

STANSAND (CENTRAL AFRICA) LIMITED

Financial statements for the year ended
31 March 2020

STANSAND (CENTRAL AFRICA) LIMITED
FINANCIAL STATEMENTS
For the year ended 31 March 2020

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STANSAND (CENTRAL AFRICA) LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2020

NATURE OF BUSINESS

The principal activities of Stansand (Central Africa) Limited “the Company” which is incorporated in Malawi, is the buying and exporting of tea.

DIRECTORS

The following are the Directors who served in office during the year:

G G Kaliwo	- Non-executive Director	All year
M Thakrar	- Non-executive Director	All year
G Oakley	- Non-executive Director	Up to 29 November 2019
S Michaelis	- Non-executive Director	From 1 December 2019
R Chileka	- Executive Director	All year
P Matale	- Executive Director	All year

COMPANY SECRETARY

R Chileka

REGISTERED OFFICE

Stansand (Central Africa) Limited

P. O. Box 546

BLANTYRE

AUDITORS

Deloitte

P.O. Box 187

BLANTYRE

BANKERS

National Bank of Malawi Plc

LEGAL ADVISORS

Wilson & Morgan

P. O. Box 9

Whitehall

BLANTYRE

STANSAND (CENTRAL AFRICA) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 March 2020

The Malawi Companies Act, 2013, requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results for that year.

The Act also requires the Directors to ensure the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act, 2013.

In preparing the financial statements the Directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and consistent application thereof;
- Making judgements and estimates that are reasonable and consistently applied;
- Compliance with applicable accounting standards when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business in the foreseeable future.


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

DIRECTOR:



DIRECTOR:



DATE:

09th June, 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STANSAND (CENTRAL AFRICA) LIMITED

Opinion

We have audited the financial statements of Stansand (Central Africa) Limited set out on pages 5 to 40, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Stansand (Central Africa) Limited as at 31 March 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Malawi Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for professional Standards, (including International Independence Standards) (Revised July 2018) and other independence requirements applicable when performing audits of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements. 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 comprises the Directors' Report and the Statement of Directors' Responsibilities, as required by the Malawi Companies Act, 2013 which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we 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.

Directors Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Kondwani Msimuko
Partner

10 June 2020

STANSAND (CENTRAL AFRICA) LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Notes	<u>2020</u> K'000	<u>2019</u> K'000
ASSETS			
Non-current assets			
Furniture and equipment	5	8 094	15 975
Right-of-use assets – office building	6.1	5 866	-
Deferred tax asset	18.2	<u>1 296</u>	<u>1 719</u>
		<u>15 256</u>	<u>17 694</u>
Current assets			
Inventories	7	53 051	137 837
Other receivables	8	26 552	15 986
Amounts due from related parties	9.3	111 657	1 389
Cash and cash equivalents	10	<u>140 582</u>	<u>273 443</u>
Total current assets		<u>331 842</u>	<u>428 655</u>
Total assets		<u><u>347 098</u></u>	<u><u>446 349</u></u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	11	20	20
Retained earnings		<u>152 578</u>	<u>166 581</u>
Total equity		<u>152 598</u>	<u>166 601</u>
LIABILITIES			
Non current liabilities			
Lease liabilities	6.2	<u>4 465</u>	-
Current liabilities			
Amounts due to related parties	9.3	58 730	125 805
Trade and other payables	12	97 085	21 570
Lease liabilities	6.2	3 761	-
Dividends payable		-	97 104
Current income tax liability		<u>30 459</u>	<u>35 269</u>
Total current liabilities		<u>190 035</u>	<u>279 748</u>
Total equity and liabilities		<u><u>347 098</u></u>	<u><u>446 349</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 9th June 2020 and were signed on its behalf by:

.....
DIRECTOR

.....
DIRECTOR

STANSAND (CENTRAL AFRICA) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	<u>2020</u> K'000	<u>2019</u> K'000
INCOME			
Revenue	13	7 052 788	6 507 298
Cost of sales	14	<u>(6 813 700)</u>	<u>(6 266 538)</u>
Gross profit		239 088	240 760
Other income	15	12 140	46 377
Administrative expenses	16	<u>(106 963)</u>	<u>(106 064)</u>
Operating profit		144 265	181 073
Finance income	17	31 469	12 826
Finance cost	17	<u>(24 166)</u>	<u>(7 925)</u>
Profit before income tax		151 568	185 974
Income tax expense	18.1	<u>(47 334)</u>	<u>(56 560)</u>
Profit for the year		<u>104 234</u>	<u>129 414</u>
Other comprehensive income			

There was no other comprehensive income during the year (2019: nil)

STANSAND (CENTRAL AFRICA) LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Share capital K'000	Retained earnings K'000	Total K'000
<u>2019</u>			
At beginning of the year	20	134 271	134 291
Profit for the year	-	129 414	129 414
Transactions with owners			
Dividend declared	<u>-</u>	<u>(97 104)</u>	<u>(97 104)</u>
At end of the year	<u>20</u>	<u>166 581</u>	<u>166 601</u>
<u>2020</u>			
At beginning of the year	20	166 581	166 601
Impact of change in Accounting Policy – IFRS 16 Leases	<u>-</u>	<u>(1 764)</u>	<u>(1 764)</u>
Restated balance as at beginning of the year	20	164 817	164 837
Profit for the year	-	104 234	104 234
Transactions with owners			
Dividend declared	<u>-</u>	<u>(116 473)</u>	<u>(116 473)</u>
At end of the year	<u>20</u>	<u>152 578</u>	<u>152 598</u>

STANSAND (CENTRAL AFRICA) LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	Note	2020 K'000	2019 K'000
Cash flows from operating activities			
Profit before income tax		151 568	185 974
Adjustments for:			
Depreciation	5	7 881	7 526
Depreciation of Right-of-use of assets	6	2 708	-
Interest paid	6.2	1 107	-
Interest income	17	<u>(1 649)</u>	<u>(1 178)</u>
Operating profit before working capital changes		161 615	192 322
Changes in working capital			
(Decrease)/Increase in inventories		84 786	30 686
(Increase)/decrease in other receivables		(10 566)	(727)
Decrease/(increase) in amounts due to related parties		(110 268)	4 068
Decrease in trade and other payables		75 515	(6 061)
Increase/(decrease) in amounts due to related parties		<u>(67 075)</u>	<u>12 590</u>
Cash generated from operations		134 007	232 878
Income tax paid		(51 721)	(51 176)
Interest paid	6.2	<u>(1 107)</u>	<u>-</u>
Net cash generated by operating activities		<u>81 179</u>	<u>181 702</u>
Cash flows from investing activities			
Interest received	17	1 649	1 178
Purchase of furniture and equipment		<u>-</u>	<u>(7 007)</u>
Net cash inflow from investing activities		<u>1 649</u>	<u>(5 829)</u>
Cash flows from financing activities			
Dividend paid		(213 577)	(146 910)
Payment to lease liabilities	6.2	<u>(2 112)</u>	<u>-</u>
Net cash inflow from investing activities		<u>(215 689)</u>	<u>(146 910)</u>
Net increase/(decrease) in cash and cash equivalents		(132 861)	28 963
Cash and cash equivalents at the beginning of the year		<u>273 443</u>	<u>244 480</u>
Cash and cash equivalents at the end of the year	9	<u>140 582</u>	<u>273 443</u>
Movement in working capital		<u>(7 100)</u>	<u>31 862</u>
Excess of current assets over current liabilities at the end of the year		141 807	148 907
Excess/(deficiency) of current assets over current liabilities at the beginning of the year		148 907	117 044

1. General information

Stansand (Central Africa) Limited (the "Company"), is engaged in the buying and exporting of tea. The Company is a limited liability company incorporated in Malawi and domiciled in Malawi. The address of its registered office is along Masauko Chipembere Highway Maselema Area - Limbe, P O Box 546, Blantyre, Malawi.

2. Adoption of new and revised International Financial Reporting Standards

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

In the current year, the Company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 April 2019.

2.1.1 Initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 *Leases* (as issued by the IASB in January 2016). IFRS 16 replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of transactions Involving the Legal Form of a Lease').

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

Transition

Changes in accounting policies resulting from the adoption of IFRS 16 have been applied as described below:

- (a) The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application, without restatement of comparative figures.
- (b) For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) – (Continued)

2.1 New and amended IFRSs that are effective for the current year with material impact – (Continued)

2.1.1 Initial application of IFRS 16 Leases (Continued)

- (c) On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 12%.

Impact on lessee accounting – former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Financial impact of the initial application of IFRS 16

	31/03/2020 K'000	1/04/2019 K'000
Impact on profit or loss for the year		
Increase in finance cost	1 107	-
Increase in depreciation of right-of-use asset	2 707	-
Decrease in administrative expenses	3 600	-
Decrease in profit	214	
Impact on statement of financial position		
Right of use assets	8 574	8 574
Right of use assets accumulated depreciation	(2 708)	-
Lease liabilities	8 226	(10 338)
Retained earnings	-	(1 764)

There were no material lease arrangements in which the Company was a lessor.

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are in issue but not yet effective for the year ended 31 March 2020, and have not been applied in preparing these financial statements. Those which may be relevant to the entity are set out below. The entity does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

2. Adoption of new and revised International Financial Reporting Standards (Continued)

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

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2020	<p>Amendments to References to the Conceptual Framework in IFRS Standards</p> <p>The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.</p>
Annual reporting periods beginning on or after 1 January 2020	<p>Definition of a Business (Amendments to IFRS 3)</p> <p>The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:</p> <ul style="list-style-type: none"> • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
Annual reporting periods beginning on or after 1 January 2020	<p>Definition of Material (Amendments to IAS 1 and IAS 8)</p> <p>The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.</p>

The directors anticipate that these Standards and Interpretations will have no significant impact on the financial statements of the Company.

3 Significant accounting policies

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

3.1 Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB) and in a manner as required by the Malawi Companies Act, 2013.

3. Significant accounting policies (Continued)

3.2 Basis of preparation

These financial statements have been prepared on a historical cost basis.

3.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated to Malawi Kwacha using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies generally at year end exchange rates are generally recognised in the statement of comprehensive income within finance income and costs.

3.5 Vehicles and equipment

Vehicles and equipment comprise vehicles, office equipment and furniture, and is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on assets is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives as follows:

Motor vehicle	25%
Furniture and equipment	25%
Computers	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other income, in the statement of comprehensive income.

3. Significant accounting policies (Continued)

3.6 Impairment of non-financial assets

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

3.7 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below). and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become

credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

(iii) Equity instruments designated as at FVTOCI

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

(iv) Financial assets at FVTPL (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default;
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event (see (ii) above); (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or (e) the disappearance of an active market for that financial asset because of financial difficulties.

iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to [share premium/other equity]. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to [retained profits/other equity]. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial liability and equity (Continued)

Compound instruments (Continued)

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial liability and equity (Continued)

Financial liabilities at FVTPL (Continued)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Interest expense' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial liability and equity (Continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first out (FIFO) method. The cost includes purchase costs, transport and handling charges and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of the business less applicable variable selling expenses.

3.9 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.10 Share capital

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

3.11 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax assessments and establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

3. Significant accounting policies (Continued)

3.11 Current and deferred income tax (Continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.12 Employee benefits

(a) Pension obligations

The Company contributes to a defined contribution scheme which is managed by an independent third party for eligible employees. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate fund. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees their benefits relating to employee service in the current and prior periods. 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 reduction in future payments is available.

3.13 Revenue recognition

Revenue

The Company recognises revenue from sale of tea to its related party companies.

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company recognises revenue in accordance with the core principle by applying the following steps:

- Identify the contract(s) with a customer by an agreement between two or more parties that creates enforceable rights and obligations;
- Identify the performance obligations in the contract which includes promises to transfer goods or services to a customer;
- Determine the transaction price which is the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligations in the contract on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Other income

Other income comprises sampling fees, commissions and sundry income and is accounted for on the accruals basis.

3. Summary of significant accounting policies (Continued)

3.13 Revenue recognition (Continued)

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

3.14 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared. Dividends declared after the reporting date are disclosed in the notes to the financial statements.

3.15 Leases

This accounting policy applied from 1 April 2019.

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period in return for a payment or series of payments.

i) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (those whose value is below the capitalisation threshold). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

3. Summary of significant accounting policies (Continued)

3.15 Leases (Continued)

i) The Company as lessee (Continued)

The lease liability is presented as a separate line in the statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (in accordance with IAS 36), if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are presented as a separate line in the statement of financial position. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative expenses" in profit or loss.

ii) The Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

3. Significant accounting policies (Continued)

3.15 Leases (Continued)

iii) The Company as lessor (Continued)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the

Accounting policies applied to leases prior to 1 April 2019

Leases are classified as finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to/from the Company. All other leases are classified as operating leases.

i) The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

ii) The Company as lessee

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see note 3.12 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Investment property held under an operating lease is recognised on the Company's statement of financial position at its fair value.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentive is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical judgements in applying accounting policies

Apart from those judgements involving estimation uncertainty (see note 4.2 below), the following is a critical judgement that the Directors have made that has the most significant effect on the amounts recognised in the financial statements.

Principle versus agent consideration.

The Directors assessed whether the Company acts as a principle or agent for the transactions in which the customers do not have a direct contact with the suppliers. In making their judgements the Directors considered the transfer of risks and rewards by considering if the Company has the primary responsibility for providing goods and services, the inventory risk before and after the customer order and the Company's latitude in establishing prices, whether directly or indirectly. The Directors are of the conclusion that the company acts as a principle for such transactions.

4.2 Key sources of estimation uncertainty

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

Income taxes

The Company accounts for income tax based on an estimate at period end of the expected income tax charge. Subsequent to the period end, the Company submits a tax return which is assessed by the tax authorities.

Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period when the final tax determination is made.

Vehicles and equipment

The residual values and useful lives of vehicles and equipment are reviewed and adjusted if appropriate at each balance sheet date to reflect current thinking on their remaining lives in light of technology change, prospective economic utilisation and physical condition of the assets concerned.

Going concern

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current financing. After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

STANSAND (CENTRAL AFRICA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2020

	Motor vehicles K'000	Office furniture and equipment K'000	Computers K'000	Total K'000
5. Furniture and equipment				
<u>2020</u>				
Cost				
At beginning/end of the year	<u>20 500</u>	<u>5 836</u>	<u>13 300</u>	<u>39 636</u>
Accumulated depreciation				
At beginning of the year	(12 418)	(3 845)	(7 398)	(23 661)
Charge for the year	<u>(5 125)</u>	<u>(807)</u>	<u>(1 949)</u>	<u>(7 881)</u>
At end of the year	<u>(17 543)</u>	<u>(4 652)</u>	<u>(9 347)</u>	<u>(31 542)</u>
Net book value	<u>2 957</u>	<u>1 184</u>	<u>3 953</u>	<u>8 094</u>
<u>2019</u>				
Cost				
At beginning of the year	20 500	4 496	7 633	32 629
Additions	<u>-</u>	<u>1 340</u>	<u>5 667</u>	<u>7 007</u>
At end of the year	<u>20 500</u>	<u>5 836</u>	<u>13 300</u>	<u>39 636</u>
Accumulated depreciation				
At beginning of the year	(7 293)	(3 318)	(5 524)	(16 135)
Charge for the year	<u>(5 125)</u>	<u>(527)</u>	<u>(1 874)</u>	<u>(7 526)</u>
At end of the year	<u>(12 418)</u>	<u>(3 845)</u>	<u>(7 398)</u>	<u>(23 661)</u>
Net book value	<u>8 082</u>	<u>1 991</u>	<u>5 902</u>	<u>15 975</u>
				2020 K'000
6.1 Right of use assets – office building				
<u>2020</u>				
Cost				
At beginning of the year				<u>8 574</u>
Accumulated depreciation				
Charge for the year				<u>(2 708)</u>
Carrying amount				<u>5 866</u>

STANSAND (CENTRAL AFRICA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2020

	2020 K'000
6.2 Lease liabilities	
At beginning of the year	10 338
Interest charge	1 107
Payments	<u>(3 219)</u>
At the end of the year	<u>8 226</u>
Disclosed as: - non current	4 465
- current	<u>3 761</u>
	<u>8 226</u>

	<u>2020</u> K'000	<u>2019</u> K'000
7. Inventories		
Tea held for resale	50 191	134 564
Packaging materials and consumables	<u>2 860</u>	<u>3 273</u>
	<u>53 051</u>	<u>137 837</u>

The cost of inventories recognised as expense and included in cost of sales amounted to K6 813 700 033 (2019: K 6 147 481 230).

	<u>2020</u> K'000	<u>2019</u> K'000
8. Other receivables		
Prepayments	2 848	2 556
Value added tax receivable	15 785	5 509
Other receivables	7 619	7 921
Travel provision	<u>300</u>	<u>-</u>
	<u>26 552</u>	<u>15 986</u>

The Company has performed an assessment to determine loss rate to derive expected credit loss in line with IFRS 9 *Financial Instruments*' simplified approach and the assessment revealed a nil loss rate, hence no expected loss allowance was carried in the financial statements due to the nature of receivables.

STANSAND (CENTRAL AFRICA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2020

9. Related party balances and transactions

The Company is a subsidiary of TATA Consumer Products Limited (Formerly TATA Global Beverages Overseas Holdings Limited), incorporated in the United Kingdom. The ultimate parent is TATA Global Beverages Limited, incorporated in India.

<u>2020</u>	<u>2019</u>
K'000	K'000

The following transactions were carried out with related parties:

9.1 Sales of goods and services

Tetley GB Limited	6 627 058	5 515 882
TATA Tea Limited (Cochin)	282 655	602 122
Southern Tea Limited (Tetley USA)	<u>143 075</u>	<u>389 294</u>
	<u>7 052 788</u>	<u>6 507 298</u>

All sales for the Company are made to related parties who are either parent company or members of the group.

<u>2020</u>	<u>2019</u>
K'000	K'000

9.2 Commissions earned

Tetley GB Limited	<u>690</u>	<u>38 219</u>
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Commission is earned on tea bought on behalf of the customers who enter into forward contracts with the suppliers

9.3 Related party balances arising from sale/purchases of goods/services

Amounts due from related companies

Tetley GB Limited	111 080	1 389
Southern Tea Limited (Tetley USA)	<u>577</u>	<u>-</u>
	<u>111 657</u>	<u>1 389</u>

Amounts due to related companies

TATA Tea Limited (Cochin)	<u>58 730</u>	<u>125 805</u>
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The related party balances are denominated in US Dollar, do not attract any interest, are not secured and have no fixed repayment terms.

9.4 Key management compensation

Directors remuneration	147	131
- fees	41 290	38 562
- salaries and other short-term benefits	<u>41 437</u>	<u>38 693</u>

STANSAND (CENTRAL AFRICA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2019

	<u>2020</u> K'000	<u>2019</u> K'000
10. Cash and cash equivalents		
Cash on hand	211	121
Current accounts-local currency	6 891	6 814
Fixed deposits	1 917	1 877
Foreign currency account (US\$)	<u>131 563</u>	<u>264 631</u>
	<u>140 582</u>	<u>273 443</u>
<p>The average interest rate on local current accounts was 0.10%, fixed deposits 12% and foreign currency account 0.5% which is same as last year. The foreign currency account had a closing balance of US\$180 426 (2019: US\$366 622).</p>		
11. Share capital		
Authorised, issued and fully paid: 10 000 ordinary shares of K2 each	<u>20</u>	<u>20</u>
12. Trade and other payables		
Trade payables	65 902	1 873
Statutory payables	1 690	1 579
Accrued expenses	9 428	12 616
Other payables	<u>20 065</u>	<u>5 502</u>
	<u>97 085</u>	<u>21 570</u>
<p>Trade and other payables are denominated in Malawi Kwacha and are due within twelve months of the reporting date.</p> <p>The statutory payables include pension, PAYE, FBT and withholding tax amounts. No interest is accrued on these and are due for payment on statutory required dates.</p>		
13. Revenue		
Tetley GB Limited	6 627 058	5 515 882
TATA Tea Limited (Cochin)	282 655	602 122
Southern Tea Limited (Tetley USA)	<u>143 075</u>	<u>389 294</u>
	<u>7 052 788</u>	<u>6 507 298</u>
14. Cost of Sales		
Cost of tea sold	6 707 161	6 147 481
Freight Shipping	<u>106 539</u>	<u>119 057</u>
Total cost of sales	<u>6 813 700</u>	<u>6 266 538</u>

STANSAND (CENTRAL AFRICA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2020

	<u>2020</u> <u>K'000</u>	<u>2019</u> <u>K'000</u>
15. Other income		
Commission	690	38 219
Disposals of pallets	<u>11 450</u>	<u>8 158</u>
	<u>12 140</u>	<u>46 377</u>

Commission income relates to commission earned on transactions where the customer had entered into a forward contract with the supplier and the company arranges logistics.

	<u>2020</u> <u>K'000</u>	<u>2019</u> <u>K'000</u>
16. Administrative expenses		
Auditors' remuneration	8 500	8 069
Bank charges	3 958	5 118
Communications	5 671	6 182
Computer maintenance and software	802	930
Depreciation	7 882	7 526
Depreciation of right-of-use of leased assets	2 708	-
Directors' remuneration - fees	147	131
Entertainment	250	238
Medical	3 842	3 015
Other expenses	19 372	16 983
Other staff costs	2 008	1 775
Pension	2 709	2 379
Rent and rates	115	3 169
Repairs and renewals	132	811
Salaries and benefits	41 290	38 561
Security	785	774
Subscription and donations	1 321	1 318
Tea sampling expenses	2 619	3 736
Staff uniforms	69	-
Training	2 783	2 447
Travel and subsistence-overseas	<u>-</u>	<u>2 902</u>
Total administrative expenses	<u>106 963</u>	<u>106 064</u>

17. Finance income and finance costs

Finance income		
Interest received on bank balances	1 649	1 178
Realised exchange gain	<u>29 820</u>	<u>11 648</u>
	<u>31 469</u>	<u>12 836</u>
Finance costs		
Interest paid	1 107	-
Unrealised exchange loss	2 361	3 786
Realised exchange loss	<u>20 698</u>	<u>4 139</u>
	<u>24 166</u>	<u>7 925</u>

STANSAND (CENTRAL AFRICA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2020

2020 **2019**
K'000 **K'000**

18. Income taxes

18.1 Income tax expense

Current income tax	46 911	57 526
Deferred income tax credit	<u>423</u>	<u>(966)</u>
	<u>47 334</u>	<u>56 560</u>

Income tax expense reconciliation

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the current tax rate applicable to profits of 30% (2019: 30%).

Profit before income tax	<u>151 568</u>	<u>185 974</u>
Tax calculated at a rate of 30% (2019: 30%)	45 470	55 790
Disallowed expenses	<u>1 441</u>	<u>1 736</u>
	<u>46 911</u>	<u>57 526</u>

Reconciliation of tax rate (%)

Standard tax rate	30	30
Permanent differences	<u>1</u>	<u>-</u>
Effective tax rate	<u>31</u>	<u>30</u>

18.2 Deferred taxes

The analysis of deferred tax asset is as follows:

Movement in deferred income tax assets

At beginning of the year	(1 719)	(753)
Income statement credit	<u>423</u>	<u>(966)</u>
At end of the year	<u>(1 296)</u>	<u>(1 719)</u>

18. Income taxes (Continued)

Deferred income taxes (Continued)

The movement in deferred tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same jurisdiction is as follows:

	Accelerated capital allowances K'000	Unrealised exchange losses K'000	Total K'000
Deferred income tax asset			
2020			
At beginning of the year	584	1 135	1 719
Credit to income statement	<u>4</u>	<u>(427)</u>	<u>(423)</u>
At end of the year	<u>588</u>	<u>708</u>	<u>1 296</u>
2019			
At beginning of the year	63	690	753
Credit to income statement	<u>521</u>	<u>445</u>	<u>966</u>
At end of the year	<u>584</u>	<u>1 135</u>	<u>1 719</u>

19. Financial risk management

19.1 Financial risks factors

The Company operates in an environment which is subject to variations of a variety of financial risks: market risk (including currency risks, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Company policy is to adopt a non-speculative approach to managing risk and exposures are not hedged.

The risk management policies employed by the Board to manage these risks are disclosed below.

19.1.1 Market risk

(i) Foreign exchange risk

In the normal course of business, the Company receives working capital financing in foreign currencies from the holding company which exposes it to fluctuations in foreign currency exchange rates. The Company monitors currency fluctuations as well as the ratio of current foreign liabilities relative to the tea inventory on a continuous basis to minimise this risk. Export sales are a natural hedge to foreign currency denominated payable exposures. Based on management assessment the entity's foreign exchange risk is low.

STANSAND (CENTRAL AFRICA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2020

19. Financial risk management (Continued)

19.1 Financial risks factors (Continued)

19.1.1 Market risk (Continued)

The table below summarises the Company's exposure to foreign exchange risk as at 31 March.

	Equivalent US\$'000	K'000
2020		
Financial assets		
Cash and cash equivalents	180	131 563
Amounts due from related parties	<u>153</u>	<u>111 657</u>
	<u>333</u>	<u>243 220</u>
Financial liabilities		
Related party payables	<u>81</u>	<u>58 730</u>
2019		
Financial assets		
Cash and cash equivalents	368	264 631
Amounts due from related parties	<u>2</u>	<u>1 389</u>
	<u>370</u>	<u>266 020</u>
Financial liabilities		
Related party payables	<u>175</u>	<u>125 805</u>

i) Foreign exchange risk

Foreign currency sensitivity analysis

The Company is mainly exposed to the United States dollar ("US\$").

At 31 March 2020, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would be K 12.2 million (2018: K 12.2 million) lower or higher mainly as a result of foreign exchange gains/losses on translation of US dollar denominated cash and cash equivalents and amounts due from and due to related parties.

ii) Interest rate risk

Fluctuations in interest rates impact on the value of short-term cash investments and financing activities giving rise to interest rate risk. Cash is invested in such a manner as to achieve maximum returns whilst minimising exposures to liquidity shortages. Interest rate risk is not hedged. Based on management assessment the market interest rate risk for the entity is low as the Company has no borrowings.

19. Financial risk management (Continued)

19.1 Financial risks factors (Continued)

19.1.2 Credit risk

Credit risk arises from cash and cash equivalents, trade and other receivables, amounts due from related parties and deposits with financial institutions. For banks and financial institutions, only those with good financial reputation as assessed by management and approved by the board of Directors are used. In the absence of independent ratings of these institutions, management and the board take into account the financial position, past experience and other factors as a basis for the recommendations and approvals.

The Company has no significant concentrations of credit risk to third parties outside the Tata group. The majority of the Company's sales are made to related companies.

The maximum exposure to credit risks is summarised as follows:

	<u>2020</u>	<u>2019</u>
	<u>K'000</u>	<u>K'000</u>
Financial asset		
Other receivables (excluding prepayments and Value Added Tax (VAT) receivable)	7 919	7 921
Amounts due from related parties	111 657	1 389
Cash and cash equivalents	<u>140 582</u>	<u>273 443</u>
	<u>260 158</u>	<u>282 753</u>

With respect to outstanding receivables that are not impaired and are past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations. No collateral was taken in respect of the receivables.

19.1.3 Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient short-term cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities whenever it is appropriate. The

Company relies on funding from the holding company in London whenever cash flow forecasts indicate a short fall and has assurances of continued financial support.

Exposure to liquidity risk arises from the Company's normal trading operations. In most instances, the operating liabilities are subject to a 30 day payment period for which cash is made available from the Company's normal trading operations which are substantially cash based. The Company's holding company (Head office) in London provides bridging finance in the event of a short-term cash shortage.

STANSAND (CENTRAL AFRICA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 2020

19. Financial risk management (Continued)

19.1 Financial risks factors (Continued)

19.1.3 Liquidity risk (Continued)

The table below analyses the maturity profile of the Company's assets and liabilities based on the remaining period at 31 March to the contractual maturity date.

	Carrying Amounts K'000	On demand and less than 3 months K'000
<u>2020</u>		
Assets		
Other receivables (excluding prepayments and VAT)	7 919	7 919
Amounts due from related parties	111 657	111 657
Cash and cash equivalents	<u>140 582</u>	<u>140 582</u>
	<u>260 158</u>	<u>260 158</u>
Liabilities		
Trade and other payables (excluding statutory liabilities)	95 395	95 395
Amounts due to related parties	<u>58 730</u>	<u>58 730</u>
	<u>154 125</u>	<u>154 125</u>
Liquidity gap	106 033	103 033
<u>2019</u>		
Assets		
Other receivables (excluding prepayments and VAT)	7 921	7 921
Amounts due from related parties	1 389	1 389
Cash and cash equivalents	<u>273 443</u>	<u>273 443</u>
	<u>282 753</u>	<u>282 753</u>
Liabilities		
Trade and other payables (excluding statutory liabilities)	19 991	19 991
Amounts due to related parties	<u>125 805</u>	<u>125 805</u>
	<u>145 796</u>	<u>145 796</u>
Liquidity gap	136 957	136 957

19. Financial risk management (Continued)

19.2 Fair value measurements

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

19.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

19.2.2 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

19.2.3 Fair value of the company's financial assets and financial liabilities that are measured at fair value on recurring basis.

The Company did not have any financial assets and financial liabilities that are measured at fair value at the end of each reporting period.

19.2.4 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

19.3 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain the capital structure, the Company may adjust the dividends paid to shareholders or issue new shares. The Company relies on funding provided by its holding company, TATA Global Beverages Overseas Holdings Limited.

The Company maintains a zero gearing ratio.

	<u>2020</u> K'000	<u>2019</u> K'000
19.4 Financial instruments by category		
Assets per statement of financial position		
At amortised Costs		
Other receivables (excluding prepayments and VAT)	7 919	7 919
Amounts due from related parties	111 657	111 657
Cash and cash equivalents	<u>140 582</u>	<u>140 582</u>
	<u>260 158</u>	<u>260 158</u>
Liabilities per statement of financial position		
Other financial liabilities at amortised cost		
Trade and other payables (excluding statutory liabilities)	95 395	19 991
Amounts due to related parties	<u>58 730</u>	<u>125 805</u>
	<u>154 125</u>	<u>145 796</u>

20. Dividend payable

A dividend of K116 472 744 was declared during the year (2019: K97 104 491).

21. Capital commitments

There were no commitments for capital expenditure at 31 March 2020 (2019: nil).

22. Going concern

Towards the end of the third quarter of the current financial year, the Directors witnessed an outbreak of corona virus commonly known as Covid-19. This started in China and since then, it has spread in many countries of the world. In Malawi, the first case was recorded in April, 2020 and since then the number has increased to around 30. This virus has disrupted many businesses as many countries have implemented lock-downs in order to mitigate against the spreading of the virus. This lock down has affected operations of many companies in Malawi and around the world. The Directors are of the opinion that there is no impact of this virus on the operations of Stansand Central Africa Limited as the company adopted the work from home policy and implemented various in-house processes. These initiatives have helped in managing the spread of the virus amongst the staff members and have helped the Company to maintain its normal operations. Additionally, Directors brought forward future orders so that the covid-19 should not adversely impact on the budgeted volumes. This initiative resulted in the Company achieving sales volumes of around 30% against the annual volumes, for the month of April 2020. Therefore, Directors do not anticipate that the Covid-19 has material impact on the Going Concern of the Company, and the financial statements have been prepared on Going Concern basis.

23. Events after the reporting period

There has been no significant events subsequent to the reporting date that require disclosure or adjustment in these financial statements.

24. Exchange rates and inflation

The average of the year end buying and selling rates of the foreign currencies most affecting the performance and state of affairs of the Company is stated below, together with the increase in the National Consumer Price Index for the twelve months to the statement of financial position date which represents an official measure of inflation.

	<u>2020</u>	<u>2019</u>
Kwacha/Rand	• 49.76	51.22
Kwacha/US Dollar	730.76	742.00
Inflation rate (%)	<u>9.87</u>	<u>7.9</u>

As at the date of approval of these financial statements, the exchange rates and inflation rate had moved as follows:

Kwacha/Rand	41.47
Kwacha/US Dollar	744.00
Inflation rate (%)	<u>9.8</u>