

STANSAND (AFRICA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Table of contents	<u>Page No</u>
Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditor	3 – 5
Financial statements:	
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 – 30

The directors submit their report together with the audited financial statements for the year ended 31 March 2017, which disclose the state of affairs of Stansand (Africa) Limited (the "Company").

The annual report and financial statements have been prepared in accordance with section 147 to 163 of the repealed Companies Act Cap 486, which remain in force under the transition rules contained in the sixth schedule, the transition and saving provisions of the Companies Act 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be buying and exporting of tea.

REGISTERED OFFICE

2nd Floor, Apollo Centre,
Ring Road,
Parklands, Westlands
P O Box 41968 - 00100
Nairobi.

PRINCIPAL PLACE OF BUSINESS

3rd Floor, Tea House,
Nyerere Avenue
Mombasa, Kenya

RESULTS AND DIVIDEND

Loss for the year of Shs 3,961,000 (2016: Profit of Shs 55,442,000) has been deducted from (2016: added to) retained earnings. During the year no interim dividends were declared (2016: Nil). The directors do not recommend a final dividend for the year (2016: Nil).

DIRECTORS

The directors who held office during the year and to the date of this report were:

G N Waireri	(Retired on 31 March 2017)
N Khagram	(Appointed on 31 March 2017)
R Mwatha	(Appointed on 31 March 2017)
K J Tubb*	
J Maffin*	

*British

AUDITOR

PricewaterhouseCoopers shall retire as auditor of the Company at the Annual General Meeting of the Company following a group auditor rotation. The directors recommend the appointment of Deloitte & Touche as the Company's auditor for the year ending 31 March 2018.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 9th May 2017.

By order of the Board


~~for: AKIS KENYA - SECRETARY~~
SECRETARY

9th May 2017

The Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year and of the Company's financial performance for the year then ended. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Companies Act. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

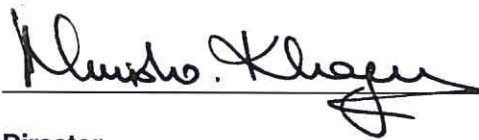
The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act 2015. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the directors have assessed the Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 9th May 2017 and signed on its behalf by:



Director



Director



Independent auditor's report

To the Shareholders of Stansand (Africa) Limited.

Report on the audit of the financial statements

We have audited the accompanying financial statements of Stansand (Africa) Limited (the "Company") set out on pages 6 to 30, which comprise the statement of financial position at 31 March 2017 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 (Africa) Limited at 31 March 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2015.

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but 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 any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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, 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.

PricewaterhouseCoopers CPA. PwC Tower, Waiyaki Way/Chiromo Road, Westlands

P O Box 43963 – 00100 Nairobi, Kenya

T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke



Independent auditor's report (continued)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2015, 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.

The directors are responsible for overseeing the Company's financial reporting process.

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.



Independent auditor's report (continued)

- 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.
- 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.

Report on other legal requirements

As required by the Companies Act 2015 we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Bernice Kimacia - P/No.1457.

Bernice Kimacia

Certified Public Accountants
Nairobi

12 May 2017

Statement of comprehensive income

		Year ended 31 March	
		2017	2016
	Notes	Shs'000	Shs'000
Revenue	5	2,476,181	2,554,660
Cost of sales		(2,374,965)	(2,448,059)
Gross profit		101,216	106,601
Other income	6	32,534	64,209
Administrative expenses		(138,514)	(85,481)
Operating (loss)/ profit	8	(4,764)	85,329
Finance income/ (costs)	7	1,193	(3,965)
(Loss)/ profit before income tax		(3,571)	81,364
Income tax expense	10	(390)	(25,922)
(Loss)/ profit for the year		(3,961)	55,442
Other comprehensive income		-	-
Total comprehensive (loss)/ income for the year		(3,961)	55,442

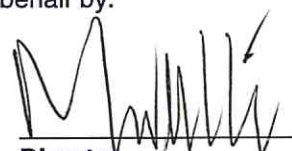
The notes on pages 10 to 30 form an integral part of these financial statements.

Statement of financial position

	Notes	2017 Shs'000	2016 Shs'000
ASSETS			
Non-current assets			
Deferred income tax	13	136	-
Vehicles, furniture and equipment	14	6,543	8,813
		<u>6,679</u>	<u>8,813</u>
Current assets			
Inventories	15	151,596	272,737
Current income tax		18,355	-
Receivables and prepayments	16	134,661	178,459
Cash and cash equivalents	17	22,621	79,058
		<u>327,233</u>	<u>530,254</u>
TOTAL ASSETS		<u>333,912</u>	<u>539,067</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	500	500
Retained earnings		129,681	133,642
		<u>130,181</u>	<u>134,142</u>
Liabilities			
Non-current Liabilities			
Deferred income tax	13	-	1,161
		<u>-</u>	<u>1,161</u>
Current liabilities			
Payables and accrued expenses	18	203,731	386,308
Current income tax		-	17,456
		<u>203,731</u>	<u>403,764</u>
Total current liabilities		<u>203,731</u>	<u>403,764</u>
TOTAL EQUITY AND LIABILITIES		<u>333,912</u>	<u>539,067</u>

The financial statements on pages 6 to 30 were approved for issue by the board of directors on 9th May 2017 and signed on its behalf by:


Director


Director

The notes on pages 10 to 30 form an integral part of these financial statements.

Statement of changes in equity

	Share capital Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 31 March 2016			
At start of year	500	78,200	78,700
Total comprehensive profit for the year	-	55,442	55,442
At end of year	500	133,642	134,142
Year ended 31 March 2017			
At start of year	500	133,642	134,142
Total comprehensive loss for the year	-	(3,961)	(3,961)
At end of year	500	129,681	130,181

The notes on pages 10 to 30 form an integral part of these financial statements.

Statement of cash flows

	Notes	2017 Shs'000	2016 Shs'000
Cash flows from operating activities			
Cash (used in)/generated from operations	21	(19,810)	76,616
Interest received	6	2,116	2,712
Interest paid	7	(47)	(821)
Income tax paid		(37,498)	-
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(55,239)	78,507
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of vehicles, furniture and equipment	14	(1,198)	(119)
		<hr/>	<hr/>
Net cash used in investing activities		(1,198)	(119)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(56,437)	78,388
		<hr/>	<hr/>
Movement in cash and cash equivalents			
At start of year		79,058	670
(Decrease)/Increase		(56,437)	78,388
		<hr/>	<hr/>
Cash and cash equivalents at end of year	17	22,621	79,058
		<hr/>	<hr/>

The notes on pages 10 to 30 form an integral part of these financial statements.

Notes

1 General information

Stansand (Africa) Limited is incorporated in Kenya under the Kenyan Companies Act as a private limited liability Company, and is domiciled in Kenya. The address of its registered office is:

2nd Floor, Apollo Centre,
Ring Road,
Parklands, Westlands
P O Box 41968,
00100 Nairobi.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income in these financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of Stansand (Africa) Limited are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

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 where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The following are the significant amended standards that have been adopted by the Company for the first time for the financial year beginning on or after 1 April 2016:

Amendments to IAS 1, 'Presentation of Financial Statements': The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 April 2016, provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments and interpretations not yet effective and not early adopted

Number	Effective date	Executive summary
Amendment to IAS 7 – Cash flow statements	1 January 2017	<p>In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p> <p>The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.</p>
IFRS 15 – Revenue from contracts with customers.	1 January 2018	<p>The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.</p>
Amendment to IFRS 15 – Revenue from contracts with customers.	1 January 2018	<p>The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.</p>

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) *New standards, amendments and interpretations not yet effective and not early adopted (continued)*

Number	Effective date	Executive summary
<p>IFRS 9 – Financial Instruments (2009 & 2010)</p> <ul style="list-style-type: none"> Financial liabilities Derecognition of financial instruments Financial assets <p>General hedge accounting</p>	1 January 2018	<p>This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.</p> <p>The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.</p>
IFRS 16 – Leases	1 January 2019	<p>After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.</p> <p>The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).</p> <p>A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.</p>

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments and interpretations not yet effective and not early adopted (continued)

Number	Effective date	Executive summary
IFRS 16 – Leases	1 January 2019	<p>One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).</p> <p>IFRS 16 supersedes IAS 17, 'Leases', 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'.</p>

The Company has not assessed the impact of these new standards/ amendments.

(b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of Value-Added Tax (VAT), Ad-valorem Levy (where applicable), rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue is recognised as follows:

- (i) Sales of goods are recognised in the period in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured;
- (ii) Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided;
- (iii) Interest income is recognised on a time proportion basis using the effective interest method.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Kenya Shillings which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance cost or income'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income'.

(d) Vehicle, furniture and equipment

All categories of vehicle, furniture and equipment are initially recorded at cost. Vehicles, furniture and equipment are subsequently stated at historical cost less 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. All other repairs and maintenance are charged to profit or loss account during the financial period in which they are incurred.

Depreciation on the assets is calculated using the straight line method to allocate their cost over their estimated useful lives, as follows:

Furniture and fittings	4 - 10 years
Computers and equipment	3 - 5 years
Motor vehicles	4 years

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

Vehicles, furniture and equipment 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).

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Vehicle, furniture and equipment (continued)

Gains and losses on disposal of vehicles, plant and equipment are determined by comparing the proceeds with the carrying amounts and are included in profit or loss.

(e) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of tea comprises the purchase cost and brokerage and where applicable, bulking, handling and packaging costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of selling expenses.

(g) Financial assets

(i) Classification

All financial assets of the Company are classified as loans and receivables. The directors determine the classification of the financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

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

(iv) Impairment

Assets carried at amortised cost

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(g) Financial assets (continued)

(iv) Impairment (continued)

Assets carried at amortised cost (continued)

Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

(h) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(i) Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in provision due to passage of time is recognised as interest expense.

Notes (continued)

2 Summary of significant accounting policies (continued)

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(l) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(m) Cash and cash equivalents

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

(n) Employee benefits

(i) Retirement benefit obligations

The Company operates a defined contribution retirement benefit scheme for its employees. The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees.

The Company's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid.

(o) Income tax

(i) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Income tax (continued)

(i) Current income tax (continued)

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

(ii) Deferred income tax

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 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 or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits 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 tax assets against current tax liabilities and when the deferred income taxes 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.

(p) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

Notes (continued)

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom 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 addressed below.

Receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. The carrying amount of impaired receivables is set out in Note 4.

Vehicle, furniture and equipment

Critical estimates are made by the directors based on policies and procedures adopted by the parent Company in determining depreciation rates for vehicles, furniture and equipment. The rates used are set out in Note 2(d) above.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made judgements in determining:

- The classification of financial assets and leases; and
- Whether assets are impaired.

Notes (continued)

4 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: Market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Company does not hedge any risks.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market risk

(i) Foreign exchange risk

The Company purchases and exports tea and is exposed to foreign exchange risk arising from currency exposures with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

At 31 March 2017, if the Shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the year would have been Shs 2,805,000 (2016: Shs 4,906,000) higher/ lower, mainly as a result of US dollar denominated trade receivables, payables and bank balances.

(ii) Price risk

The Company does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk

As at 31 March 2017, the Company did not have interest bearing financial liabilities (2016: Nil).

Credit risk

Credit risk is managed by the Finance Department. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

Notes (continued)

4 Financial risk management objectives and policies

Credit risk (continued)

The amount that best represents the Company's maximum exposure to credit risk at 31 March 2017 and 31 March 2016 is made up as follows:

	Performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
31 March 2017				
Cash and cash equivalents	22,617	-	-	22,617
Trade receivables	-	2	-	2
Receivables from related companies	77,954	-	-	77,954
VAT receivable	-	54,340	-	54,340
Other receivables	175	-	-	175
	100,746	54,342	-	155,088
31 March 2016				
Cash and cash equivalents	79,038	-	-	79,038
Trade receivables	-	53	-	53
Receivables from related companies	131,368	-	-	131,368
VAT receivable	-	44,094	-	44,094
Other receivables	630	-	-	630
	211,036	44,147	-	255,183

No collateral is held for any of the above assets. The Company does not grade the credit quality of receivables. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are either past due or impaired except for the amounts in trade receivables which are due within 30 days from invoice date and the VAT receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquid risk management includes maintaining sufficient cash balances and availability of funding from an adequate amount of committed credit facilities. The Finance Department monitors liquidity on an ongoing basis.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes (continued)

4 Financial risk management objectives and policies

Liquidity risk (continued)

	Less than 1 year Shs'000
At 31 March 2017:	
Payables and accrued expenses	203,731
At 31 March 2016:	
Payables and accrued expenses	386,308

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders.

5 Revenue	2017 Shs'000	2016 Shs'000
Analysis of sales by category:		
Tea sales – exports	2,474,549	2,554,231
Tea sales - local	1,632	429
	<hr/>	<hr/>
	2,476,181	2,554,660
	<hr/>	<hr/>
6 Other income		
Commission income	30,148	52,551
Other non-operating income	426	523
Net foreign exchange (loss)/gain other than on borrowings and cash and cash equivalents	(823)	7,772
Interest income	2,116	2,712
Scrap sales	667	651
	<hr/>	<hr/>
	32,534	64,209
	<hr/>	<hr/>

Notes (continued)

7 Finance income/ (costs)	2017 Shs'000	2016 Shs'000
Interest expense	(47)	(821)
Net foreign exchange gain/ (loss) on borrowings and cash and cash equivalents	1,240	(3,144)
	<u>1,193</u>	<u>(3,965)</u>

8 Expenses by nature

The following items have been charged in arriving at the profit before income tax:

	2017 Shs'000	2016 Shs'000
Depreciation on vehicles, furniture and equipment (Note 14)	3,468	4,949
Operating lease rentals expensed	5,667	6,726
Repairs and maintenance expenditure	388	214
Employee benefits expense (Note 9)	61,419	56,937
Auditors' remuneration	2,153	1,972
Legal fees	49,756	807

9 Employee benefits expense

The following items are included within employee benefits expense:

	2017 Shs'000	2016 Shs'000
Salaries and wages	52,558	47,932
Other benefits	4,183	4,682
Retirement benefits costs:		
- Defined contribution scheme	4,636	4,284
- National Social Security Fund	42	39
	<u>61,419</u>	<u>56,937</u>

10 Income tax expense

Current income tax	1,687	24,294
Deferred income tax (Note 13)	(1,297)	1,628
	<u>390</u>	<u>25,922</u>

Notes (continued)

10 Income tax expense (continued)

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2017 Shs'000	2016 Shs'000
(Loss)/ profit before income tax	(3,571)	81,364
Tax calculated at the statutory income tax rate of 30% (2016 – 30%)	(1,071)	24,409
Tax effect of:		
- Expenses not deductible for tax purposes	1,461	1,513
Income tax expense	390	25,922

11 Dividends per share

During the year no interim dividend was declared (2016: Nil). No final dividends are proposed for the year ended 31 March 2017 (2016: Nil).

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholder.

12 Share capital

	Number of shares (Thousands)	Share Capital Shs'000
Balance at 1 April 2015, 31 March 2016 and 31 March 2017	25	500

The total authorised number of ordinary shares is 30,000 with a par value of Shs 20 per share. All issued shares are fully paid.

13 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2016: 30%). The movement on the deferred income tax account is as follows:

	2017 Shs'000	2016 Shs'000
At start of year	1,161	(467)
(Credit)/ charge to profit or loss (Note 10)	(1,297)	1,628
At end of year	(136)	1,161

Notes (continued)

13 Deferred income tax (continued)

Deferred income tax assets and liabilities and deferred income tax charge / (credit) in the profit or loss are attributable to the following items:

Year ended 31 March 2017	01.04.2016 Shs'000	(Credit)/ charge to profit or loss Shs'000	31.03.2017 Shs'000
Deferred income tax liabilities/ (assets)			
Unrealised exchange gains and losses	1,616	(1,200)	416
Vehicles, furniture and equipment	(455)	(97)	(552)
Net deferred income tax liability/ (asset)	1,161	(1,297)	(136)
Year ended 31 March 2016	01.04.2015 Shs'000	Charge / (credit) to profit or loss Shs'000	31.03.2016 Shs'000
Deferred income tax liabilities/ (assets)			
Unrealised exchange gains and losses	(383)	1,999	1,616
Vehicles, furniture and equipment	(84)	(371)	(455)
Net deferred income tax (asset) /liability	(467)	1,628	1,161

Notes (continued)

14 Vehicles, furniture and equipment

	Furniture & Fittings	Computers & Equipment	Motor Vehicles	Total
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 April 2015				
Cost	9,691	17,800	5,327	32,818
Accumulated depreciation	(3,894)	(10,932)	(4,349)	(19,175)
Net book amount	5,797	6,868	978	13,643
Year ended 31 March 2016				
Opening net book amount	5,797	6,868	978	13,643
Additions	-	119	-	119
Depreciation charge	(922)	(3,128)	(899)	(4,949)
Closing net book amount	4,875	3,859	79	8,813
At 31 March 2016				
Cost	9,691	17,919	5,327	32,937
Accumulated depreciation	(4,816)	(14,060)	(5,248)	(24,124)
Net book amount	4,875	3,859	79	8,813
Year ended 31 March 2017				
Opening net book amount	4,875	3,859	79	8,813
Additions	-	1,198	-	1,198
Depreciation charge	(824)	(2,609)	(35)	(3,468)
Closing net book amount	4,051	2,448	44	6,543
At 31 March 2017				
Cost	9,691	19,117	5,327	34,135
Accumulated depreciation	(5,640)	(16,669)	(5,283)	(27,592)
Net book amount	4,051	2,448	44	6,543

In the opinion of the directors, there is no impairment of vehicles, furniture and equipment.

Notes (continued)

15 Inventories

	2017 Shs'000	2016 Shs'000
Purchased for resale (at cost)	151,596	272,737

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Shs 2,293,236,000 (2016: Shs 2,364,856, 000).

16 Receivables and prepayments

	2017 Shs'000	2016 Shs'000
Trade receivables	2	53
Prepayments	2,190	2,314
Advances to related parties (Note 22(ii))	77,954	131,360
Receivables from related parties (Note 22(v))	-	8
VAT receivable	54,340	44,094
Other receivables	175	630
	134,661	178,459

The carrying amounts of the Company's trade and other receivables approximate to their fair values and are denominated in the following currencies:

	2017 Shs'000	2016 Shs'000
Kenya Shillings	56,705	47,038
US Dollar	77,956	131,421
	134,661	178,459

17 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank. The year end cash and cash equivalents comprise of the following:

	2017 Shs'000	2016 Shs'000
Cash at bank	22,617	79,038
Cash in hand	4	20
	22,621	79,058

Notes (continued)

18 Payables and accrued expenses

	2017 Shs'000	2016 Shs'000
Trade payables	34,042	98,916
Other intercompany payables (Note 22 (vi))	141,213	252,176
Accrued expenses	28,170	34,915
Other payables	306	301
	<hr/>	<hr/>
	203,731	386,308
	<hr/>	<hr/>

The carrying amounts of the above payables and accrued expenses approximate to their fair values and are denominated in the following currencies:

	2017 Shs'000	2016 Shs'000
Kenya Shillings	27,216	35,321
US Dollar	176,515	350,987
	<hr/>	<hr/>
	203,731	386,308
	<hr/>	<hr/>

19 Contingent liabilities

There were no contingent liabilities as at 31 March 2017. In the previous year, there was a claim by the Governor of Kericho ("the Petitioner") against KTDA and several tea trading companies ("the Respondents"), including Stansand (Africa) Limited. The Petitioner's claim was that the Respondents were engaged in various anti – competitive practices which had resulted in tea farmers not getting their rightful earnings. The Petitioner sought compensation in the sum of approximately Shs 87 billion. The Company filed an application to be struck out of the suit and by a Ruling delivered on 8 November 2016, the claim against the Company was struck out.

20 Commitments

i) Capital commitments

The capital commitments as at 31 March 2017 amounted to Shs 370,000 (2016: Nil)

ii) Operating lease commitments

	2017 Shs'000	2016 Shs'000
Not later than 1 year	3,077	5,478
Later than 1 year and not later than 5 years	-	3,077
	<hr/>	<hr/>
	3,077	8,555
	<hr/>	<hr/>

Notes (continued)

21 Cash used in operations

Reconciliation of (loss)/ profit before income tax to cash used in operations:

	2017 Shs'000	2016 Shs'000
(Loss)/ profit before income tax	(3,571)	81,364
Adjustments for:		
Interest income (Note 6)	(2,116)	(2,712)
Interest expense (Note 7)	47	821
Depreciation (Note 14)	3,468	4,949
Changes in working capital		
– receivables and prepayments	43,798	4,006
– inventories	121,141	(152,941)
– payables and accrued expenses	(182,577)	141,129
Cash (used in)/ generated from operations	(19,810)	76,616

22 Related party transactions

The Company is controlled by Tata Global Beverages Overseas Holdings Limited incorporated in the United Kingdom. The ultimate parent of the Group is Tata Global Beverages Limited incorporated in India. There are other companies that are related to Stansand (Africa) Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

i) Sale of goods and services	2017 Shs'000	2016 Shs'000
Tata Global Beverages (GB) Limited	2,101,531	2,174,369
Other related parties	290,828	326,827
	2,392,359	2,501,196

Notes (continued)

22 Related party transactions (continued)

ii) Advances to other related parties	2017 Shs'000	2016 Shs'000
Tata Global Beverages Services Limited	77,954	131,360

These relate to amounts loaned to group as part of cash pooling exercise and are repayable on demand.

iii) Key management compensation

Salaries and other short-term employment benefits	43,528	41,672
---------------------------------------------------	--------	--------

iv) Directors' remuneration

Directors' emoluments (included in key management compensation above)	18,374	18,459
-----------------------------------------------------------------------	--------	--------

v) Outstanding receivable balances from related parties

Tata Global Beverages (GB) Ltd	-	8
--------------------------------	---	---

vi) Outstanding payable balances to related parties

Tata Global Beverages (GB) Ltd	110,196	226,386
Tata Global Beverages Ltd	15,972	15,940
Southern Tea Company LLC	15,045	9,850
	141,213	252,176

No provisions for impairment losses were held in 2017 (2016: Nil) in respect of related party receivables.

----- 000 -----