

STANSAND (AFRICA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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Stansand (Africa) Limited
Directors' Report
For the year ended 31 March 2015

The directors submit their report together with the audited financial statements for the year ended 31 March 2015, which disclose the state of affairs of Stansand (Africa) Limited (the "Company").

PRINCIPAL ACTIVITIES

The principal activity of the Company is 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

Net loss for the year of Shs 345,000 (2014: Loss of Shs 11,249,000) has been deducted from retained earnings. During the year no interim dividends were declared (2014: Nil). The directors do not recommend a final dividend for the year (2014: Nil).

DIRECTORS

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

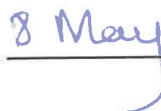
G N Waireri
K J Tubb
J Maffin

AUDITOR

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

for:  **AKIS KENYA - SECRETARY**
SECRETARY

 8 May 2015

Stansand (Africa) Limited
Statement of Directors' Responsibilities
For the year ended 31 March 2015

The Companies Act, CAP 486, Laws of Kenya 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 Company's profit or loss for the year. It is also requires the directors to ensure that the Company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company.


The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. 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 and applying appropriate accounting policies;
- (iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company at 31 March 2015 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of approval of the financial statements.

Approved by the board of directors on 8th May 15 and signed on its behalf by:


.....
Director


.....
Director



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF STANSAND (AFRICA) LIMITED

We have audited the accompanying financial statements of Stansand (Africa) Limited set out on pages 5 to 26. These financial statements comprise the statement of financial position at 31 March 2015, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, CAP 486, Laws of Kenya. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the company's financial affairs at 31 March 2015 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

*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*

Partners: A Eriksson K Muchiru M Mugasa F Muriu P Ngahu A Njeru R Njoroge B Okundi K Saiti R Shah



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF STANSAND (AFRICA) LIMITED (CONTINUED)

Report on other legal requirements

As required by the Companies Act, CAP 486, Laws of Kenya, 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; and
- iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement leader responsible for the audit resulting in this independent auditor's report is CPA Moses Nyabanda – P/No. P/2047.

A handwritten signature in blue ink, appearing to read "Moses Nyabanda", written over a faint, larger signature.

Certified Public Accountants
Nairobi.

18 May 2015

Statement of comprehensive income

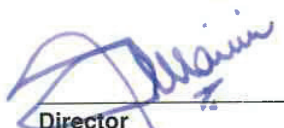
	Notes	31 March	
		2015 Shs'000	2014 Shs'000
Revenue	5	1,367,636	1,819,092
Cost of sales		(1,315,438)	(1,769,263)
Gross profit		52,198	49,829
Other income	6	34,147	13,286
Administrative expenses		(80,213)	(76,840)
Operating profit /(loss)		6,132	(13,725)
Finance costs	7	(4,531)	(329)
Profit /(loss) before income tax		1,601	(14,054)
Income tax (expense) /credit	10	(1,946)	2,805
Loss for the year		(345)	(11,249)
Other comprehensive income		-	-
Total comprehensive loss for the year		(345)	(11,249)

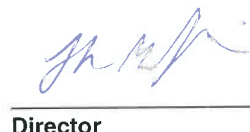
The notes on pages 9 to 26 form an integral part of these financial statements.

Statement of financial position

		31 March	
	Notes	2015 Shs'000	2014 Shs'000
ASSETS			
Non-current assets			
Deferred income tax	13	467	1,277
Vehicles, furniture and equipment	14	13,643	17,154
		<hr/>	<hr/>
		14,110	18,431
		<hr/>	<hr/>
Current assets			
Inventories	15	119,796	63,534
Current income tax		6,838	7,974
Receivables and prepayments	16	182,465	85,327
Cash and cash equivalents	17	670	24,377
		<hr/>	<hr/>
		309,769	181,212
		<hr/>	<hr/>
TOTAL ASSETS		<hr/> 323,879 <hr/>	<hr/> 199,643 <hr/>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	500	500
Retained earnings		78,200	78,545
		<hr/>	<hr/>
		78,700	79,045
		<hr/>	<hr/>
Liabilities			
Current liabilities			
Payables and accrued expenses	18	245,179	120,598
		<hr/>	<hr/>
Total current liabilities		<hr/> 245,179 <hr/>	<hr/> 120,598 <hr/>
TOTAL EQUITY AND LIABILITIES		<hr/> 323,879 <hr/>	<hr/> 199,643 <hr/>

The financial statements on pages 5 to 26 were approved for issue by the board of directors on 30 May 2015 and signed on its behalf by:


Director


Director

The notes on pages 9 to 26 form an integral part of these financial statements.

Statement of changes in equity

	Share capital Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 March 2014				
At start of year	500	89,794	-	90,294
Total comprehensive loss for the year	-	(11,249)	-	(11,249)
At end of year	500	78,545	-	79,045
Year ended 31 March 2015				
At start of year	500	78,545	-	79,045
Total comprehensive loss for the year	-	(345)	-	(345)
At end of year	500	78,200	-	78,700

The notes on pages 9 to 26 form an integral part of these financial statements.

Statement of cash flows

		31 March	
	Notes	2015 Shs'000	2014 Shs'000
Cash flows from operating activities			
Cash used in operations	21	(22,896)	(11,433)
Interest received	6	2,628	1,703
Interest paid	7	(1,521)	(1,073)
		<hr/>	<hr/>
Net cash used in operating activities		(21,789)	(10,803)
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of vehicles, furniture and equipment	14	(1,918)	(306)
Credit from over accrual of cost of furniture and equipment in prior year		-	439
Proceeds from disposal of vehicles, furniture and equipment		-	13
		<hr/>	<hr/>
Net cash (used in) /generated from investing activities		(1,918)	146
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		<hr/> (23,707) <hr/>	<hr/> (10,657) <hr/>
Movement in cash and cash equivalents			
At start of year		24,377	35,034
Decrease		<hr/> (23,707) <hr/>	<hr/> (10,657) <hr/>
Cash and cash equivalents at end of year	17	<hr/> 670 <hr/>	<hr/> 24,377 <hr/>

The notes on pages 9 to 26 form an integral part of these financial statements.

Notes

1 General information

Stansand (Africa) Limited is incorporated in Kenya under the 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 the 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 have been prepared in accordance 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 standards have been adopted by the company for the first time for the financial year beginning on or after 1 April 2014 and have a material impact on the company:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Company (continued)

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 April 2014 are not material to the company.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2014 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. No significant impact expected.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. No significant impact expected.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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.

(c) Foreign currency translation

a) Functional and presentation currency

Items included in the financial 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 respective 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'.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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).

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) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(g) Trade receivables (continued)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(h) 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.

(i) 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.

(j) Share capital

Ordinary shares are classified as 'share capital' in equity.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(l) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(l) Employee benefits (continued)

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.

(m) Income tax expense

(i) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income 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.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act.

(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 values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from the 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 statement of financial position 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.

(n) 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.

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.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

(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.

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 2015, 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 2,827,949 (2014: Shs 914,003) higher/lower, mainly as a result of US dollar denominated trade receivables, payables and bank balances.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

The company's only interest bearing financial liability is the inter-company financing arrangement, which is at variable rates, and on which it is therefore exposed to cash flow interest rate risk. The company regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 March 2015, an increase/decrease of 50 basis points would have resulted in a decrease/increase in post tax profit of Shs 242,410 (2014: Shs 165,790).

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.

The amount that best represents the company's maximum exposure to credit risk at 31 March 2015 and 31 March 2014 is made up as follows:

	2015 Shs'000	2014 Shs'000
Cash and cash equivalents	650	24,357
Trade receivables	1,402	4,212
Receivables from related companies	135,033	40,478
Other receivables	41,243	39,140
	<hr/>	<hr/>
	178,328	108,187
	<hr/>	<hr/>

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 following:

	2015 Shs'000	2014 Shs'000
Amounts in trade receivables from related companies (which are due within 45 days from the shipment date)		
Past due but not impaired:		
- by up to 30 days	15,396	15,317
	<hr/>	<hr/>

Notes (continued)

4 Financial risk management objectives and policies (continued)

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.

	Less than 3 months Shs'000
At 31 March 2015:	
Liabilities	
Payables and accrued expenses	245,179
	<hr/>
Total financial liabilities	245,179
	<hr/>
At 31 March 2014:	
Liabilities	
Payables and accrued expenses	120,598
	<hr/>
Total financial liabilities	120,598
	<hr/>

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.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Capital management (continued)

The gearing ratios at 31 March 2015 and 2014 were as follows:

	2015 Shs'000	2014 Shs'000
Intercompany borrowings (Note 22)	105,790	38,889
Less: cash and cash equivalents (Note 17)	(670)	(24,377)
Net debt	105,120	14,512
Total equity	78,300	79,045
Total capital	183,420	93,557
Gearing ratio	57%	16%

5 Revenue

Analysis of sales by category:

Tea sales – exports	1,367,636	1,814,832
Tea sales - local	-	4,260
	1,367,636	1,819,092

6 Other income

Commission income	28,272	10,403
Other non-operating income	-	2,568
Net foreign exchange gain/(loss) other than on borrowings and cash and cash equivalents	3,070	(2,252)
Interest income	2,628	1,703
Scrap sales	177	851
Gain on disposal of vehicles, furniture and equipment	-	13
	34,147	13,286

Notes (continued)

7 Finance costs

	2015 Shs'000	2014 Shs'000
Interest expense	(1,521)	(1,073)
Net foreign exchange (loss) /gains on borrowings and cash and cash equivalents	(3,010)	744
	<u>(4,531)</u>	<u>(329)</u>

8 Expenses by nature

The following items have been charged in arriving at the profit / (loss) before income tax:

	2015 Shs'000	2014 Shs'000
Depreciation on vehicles, furniture and equipment (Note 14)	5,429	5,165
Operating lease rentals expensed	4,430	5,073
Repairs and maintenance expenditure	180	408
Employee benefits expense (Note 9)	53,129	50,139
Auditors' remuneration	2,145	1,950
	<u>53,129</u>	<u>50,139</u>

9 Employee benefits expense

The following items are included within employee benefits expense:

Salaries and wages	44,548	41,592
Other benefits	4,549	4,878
Retirement benefits costs:		
- Defined contribution scheme	3,993	3,628
- National Social Security Fund	39	41
	<u>53,129</u>	<u>50,139</u>

10 Income tax expense / (credit)

Current income tax	1,162	-
Deferred income tax (Note 13)	810	(2,832)
(Over) /under provision of current tax in prior period	(26)	27
	<u>1,946</u>	<u>(2,805)</u>

Notes (continued)

10 Income tax expense /(credit) (continued)

The tax on the company's profit / (loss) before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2015 Shs'000	2014 Shs'000
Profit / (loss) before income tax	1,601	(14,054)
Tax calculated at the statutory income tax rate of 30% (2014 – 30%)	480	(4,216)
Tax effect of:		
- Expenses not deductible for tax purposes	1,458	1,411
- (Over) /under provision of current tax in prior period	(26)	27
- Under /(over) provision of deferred tax in prior period	34	(27)
Income tax expense / (credit)	1,946	(2,805)

11 Dividends per share

During the year no interim dividend was declared (2014: Nil). No final dividends are proposed for the year ended 31 March 2015.

Payment of dividends is subject to withholding tax at a rate of 10%.

12 Share capital

	Number of shares (Thousands)	Share Capital Shs'000
Balance at 1 April 2013, 31 March 2014 and 31 March 2015	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% (2014: 30%). The movement on the deferred income tax account is as follows:

	2015 Shs'000	2014 Shs'000
At start of year	(1,277)	1,555
Charge /(credit) to profit or loss (Note 10)	810	(2,832)
At end of year	(467)	(1,277)

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 2013				
Cost	11,124	16,557	5,187	32,868
Accumulated depreciation	(3,451)	(5,236)	(1,729)	(10,416)
Net book amount	7,673	11,321	3,458	22,452
Year ended 31 March 2014				
Opening net book amount	7,673	11,321	3,458	22,452
Additions	48	258	-	306
Over accrual in prior year	(10)	(429)		(439)
Depreciation charge	(958)	(2,910)	(1,297)	(5,165)
Closing net book amount	6,753	8,240	2,161	17,154
At 31 March 2014				
Cost	10,762	16,069	5,187	32,018
Accumulated depreciation	(4,009)	(7,829)	(3,026)	(14,864)
Net book amount	6,753	8,240	2,161	17,154
Year ended 31 March 2015				
Opening net book amount	6,753	8,240	2,161	17,154
Additions	-	1,778	140	1,918
Depreciation charge	(956)	(3,150)	(1,323)	(5,429)
Closing net book amount	5,797	6,868	978	13,643
At 31 March 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

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

Notes (continued)

15 Inventories

	2015 Shs'000	2014 Shs'000
Purchased for resale (at cost)	119,796	63,534

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Shs 1,263,721,000 (2014: Shs 1,697,320,000).

16 Receivables and prepayments

	2015 Shs'000	2014 Shs'000
Trade receivables	1,402	4,212
Prepayments	4,787	1,497
Receivables from related companies (Note 22(iv) & (vii))	135,033	40,478
VAT receivable	41,209	39,081
Other receivables	34	59
	182,465	85,327

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

	2015 Shs'000	2014 Shs'000
Kenya Shillings	46,030	40,636
US Dollar	136,435	44,691
	182,465	85,327

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:

	2015 Shs'000	2014 Shs'000
Cash at bank	650	24,357
Cash in hand	20	20
	670	24,377

Notes (continued)

18 Payables and accrued expenses

	2015 Shs'000	2014 Shs'000
Trade payables	33,055	25,828
Intercompany borrowings (Note 22 (iii))	105,790	38,889
Other intercompany payables (Note 22 (vii))	82,308	26,137
Accrued expenses	23,751	21,300
Other payables	275	8,444
	<hr/>	<hr/>
	245,179	120,598
	<hr/>	<hr/>

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

19 Contingent liabilities

There were no contingent liabilities as at 31 March 2014 and 31 March 2015.

20 Commitments

i) Capital commitments

There were no capital commitments as at 31 March 2014 and 31 March 2015.

ii) Operating lease commitments

	2015 Shs'000	2014 Shs'000
Not later than 1 year	5,617	5,386
Later than 1 year and not later than 5 years	7,025	10,755
	<hr/>	<hr/>
	12,642	16,141
	<hr/>	<hr/>

Notes (continued)

21 Cash used in operations

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

	2015 Shs'000	2014 Shs'000
Profit /(loss) before income tax	1,601	(14,054)
Adjustments for:		
Interest income (Note 6)	(2,628)	(1,703)
Interest expense (Note 7)	1,521	1,073
Depreciation (Note 14)	5,429	5,165
Gain on disposal of vehicles, furniture and equipment (Note 6)	-	(13)
Changes in working capital		
– receivables and prepayments	(97,138)	(28,321)
– inventories	(56,262)	183,402
– payables and accrued expenses	124,581	(156,982)
Cash used in operations	(22,896)	(11,433)

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	2015 Shs'000	2014 Shs'000
Tata Global Beverages (GB) Limited	918,144	1,338,428
Other related parties	423,453	461,622
	1,341,597	1,800,050
ii) Other non-operating income	-	2,568

Notes (continued)

22 Related party transactions (continued)

iii) Borrowings	2015 Shs'000	2014 Shs'000
Tata Global Beverages Services Limited	105,790	38,889

This relates to the amount borrowed by Stansand (Africa) Limited to facilitate credit to Tetley Clover (Pvt) Ltd in respect of tea purchases made on their behalf by Stansand (Africa) Limited. The borrowings bear interest that is payable monthly at a rate of Libor + 2% in arrears. The agreed rate of interest is applied to the daily balances outstanding during the year to calculate the interest payable.

iv) Lendings	2015 Shs'000	2014 Shs'000
Tata Global Beverages Services Limited	50,244	-

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

v) Key management compensation

Salaries and other short-term employment benefits	39,430	32,761
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vi) Directors' remuneration

Directors emoluments (included in key management compensation above)	18,008	17,728
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vii) Outstanding balances arising from sale and purchase of goods/services

Current receivables from Tetley Clover (Pvt) Limited	84,777	40,451
Short-term advance receivable from Tata Global Beverages (GB) Ltd	12	9
Short-term advance receivable from Tata Global Beverages Ltd	-	18
	84,789	40,478
Payables to Tata Global Beverages (GB) Ltd	69,102	20,642
Payables to other related parties	13,206	5,495
	82,308	26,137

No provisions for impairment losses were held in 2015 (2014: Nil) in respect of related party receivables.

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