri Petrochem & Tea Pte Limited	3,667	217,050	3,667	217,050
		<u>3,667</u>	<u>217,050</u>	<u>7,106</u>	<u>219,506</u>

The amounts due bear no interest. Amounts due from related parties are considered not impaired. The group writes off trade and related party receivables that are uncollectible. This determination is reached after considering the terms of trade and the financial position of each customer. Directors have also considered the credit loss that might arise from the trade receivables and have concluded that the carrying amounts approximate the fair values. Each customer has been assessed individually and from the historical data all the cashflows are receivable within the 12-month cycle.

11.4 Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is as follows:

Short term benefits: Salaries and bonuses	444 306	306 324	444 306	306 324
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12 Cash and cash equivalents

Current accounts	51 210	883 881	40 968	860 488
Cash on hand	23 522	25 958	23 522	25 958
overdrafts)	<u>74 732</u>	<u>909 839</u>	<u>64 490</u>	<u>886 446</u>
Cash and cash equivalents include the following for purposes of the statement of cash flows:				
Cash and cash equivalents	74 732	909 839	64 490	886 446
Bank overdraft (note 17)	<u>(2 166 544)</u>	<u>(6,681 540)</u>	<u>(2 166 544)</u>	<u>(6 681 540)</u>
Cash and cash equivalents	<u>(2 091 812)</u>	<u>(5 771 701)</u>	<u>(2 102 054)</u>	<u>(5 795 094)</u>

Bank overdraft is denominated in US Dollars and attract interest at 8% per annum. The facility is secured by the group's movable and immovable assets.

13 Share capital

Authorised, issued and fully paid 7,931,127 ordinary shares of K2 each

15 862	15 862	15 862	15 862
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Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

14 Deferred income taxes

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
The analysis of deferred income tax assets and deferred income tax liabilities are as follows:				
Deferred income tax assets:				
Deferred income tax assets to be recovered within 12 months	2 465 624	1,688,520	2 465 624	1 688 520
	<u>2 465 624</u>	<u>1 688 520</u>	<u>2 465 624</u>	<u>1 688 520</u>
Deferred income tax liabilities:				
Deferred income tax liabilities to be recovered after more than 12 months	(8 196 467)	(8 068 091)	(8 234 518)	(8 099 775)
Deferred income tax liabilities to be recovered within 12 months	-	-	-	-
	<u>(8 196 467)</u>	<u>(8 068 091)</u>	<u>(8 234 518)</u>	<u>(8 099 775)</u>
Deferred income tax liabilities, (net)	<u>(5 730 843)</u>	<u>(6 379 571)</u>	<u>(5 768 894)</u>	<u>(6 411 255)</u>
The gross movement in the deferred income tax account is as follows:				
At 1 January	(6 280 479)	(7,092 247)	(6 312 163)	(7 117 564)
Credited to the income statement	549 636	712 676	543 269	706 309
Reversal of deferred tax on impaired bearer assets	-	99 092	-	99 092
	<u></u>	<u></u>	<u></u>	<u></u>
At 31 December	<u>(5 730 843)</u>	<u>(6 280 479)</u>	<u>(5 768 894)</u>	<u>(6 312 163)</u>
balances within the same tax jurisdiction, is as follows:				
Deferred income tax liabilities				
CONSOLIDATED	Accelerated tax depreciation K'000	Fair value gains K'000	Total K'000	
At 1 January 2023	(919 768)	(6 172 479)	(7 092 247)	
Charged to the income statement	318 026	394 650	712 676	
Credited/(credited) to other comprehensive income	-	99 092	99 092	
Deferred tax on acquisition				
At 31 December 2023	(601 742)	(5 678 737)	(6 280 479)	
Charged to the income statement	57 870	491 766	549 636	
Credited/(credited) to other comprehensive income	-	-	-	
	<u></u>	<u></u>	<u></u>	
At 31 December 2024	<u>(543 872)</u>	<u>(5 186 971)</u>	<u>(5 730 843)</u>	

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

	Accelerated tax depreciation K'000	Fair value gains K'000	Total K'000
14 Deferred income taxes (continued)			
COMPANY			
At 1 January 2023	(942,455)	(6,175,110)	(7,117,565)
Charged to the income statement	311,659	394,651	706,309
Credited/(credited) to other comprehensive income	-	99,092	99,092
At 31 December 2023	(630,796)	(5,681,367)	(6,312,163)
Charged to the income statement	50,595	492,674	543,269
Credited/(credited) to other comprehensive income	-	-	-
At 31 December 2024	<u>(580,201)</u>	<u>(5,188,693)</u>	<u>(5,768,894)</u>
CONSOLIDATED			
Deferred income tax assets			
	Tax losses K'000	Other K'000	Total K'000
At 1 January 2023	550,918	45,227	596,145
Charged to the income statement	<u>1,030,963</u>	<u>61,412</u>	<u>1,092,375</u>
At 31 December 2023	1,581,881	106,639	1,688,520
Charged to income statement	<u>730,781</u>	<u>46,323</u>	<u>777,104</u>
At 31 December 2024	<u>2,312,662</u>	<u>152,962</u>	<u>2,465,624</u>
COMPANY			
Deferred income tax assets			
	Tax losses K'000	Other K'000	Total K'000
At 1 January 2023	550,918	45,227	596,145
Charged to the income statement	<u>1,030,963</u>	<u>61,412</u>	<u>1,092,375</u>
At 31 December 2023	1,581,881	106,639	1,688,520
Charged to income statement	<u>730,781</u>	<u>46,323</u>	<u>777,104</u>
At 31 December 2024	<u>2,312,662</u>	<u>152,962</u>	<u>2,465,624</u>

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

15	Employee benefit obligation	CONSOLIDATED		COMPANY	
		2024 K'000	2023 K'000	2024 K'000	2023 K'000
	Pension and gratuity payable	253 835	184 254	253 835	184 254
	Amounts further analysed as follows;				
	CONSOLIDATED AND COMPANY				
		Pension K000	Gratuity K000	Leave pay K000	Total K000
	Year ended 31 December 2023				
	At the beginning of the year	6 005	79 957	84 882	170,844
	Charged to the income statement	82 269	114 757	135 452	332,478
	Payments during the year	(88 274)	(110 433)	(120 361)	(319,068)
	At the end of the year	-	84 281	99 973	184 254
	Year ended 31 December 2024				
	At the beginning of the year	-	84 281	99 973	184,254
	Charged to the income statement	118 700	335 291	214 073	668 064
	Payments during the year	(118 700)	(242 185)	(237 598)	(598 483)
	At the end of the year	-	177 387	76 448	253 835
				2024 K'000	2023 K'000
	The amounts are disclosed on the statement of financial position as follows:				
	Non-current liabilities			-	-
	Current liabilities			253 835	184,254

16	Trade and other payables	CONSOLIDATED		COMPANY	
		2024 K'000	2023 K'000	2024 K'000	2023 K'000
	Trade payables	1 345 406	1 517 860	1 345 406	1 517 860
	Unpaid wages	443 232	311 140	443 232	311 140
	TEVET levy payable	79 023	51 347	79 023	51 347
	Pay as you earn payable	19 988	22 057	19 988	22 057
	Fringe benefit tax payable	8 657	12 662	8 657	12 662
	Withholding tax payable	2 152	5 616	2 152	5 616
	Accruals	179 364	145 640	176 264	143 011
		2 077 822	2 066 322	2 074 722	2 063 693

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

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

17	Borrowings	CONSOLIDATED		COMPANY	
		2024 K'000	2023 K'000	2024 K'000	2023 K'000
	At the beginning of the year	10,268,313	4,050,075	10,268,313	4,050,075
	Exchange losses	391 246	2,998,195	391 246	2,998,195
	Additions	14 498 522	3 220 043	14 498 522	3 220 043
	Repayments in the year	(8 014 508)	-	(8 014 508)	-
	At the end of the year	<u>17 143 573</u>	<u>10,268,313</u>	<u>17 143 573</u>	<u>10,268,313</u>
	Bank overdraft	<u>2 166 544</u>	<u>6,681,540</u>	<u>2 166 544</u>	<u>6,681,540</u>
	Total borrowings	<u>19 310 117</u>	<u>16,949,853</u>	<u>19 310 117</u>	<u>16,949,853</u>
	The amounts are disclosed on the statement of financial position as follows;				
	Long term loan	<u>16 450 041</u>	<u>8,993,313</u>	<u>16 450 041</u>	<u>8,993,313</u>
	Current portion of long-term loan	<u>693 532</u>	<u>1,275,000</u>	<u>693 532</u>	<u>1,275,000</u>
	Bank overdraft	<u>2 166 544</u>	<u>6,681,540</u>	<u>2 166 544</u>	<u>6,681,540</u>
		<u>2 860 076</u>	<u>7,956,540</u>	<u>2 860 076</u>	<u>7,956,540</u>
	Total borrowings	<u>19 310 117</u>	<u>16,949,853</u>	<u>19 310 117</u>	<u>16,949,853</u>

The Group has overdraft facilities with the following banks:

1. NBS Bank (Malawi) PLC amounting to US\$ 0.5 million at an interest rate of 7.5% per annum and a loan facility of US\$ 7.0 million at interest rate of 7.5% per annum.
2. National Bank of Malawi PLC amounting to US\$ 1.0 million at an interest rate of 7.5% per annum and a loan facility of US\$ 2.5 million at interest rate of 7.5% per annum.

The facilities are secured over the Group's movable and immovable assets. Additionally, there are related party cross guarantees as follows:

- Kawalazi Tea Estates Company Limited has issued a limited corporate guarantee of up to US\$7.5 million in favor of Standard Bank (Malawi) Limited.
- A.M. Henderson and Sons Limited has issued limited guarantee of up to US\$ 7.5 million in favor of Standard Bank (Malawi) Limited.
- Ntimabi Estate Limited has issued limited guarantee of up to US\$ 7.5 million in favor of Standard Bank (Malawi) Limited.
- Second legal mortgage for USD 1.0 billion over Chiwale Estate Ltd
- Legal mortgage for USD 2.0 billion over Ntimabi Estate Ltd
- Board resolution authorizing company to borrow from National Bank of Malawi.

The facilities are due for review on 30 June 2025.

The fair value of borrowings approximates their carrying amount as the impact of discounting is not significant.

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18 Revenue

Tea	10 800 304	6 872 188	10 800 304	6 872 188
Macadamia	2 148 450	1 924 766	2 148 450	1 924 766
	<u>12 948 754</u>	<u>8 796 954</u>	<u>12 948 754</u>	<u>8 796 954</u>

19 Cost of sales and distribution costs

Field maintenance costs	2,753,022	1 974 199	2,753,022	1 974 199
Harvesting costs	1,407,394	1 003 097	1,407,394	1 003 097
Processing costs	1,533,260	1 497 235	1,533,260	1 497 235
Estate overheads	1,121,874	836 676	1,121,874	836 676
Outgrower purchases	1,039,904	537 747	1,039,904	537 747
Depreciation of plant and equipment (note 22.1)	744,691	826 903	744,691	826 903
	<u>8 600 145</u>	<u>6 675 857</u>	<u>8 600 145</u>	<u>6 675 857</u>

20 Distribution costs

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Brokerage commission costs	16,254	26 720	16,254	26 720
Courier and transport costs	709,794	446 887	709,794	446 887
Tea cess	120,696	65 390	120,696	65 390
Warehouse costs	1,440	2,840	1,440	2,840
	<u>848 184</u>	<u>541 837</u>	<u>848 184</u>	<u>541 837</u>

21 Other income

Rent	5 045	4 586	5 045	4 586
Dividend received	-	-	15 000	-
Interest income	4 890	-	4 890	-
Gain on sale of property	6 313	3 000	6 313	3 000
Other sales	4 024	8 309	4 457	7 236
	<u>20 272</u>	<u>15 895</u>	<u>35 705</u>	<u>14 822</u>

22 Administrative expenses

Audit fees - current	56,146	44 436	51,600	44 436
- Prior year	-	-	-	-
- expenses	5,200	4 500	5,200	4 500
Bank charges	132,773	140 925	132,245	140 925
Clinic expenses	128,849	101 448	128,849	101 448
Communication expenses	32,768	23 013	32,768	23 013
Depreciation (note 22.1)	199,224	113,809	172,326	113 809
Directors' expenses	11,200	5 845	11,200	5 845
Entertainment costs	13,543	11 262	13,543	11 262
Group recharges (note 10.2)	444,306	306 324	444,306	306 324
Insurance	240,000	162 603	240,000	162 603
Legal and professional fees	123,246	88 054	123,246	88 054
Management fees (note 10.2)	203,980	137 105	203,980	137 105
Office and stores costs	57,555	52 441	57,555	52 441
Personnel expenses	11,522	8 074	11,522	8 074
Staff costs (note 22.2)	560,397	422 938	560,397	422 938
Security costs	559,902	421 507	559,902	421 507
Stock write offs	-	2 443	-	2 443
Subscriptions and donations	97,154	78 424	97,154	78 424
Other expenses	12 476	77,861	20,343	46 520
Exchange losses	283,153	4,843 434	283,153	4,843 434
Technical fees (note 10.2)	358,371	229 227	358,371	229 227

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	Travel and transport	134,134	108 112	134,134	108 112
		<u>3 665 899</u>	<u>7 383 785</u>	<u>3 641 794</u>	<u>7 352 444</u>
22.1	Depreciation				
	Charged to administrative expenses	199 224	113 809	172,326	113 809
	Charged to cost of goods sold	<u>744,691</u>	<u>826 903</u>	<u>744,691</u>	<u>826 903</u>
	Total depreciation charged (note 5)	<u>943 915</u>	<u>940 712</u>	<u>917 017</u>	<u>940 712</u>
22.2	Staff costs				
	Salaries and wages	434,132	324 923	434,132	324 923
	Leave pay and severance expenses	17,868	12 080	17,868	12 080
	Power and water costs	33,915	20 913	33,915	20 913
	Overtime and allowances	17,935	12 404	17,935	12 404
	Staff housing and other costs	40,343	43 875	40,343	43 875
	Tevet levy	2,373	1 765	2,373	1 765
	Other costs	<u>13,831</u>	<u>6 978</u>	<u>13,831</u>	<u>6 978</u>
		<u>560 397</u>	<u>422 938</u>	<u>560 397</u>	<u>422 938</u>
23	Finance income and costs	CONSOLIDATED		COMPANY	
		2024	2023	2024	2023
	Finance costs	K'000	K'000	K'000	K'000
	Interest on borrowings	1,402,321	793 530	1,402,321	793 530
	Interest on deferred consideration	116,149	-	116,149	-
	Total	<u>1 518 470</u>	<u>793 530</u>	<u>1 518 470</u>	<u>793 530</u>
24	TAXATION				
24.1	Income tax expense				
	Current income tax	2 209	575	1 500	-
	Deferred income tax	<u>(549 636)</u>	<u>(712 676)</u>	<u>(543 269)</u>	<u>(706 309)</u>
		<u>(547 427)</u>	<u>(712 102)</u>	<u>(541 769)</u>	<u>(706 309)</u>
24.2	Reconciliation of tax charge				
	The tax on the Company's profit before tax differs from the theoretical amount that would arise using the legislated tax rate as follows:				
	Profit before income tax	<u>(2 204 633)</u>	<u>(5 627 180)</u>	<u>(2 165 095)</u>	<u>(5 596 912)</u>
	Tax calculated at a tax rate of 30%	(661 390)	(1 688 154)	(649 528)	(1 679 074)
	Tax effects of:				
	Expenses not deductible for tax purposes	785 066	1 675 983	785 066	1 675 983
	Other differences	<u>(671 103)</u>	<u>(724 273)</u>	<u>(677 307)</u>	<u>(709 400)</u>
		<u>(547 427)</u>	<u>(712 102)</u>	<u>(541 769)</u>	<u>(706 309)</u>
24.3	Income tax paid				
	Current income tax liabilities (recoverable) at 1 January	(12 684)	(12 003)	(4 316)	(3 061)
	Current year charge (note 22.1)	2 209	574	1 500	-
	Paid during the year	<u>(10 405)</u>	<u>(1 255)</u>	<u>(10 405)</u>	<u>(1 255)</u>
	Current income tax at 31 December	<u>(20 880)</u>	<u>(12 684)</u>	<u>(13,221)</u>	<u>(4 316)</u>

Makandi Tea & Coffee Estates Limited

Consolidated and separate financial statements for the year ended 31 December 2024

Notes to the consolidated and separate financial statements

Disclosed on the balance sheet as follows:

Tax recoverable	(20 880)	(12 684)	(13 221)	(4 316)
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25 Deferred acquisition consideration

On 31 August 2016 the Makandi Tea and Coffee Estates Limited (the parent Entity) acquired 100% of the issued share capital of AM Henderson and Sons Limited, a company which primarily owned land and was in tobacco farming and floriculture. The land owned by the acquired entity will be developed into a macadamia orchard.

Out of total consideration of K1,064,431,000 an amount of K424,377,000 was agreed to be payable in a period of 9 years. The fair value of the deferred consideration of K 111,503 000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8.5%.

On 30 June 2019 Makandi Tea and Coffee Estates Limited (the parent Entity) entered into an agreement to acquire 100% of the issued share capital of Ntimabi Estate Limited, a company which primarily owned land and was in tobacco and dairy farming. The land owned by the acquired entity will be developed into a macadamia orchard.

Out of a total consideration of K920,164,000 an amount of K420,632,000 was agreed to be payable over a period of 7 years starting from June 2020. The fair value of the deferred consideration of K 264,197,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8.5%.

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Balance at 1 January	333 606	279 876	333 606	279 876
Interest	116 149	62 375	116 149	62 375
Exchange loss	10 008	145 758	10 008	145 758
Paid during the year	(254 133)	(154 403)	(254 133)	(154 403)
Balance at 31 December	<u>205 630</u>	<u>333 606</u>	<u>205 630</u>	<u>333 606</u>
Disclosed as:				
Non-current liabilities	79 897	198 317	79 897	198 317
Current liabilities	<u>125 733</u>	<u>135 289</u>	<u>125 733</u>	<u>135 289</u>
	<u>205 630</u>	<u>333 606</u>	<u>205 630</u>	<u>333 606</u>

26 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2024 (2023: K nil)

27 CONTINGENT LIABILITIES

- | | | | |
|-----|-------|----------------|----------------|
| (i) | Legal | 362 450 | 222 800 |
| | | <u>362 450</u> | <u>222 800</u> |
- (i) The Group introduces its staff to financial institutions for purposes of obtaining motor vehicle loans. Under the scheme, the motor vehicle is initially registered in the name of the company until the loan is fully repaid. In the event of default, the borrower authorizes the company to sell the motor vehicle and pay the proceeds to the lending institution to discharge the loan obligation.
- (ii) There are several ongoing court cases relating to workplace injury claims and the related contingent liabilities are estimated at K362,450,000 (2023: K222,800,000). The outcome of these cases is uncertain as in practice, some of the claims turn out to be bogus. The directors are of the opinion that there would be no financial loss to the group.

Makandi Tea & Coffee Estates Limited

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28. Events after the reporting date

There are no events that require adjustment or disclosure in the financial statements.

29 Exchange and inflation rates

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

	<u>2024</u>	<u>2023</u>
United States Dollar (USD)	1 733.83	1 683.33
South African Rand (ZAR)	90.65	90.65
Inflation	32.2%	34.5%

At the time of approval of these financial statements, exchange rates were as follows: -

United States Dollar (USD)	1,751.00
South African Rand (ZAR)	93.76

30 Going Concern

The Group incurred a loss before tax of K2.2 billion (2023: K5.75 billion) and the Company reported a loss after tax of K1.65 billion (2023: loss of K5.04 billion) for the year ended 31 December 2024 and as of that date, the Group had current assets of K3.43 billion.(2023: net current liabilities of K4.9 billion). The Company had net assets of K3.43 (. (2023: net current liabilities of K4.9 billion). At the same date the Group had accumulated losses of K3.2 billion and the Company had accumulated losses of K3.4 billion.

The Shareholders for the Group approved various recommendations to enable the Group to return to profitability

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

The shareholders have issued a US\$1million convertible loan repayable in 2030, and have also approved to install a macadamia processing facility, the project will commence early 2025 and the funds for this project are available. This will add value and enhance revenue streams.