

STANSAND (CENTRAL AFRICA) LIMITED

FINANCIAL STATEMENTS

31 MARCH 2010

STANSAND (CENTRAL AFRICA) LIMITED
FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2010

CORPORATE INFORMATION

Business

The principal activities of the company which is incorporated in Malawi, is the buying and exporting of tea.

Holding companies

The company is a subsidiary of Tetley Overseas Holdings Limited, incorporated in England. The ultimate holding company is Tata Tea Limited, incorporated in India.

Directors

A A Likungwe	-	Executive Director
L E Malopa	-	Executive Director
G G Kaliwo	-	Non-executive Director
K Tubb	-	Non-executive Director
R Forrest	-	Non-executive Director

Secretary

A A Likungwe

Registered office

Stansand (Central Africa) Limited
P O Box 546
Blantyre

Bankers

National Bank of Malawi

Auditors

PricewaterhouseCoopers
Corner Glyn Jones and Chilembwe Avenue
P O Box 1147
Blantyre

Legal advisors

Wilson & Morgan
P O Box 9, Whitehall
Blantyre

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF STANSAND (CENTRAL AFRICA) LIMITED

Report on the financial statements

We have audited the financial statements of Stansand (Central Africa) Limited which comprise the statement of financial position as at 31 March 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes, set out on pages 4 to 26.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, Cap 46:03. 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 these 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 the audit to obtain reasonable assurance whether 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 judgment, 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 management, 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 audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 March 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, Cap 46:03.


PricewaterhouseCoopers
Certified Public Accountants
Blantyre

26/05/2010.

STANSAND (CENTRAL AFRICA) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

	<u>Note</u>	<u>2010</u> K	<u>2009</u> K
ASSETS			
Non-current assets			
Plant and equipment	3	227,698	898,041
Intangible asset	4	-	154,185
Deferred income tax	11	4,641,348	3,803,231
		<u>4,869,046</u>	<u>4,855,457</u>
Current assets			
Inventories	5	92,371,287	22,702,527
Accounts receivable	6	4,841,886	4,794,003
Amounts due from related parties	7	155,715,580	109,081,317
Cash and cash equivalents	8	44,672,254	31,379,914
		<u>297,601,007</u>	<u>167,957,761</u>
Total assets		<u><u>302,470,053</u></u>	<u><u>172,813,218</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	20,000	20,000
Retained earnings		12,544,238	8,368,086
		<u>12,564,238</u>	<u>8,388,086</u>
Non-current liabilities			
Employee benefit obligation	10	14,988,807	12,098,386
Current liabilities			
Accounts payable	12	195,258,283	146,196,947
Amounts due to related parties	7	74,667,999	728,130
Current income tax liability		806,683	3,631,362
Dividend		4,184,043	1,770,307
		<u>274,917,008</u>	<u>152,326,746</u>
Total liabilities		<u><u>289,905,815</u></u>	<u><u>164,425,132</u></u>
Total equity and liabilities		<u><u>302,470,053</u></u>	<u><u>172,813,218</u></u>


.....)

) DIRECTOR

DATE: 26 May 2010

STANSAND (CENTRAL AFRICA) LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010**

	<u>Note</u>	<u>2010</u> K	<u>2009</u> K
Revenue	13	1,852,973,242	1,708,752,499
Cost of sales		(1,815,273,375)	(1,672,212,649)
Gross profit		<u>37,699,867</u>	<u>36,539,850</u>
Other income		43,414	61,275
Administrative expenses	14	(26,671,803)	(21,249,893)
Operating profit		<u>11,071,478</u>	<u>15,351,232</u>
Finance income – net	15	<u>1,557,682</u>	<u>1,016,952</u>
Profit before income tax expense		<u>12,629,160</u>	<u>16,368,184</u>
Income tax expense	16	(4,268,965)	(5,544,094)
Profit for the year		<u><u>8,360,195</u></u>	<u><u>10,824,090</u></u>

STANSAND (CENTRAL AFRICA) LIMITED**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2010**

	Share capital K	Accumulated loss K	Total K
Year ending March 2009			
Balance at beginning of year	20,000	(2,456,004)	(2,436,004)
Profit for the year	-	10,824,090	10,824,090
	<hr/>	<hr/>	<hr/>
Balance as at the end of year	20,000	8,368,086	8,388,086
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Year ending March 2010			
Balance at beginning of year	20,000	8,368,086	8,388,086
Profit for the year	-	8,360,195	8,360,195
Dividends payable	-	(4,184,043)	(4,184,043)
	<hr/>	<hr/>	<hr/>
Balance as at the end of year	20,000	12,544,238	12,564,238
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

STANSAND (CENTRAL AFRICA) LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010**

	<u>Note</u>	<u>2010</u> K	<u>2009</u> K
Cash flow from operating activities			
Profit before income tax expenses		12,629,160	16,368,184
Adjustments for:			
Depreciation plant and equipment	3	670,343	1,726,502
Amortisation intangible asset	3	154,185	154,195
Interest expense/(income)	14	618,028	(360,726)
Movement in long term provisions		2,890,421	1,271,918
Operating cash flows before working capital changes		16,962,137	19,160,073
(Increase) in inventories		(69,668,760)	(6,466,315)
(Increase) in accounts receivable		(47,883)	(2,851,422)
(Increase)/decrease in amounts due from related parties		(46,634,263)	74,991,616
Increase /(decrease) in accounts payable		49,061,336	(71,433,649)
Increase/(decrease) in amounts due to related parties		73,939,869	(7,439,211)
Net cash generated from operating activities		23,612,436	5,961,092
Income tax paid		(7,931,761)	(3,829,817)
Net cash flow from operating activities		15,680,675	2,131,275
Cash flows from investing activities			
Purchase of plant and equipment	3	-	(74,404)
Net interest (paid)/received	14	(618,028)	360,726
Net cash used in/(generated from) investing activities		(618,028)	286,322
Cash flows from financing activities			
Dividends paid		(1,770,307)	-
Net cash used in financing activities		(1,770,307)	-
Net increase in cash and cash equivalents		13,292,340	2,417,597
Cash and cash equivalents at beginning of the year		31,379,914	28,962,317
Cash and cash equivalents at end of the year	8	44,672,254	31,379,914
Movement in working capital as defined by legislation		7,052,984	13,447,301
Excess of current assets over current liabilities assets 2010		22,683,999	15,538,573
Excess of current liabilities over current assets 2009		(15,538,573)	(2,091,272)

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The financial statements of Stansand (Central Africa) Limited have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention as modified by fair valuing financial assets and liabilities.

Published standards not yet effective are not early adopted by the company.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies.

(a) *Interpretations effective in 2010*

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's financial statements, as the Company operates a contributory pension scheme.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Company entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This standard will have no impact on the Company's financial statements.

(b) *Interpretations effective in 2010 but not relevant*

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2009 but is not relevant to the company's operations:

- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 13, 'Customer loyalty programmes.'

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (Continued)

- (c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company*

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2010 or later periods, but the company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2010). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The company does not have qualifying assets.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2010). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The company will apply IAS 1 (Revised) from 1 January 2010. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2010). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The company will apply IFRS 2 (Amendment) from 1 January 2010. It is not expected to have a material impact on the company's financial statements.

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (Continued)

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company (Continued)*

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2010). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The company will apply the IAS 32 and IAS 1(Amendment) from 1 January 2010. It is not expected to have any impact on the company's financial statements.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2010). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This standard will have no impact on the company's financial statements.
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The company will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2010 but is currently not applicable to the company as there are no qualifying assets.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The company will apply the IAS 28 (Amendment) to impairment tests on any related impairment losses from 1 January 2010 and there will be no effect on the company's financial statements.

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (Continued)

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company (Continued)*

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The company will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2010.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009.
 - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
 - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.
 - When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. The company will apply the IAS 39 (Amendment) from 1 January 2010. It is not expected to have an impact on the company's income statement.

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (Continued)

- (c) *Interpretations and amendments to existing standards that are not yet effective and not relevant for the company's operations (continued)*
- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The company will apply the IAS 39 (Amendment) from 1 January 2010. It is not expected to have a significant impact on the company's financial statements.
 - There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2009 (not addressed above). These amendments are unlikely to have a significant impact on the company's financial statements and have therefore not been analysed in detail.
- (d) *The following interpretations and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2010 or later periods but are not relevant for the company's operations.*
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2009). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the company's operations because the company does not operate loyalty programmes.
 - IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have a material impact on the company's operations, as all intangible assets are amortised using the straight-line method.

STANSAND (CENTRAL AFRICA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (Continued)

(d) *The following interpretations and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2010 or later periods but are not relevant for the company's operations.*

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the company's operations because the company's ordinary activities do not comprise renting and subsequently selling assets.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the company's operations.
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'. The amendment will not have an impact on the company's operations as there are no interests held in joint ventures.
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2010). The amendment is part of the IASB's annual improvements project published in May 2009. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the company's operations, as there is no investment property held by the company.

STANSAND (CENTRAL AFRICA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated to Malawi Kwacha using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Assets and liabilities in foreign currencies are translated to Malawi Kwacha at the rate of exchange ruling at the balance sheet date.

1.3 Plant and equipment

Plant and equipment comprise motor vehicles, office equipment and furniture, and these items are stated at cost less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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 can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Motor vehicles	25% per annum
Furniture and equipment	20% per annum
Computers	25% per annum

STANSAND (CENTRAL AFRICA) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****1.3 Plant and equipment (Continued)**

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

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

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

1.4 Impairment of non-financial assets

Non-financial assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets 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. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

1.5 Financial assets, classification, recognition and measurement

The company classifies its financial assets in the following categories; at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

All the company's financial assets including trade and other receivables, cash and cash equivalents and amounts due from related parties in the balance sheet are classified as loans and receivables and are included in current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortised cost using the effective interest method. Impairment testing of trade receivables is described in note 1.7.

1.6 Inventories

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

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect the amounts due, according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the provision is recognised in the income statement within administration expenses.

1.8 Cash and cash equivalents

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

1.9 Share capital

Ordinary shares are classified as equity.

1.10 Trade payables

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

1.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

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

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, the 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. Tax rates enacted by the balance sheet date are used to determine deferred income tax.

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

STANSAND (CENTRAL AFRICA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 Employee benefits

Pension obligations

The company contributes to a defined contribution scheme which is managed by an independent third party for eligible employees. A defined contribution scheme is a pension plan under which the company pays fixed contributions into a separate fund. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees their benefits relating to employee service in current and prior periods. The contributions are charged to the income statement as they fall due.

Severance allowance

The liability for employee benefits in the form of legislated severance is recognised as a provision based on the cumulative period of service of employees at the year end. The full calculated liability is recognised on the basis that all employees will serve their contracts up to retirement age or expiry of contracts as applicable. Severance payments are payable in death, upon retirement or retrenchment, only.

1.13 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.

1.14 Revenue recognition

(a) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of tea in the ordinary course of the company's activities. Revenue is shown net of value-added-tax, returns and discounts. Sales are recognized on delivery and contractual terms.

(b) Other income

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

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.15 Dividends

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

1.16 Intangible assets

These assets are recognised at cost and amortised over expected useful life. Impairment testing of carrying value is performed when events or changed circumstances indicate possible impairment.

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risks factors

The company operates in an environment which is subject to variations in the both interest rates and foreign currency exchange rates. Company policy is to adopt a non speculative approach to managing risk and exposures are not hedged.

i) Foreign exchange risk

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

ii) Market interest rate risk

Fluctuations in interest rates impact on the value of short-term cash investments and financing activities giving rise to interest rate risk. Cash is invested in such a manner as to achieve maximum returns whilst minimising exposures to liquidity shortages. Interest rates risk is not hedged.

(iii) Credit risk

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

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

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

2.1 Financial risks factors (continued)

(iv) *Credit risk (continued)*

The maximum exposure to credit risks is summarised as follows:

	Gross carrying amount as at 5 April 2010 K'000	Of which date in the not impaired and past due following periods 0-3 months K'000	3-6 months K'000	12 months K'000	Over 12 K'000
2010					
Assets and cash with a credit risk	205,229,720	205,229,720	-	-	-
	<u>205,229,720</u>	<u>205,229,720</u>	<u>-</u>	<u>-</u>	<u>-</u>
2009					
Assets and cash with a credit risk	145,255,234	145,255,234	-	-	-
	<u>145,255,234</u>	<u>145,255,234</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(v) *Liquidity risk*

Liquidity risk is defined as the risk that the maturity dates of significant assets and liabilities do not match.

An unmatched position enhances profitability, but can also increase the risk of losses. The company's management monitors liquidity risk at monthly intervals in order to minimise this risk.

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

The company relies on funding from head office in London whenever cash flow forecasts indicate a short fall and has assurances of continued financial support.

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

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

2.1 Financial risks factors (continued)

(vi) *Liquidity risk (continued)*

	Carrying Amount K'000	30 days K'000	60 days K'000
2010			
Trade and other payables	195,258,283	84,905,987	110,352,296
Related party balances	74,667,999	74,667,999	-
	<u>269,926,282</u>	<u>159,572,986</u>	<u>110,352,296</u>
2009			
Trade and other payables	146,196,947	146,196,947	-
Related party balances	728,130	-	728,130
	<u>146,925,077</u>	<u>146,196,947</u>	<u>728,130</u>

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

2.2 Fair value estimation

The estimated fair values of receivables, cash and cash equivalents and payables to third parties and related parties, approximate the related carrying amounts in the financial statements due to their short term maturity. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These current assets are classified as loans and receivables and liabilities as financial liabilities measured at amortised costs.

2.3. Capital risk management

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

In order to maintain the capital structure the company minimises the level of borrowings and monitors the amount of dividends paid to shareholders.

According to company policy the company maintains a zero gearing ratio and a maximum dividend policy.

STANSAND (CENTRAL AFRICA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

3. PLANT AND EQUIPMENT

	<u>Motor vehicles</u> K	<u>Office furniture and equipment</u> K	<u>Computers</u> K	<u>Total</u> K
Year ended 31 March 2009				
Opening net book amount	1,448,572	354,956	746,611	2,550,139
Additions during the year	-	-	74,404	74,404
Depreciation charge	(1,091,678)	(190,335)	(444,489)	(1,726,502)
Closing net book amount	<u>356,894</u>	<u>164,621</u>	<u>376,526</u>	<u>898,041</u>
At 31 March 2009				
Cost	4,366,712	949,206	3,083,772	8,399,690
Accumulated depreciation	(4,009,818)	(784,585)	(2,707,246)	(7,501,649)
Net book amount	<u>356,894</u>	<u>164,621</u>	<u>376,526</u>	<u>898,041</u>
Year ended 31 March 2010				
Opening net book amount	356,894	164,621	376,526	898,041
Depreciation charge	(356,894)	(125,506)	(187,943)	(670,343)
Closing net book amount	<u>-</u>	<u>39,115</u>	<u>188,583</u>	<u>227,698</u>
At 31 March 2010				
Cost	4,366,712	949,206	3,083,772	8,399,690
Accumulated depreciation	(4,366,712)	(910,091)	(2,895,189)	(8,171,992)
Net book amount	<u>-</u>	<u>39,115</u>	<u>188,583</u>	<u>227,698</u>

STANSAND (CENTRAL AFRICA) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)**

	<u>2010</u> K	<u>2009</u> K
4. INTANGIBLE ASSET		
Opening net book amount	154,185	308,380
Amortisation	(154,185)	(154,195)
	<u>-</u>	<u>154,185</u>
Closing net book amount	<u>-</u>	<u>154,185</u>
Intangible asset relates to accounting software.		
5. INVENTORIES – AT COST		
Tea held for resale	92,265,081	22,440,229
Packaging materials and consumables	106,206	262,298
	<u>92,371,287</u>	<u>22,702,527</u>
6. ACCOUNTS RECEIVABLE		
Prepayments and other receivables	<u>4,841,886</u>	<u>4,794,003</u>
7. RELATED PARTY BALANCES AND TRANSACTIONS		
7.1 Related party balances		
Amounts due from:		
Tetley GB Limited	106,469,922	80,393,162
TATA Tea Limited (Cochin)	7,655,121	16,730,989
Tetley Clover Limited	41,590,537	11,957,166
	<u>155,715,580</u>	<u>109,081,317</u>
Amounts due to:		
Tetley GB Limited	74,667,999	-
Southern Tea Limited (Tetley USA)	-	728,130
	<u>74,667,999</u>	<u>728,130</u>
7.2 Related party transactions		
Sales to:		
Tetley GB Limited	1,428,994,780	1,460,319,516
TATA Tea Limited (Cochin)	161,616,988	85,191,123
Southern Tea Limited (Tetley USA)	94,522,567	63,805,263
Tetley Clover Limited	140,390,352	75,065,852
	<u>1,825,524,687</u>	<u>1,684,381,754</u>

These entities represent shareholders and fellow subsidiaries in the group. Trading accounts are not secured, bear no interest and are repayable on demand.

STANSAND (CENTRAL AFRICA) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)**

	<u>2010</u> <u>K</u>	<u>2009</u> <u>K</u>
8. CASH AND CASH EQUIVALENTS		
Fixed deposits	1,169,045	1,137,441
Foreign currency denominated account	26,651,873	29,247,272
Cash in transit	15,343,859	-
Current accounts	1,448,188	953,391
Cash on hand	59,289	41,810
	<u>44,672,254</u>	<u>31,379,914</u>

The average interest rate on current account was 1.0%, fixed deposits 8% and US\$ account 0.5%. The US\$ account had a closing balance of US\$177,678 (2009- US\$208,149)

9. SHARE CAPITAL

Authorised, issued and fully paid: 10,000 ordinary shares of K2 each	20,000	20,000
	<u> </u>	<u> </u>

10. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit severance allowance	14,988,807	12,098,386
	<u> </u>	<u> </u>
Present value of unfunded obligations	14,988,807	12,098,386
	<u> </u>	<u> </u>
Income statement charge	2,890,421	1,271,918
	<u> </u>	<u> </u>

The provision was computed based on undiscounted amounts that would be paid at the balance sheet date

STANSAND (CENTRAL AFRICA) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)**

	<u>2010</u> K	<u>2009</u> K
11. DEFERRED INCOME TAX		
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 relate to the same fiscal authority.		
The offset amounts are as follows:		
Deferred tax assets to be recovered within 12 months:		
Accelerated capital allowances	(144,705)	(173,716)
Deferred tax asset to be recovered after 12 months:		
Other temporary differences – severance pay	(4,496,643)	(3,629,515)
	<u>(4,641,348)</u>	<u>(3,803,231)</u>
The movement on the offset amounts is analysed as follows:		
Balance at 1 April 2009	(3,803,231)	(3,440,673)
Credit to the income statement	(838,117)	(362,558)
Balance at 31 March 2010	<u>(4,641,348)</u>	<u>(3,803,231)</u>
12. ACCOUNTS PAYABLE		
Trade	174,302,581	136,414,327
Other	20,955,702	9,782,620
	<u>195,258,283</u>	<u>146,196,947</u>
13. REVENUE		
Tetley GB Limited	1,428,994,780	1,460,319,516
TATA Tea Limited (Cochin)	161,616,988	85,191,123
Southern Tea Limited (Tetley USA)	94,522,567	63,805,263
Tetley Clover Limited	140,390,352	75,065,852
Tea Importers Inc.	27,448,553	24,370,745
	<u>1,852,973,242</u>	<u>1,708,752,499</u>

STANSAND (CENTRAL AFRICA) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)**

14. ADMINISTRATIVE EXPENSES	<u>2010</u> K	<u>2009</u> K
Auditors' remuneration	1,310,000	820,000
Depreciation	824,528	1,880,677
Directors' remuneration - fees	41,758	37,620
- salaries and benefits	11,364,601	9,430,886
Staff costs	1,604,445	792,148
Other	11,526,471	8,288,562
	<u>26,671,803</u>	<u>21,249,893</u>

The number of employees in 2010 was 5 (2009 – 5)

15. FINANCE INCOME/(COSTS) – NET	K	K
Interest received	353,146	360,726
Exchange gains – realised	2,175,710	656,226
Interest paid	(971,174)	-
	<u>1,557,682</u>	<u>1,016,952</u>

16. TAXATION**16.1 Income tax expense**

Income tax – current	5,315,099	5,906,652
- prior year income tax under provision	(208,017)	-
Deferred income tax release	(838,117)	(362,558)
	<u>4,268,965</u>	<u>5,544,094</u>

16.2 Income tax expense reconciliation

The tax on company's profit before taxation differs from the amounts that would arise using the legislated tax rate as follows:

Profit before taxation	12,629,160	16,368,184
Tax calculated at a rate of 30%	3,788,748	4,910,455
Permanent differences	688,234	633,639
Prior year over provision	(208,017)	-
	<u>4,268,965</u>	<u>5,544,094</u>

STANSAND (CENTRAL AFRICA) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)****17. CAPITAL COMMITMENTS**

There were no commitments for capital expenditure at 31 March 2010 (2009 - KNil).

18. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There has been no event subsequent to the balance sheet date that requires disclosure or adjustment to the year end results.