

STANSAND (AFRICA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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The directors submit their report together with the audited financial statements for the year ended 31 March 2010, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activity of the company is buying and exporting of tea.

RESULTS AND DIVIDEND

The net profit for the year of Shs 27,120,000 (2009: Shs 16,194,000) has been added to retained earnings. During the year no dividends were declared (2009: Shs.6,000,000 interim declared).

DIRECTORS

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

G N Waireri
K J Tubb
R Forrest
P Sigamporia

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: **CHUNGA ASSOCIATES - SECRETARY**
SECRETARY

Chunga Associates

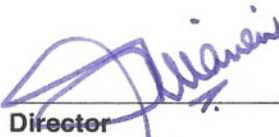
17 May 2010

Stansand (Africa) Limited
Statement of Directors' Responsibilities
For the year ended 31 March 2010

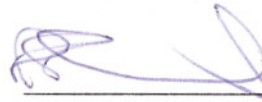
The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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 this statement.



Director



Director

17 May 2010

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

Report on the financial statements

We have audited the accompanying financial statements of Stansand (Africa) Limited set out on pages 5 to 27. These financial statements comprise the balance sheet at 31 March 2010 and the profit and loss, 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.

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 with the requirements of the Kenyan Companies Act. 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 company'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 2010 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

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

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm 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 balance sheet and the profit and loss account are in agreement with the books of account.


Certified Public Accountants
Nairobi

17 May 2010

Profit and loss account

	Notes	Year ending 31 March 2010 Shs'000	Period ending 31 March 2009 Shs'000
Revenue	5	2,580,583	1,951,450
Cost of sales		(2,504,667)	(1,901,395)
Gross profit		75,916	50,055
Other income	6	23,011	40,551
Administrative expenses		(55,378)	(42,212)
Finance costs	7	(1,964)	(23,794)
Profit before income tax		41,585	24,600
Income tax expense	10	(14,465)	(8,406)
Profit for the year		27,120	16,194

The notes on pages 10 to 27 form an integral part of these financial statements.

Statement of comprehensive income

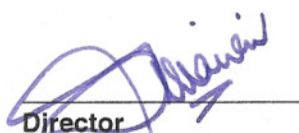
	Year ending 31 March 2010 Shs'000	Period ending 31 March 2009 Shs'000
Profit for the year	27,120	16,194
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive income for the year	27,120	16,194
	<hr/>	<hr/>

The notes on pages 10 to 27 form an integral part of these financial statements.

Balance sheet

		As at 31 March	
	Notes	2010 Shs'000	2009 Shs'000
EQUITY			
Share capital	12	500	500
Retained earnings		69,859	42,739
		<hr/>	<hr/>
Total equity		70,359	43,239
		<hr/>	<hr/>
REPRESENTED BY			
Non-current assets			
Vehicle, furniture and equipment	14	776	2,527
Deferred income tax asset	13	1,309	1,857
		<hr/>	<hr/>
		2,085	4,384
		<hr/>	<hr/>
Current assets			
Inventories	15	239,488	283,342
Receivables and prepayments	16	86,072	40,978
Cash and cash equivalents	17	76,520	64,597
Current income tax		1,932	-
		<hr/>	<hr/>
		404,012	388,917
		<hr/>	<hr/>
Current liabilities			
Payables and accrued expenses	18	335,738	333,333
Current income tax		-	10,729
Dividend payable	11	-	6,000
		<hr/>	<hr/>
		335,738	350,062
		<hr/>	<hr/>
Net current assets		68,274	38,855
		<hr/>	<hr/>
		70,359	43,239

The financial statements on pages 5 to 27 were approved for issue by the board of directors on 17 May 2010 and signed on its behalf by:


Director


Director

The notes on pages 10 to 27 form an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital Shs'000	Retained earnings Shs'000	Total Shs'000
51 weeks ended 31 March 2009				
At start of period		500	32,545	33,045
Comprehensive income				
Profit for the period		-	16,194	16,194
Other comprehensive income		-	-	-
Total comprehensive income		500	48,739	49,239
Transactions with owners				
Dividends:				
- Declared interim for 2009	11	-	(6,000)	(6,000)
Total distributions to owners		-	(6,000)	(6,000)
At end of period		500	42,739	43,239
Year ended 31 March 2010				
At start of year		500	42,739	43,239
Profit for the year		-	27,120	27,120
Other comprehensive income		-	-	-
At end of year		500	69,859	70,359

The notes on pages 10 to 27 form an integral part of these financial statements.

Statement of cash flows

	Notes	Year ending 31 March 2010 Shs'000	Period ending 31 March 2009 Shs'000
Operating activities			
Cash generated from operations	21	37,768	37,402
Interest received	6	9,185	5,748
Interest paid	7	(2,446)	(6,080)
Income tax paid		(26,578)	(1,681)
		<hr/>	<hr/>
Net cash generated from operating activities		17,929	35,389
		<hr/>	<hr/>
Investing activities			
Purchase of vehicle, furniture and equipment	14	(6)	(160)
Proceeds from disposal of vehicle, furniture and equipment		-	1,400
		<hr/>	<hr/>
Net cash (used in) / generated from investing activities		(6)	1,240
		<hr/>	<hr/>
Financing activities			
Dividends paid		(6,000)	-
		<hr/>	<hr/>
Net cash used in financing activities		(6,000)	-
		<hr/>	<hr/>
Increase in cash and cash equivalents		11,923	36,629
		<hr/>	<hr/>
Movement in cash and cash equivalents			
At start of period		64,597	27,968
Increase		11,923	36,629
		<hr/>	<hr/>
At end of period	17	76,520	64,597
		<hr/>	<hr/>

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:

Chunga Associates
7 Floor, Rahimtulla Tower
Upper Hill Road
P O Box 41968,
00100 Nairobi.

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 financial statements are for the year ended 31 March 2010. Management considers the comparative amounts which are for the 51 weeks ended 31 March 2009 to be comparable and the impact resulting from the difference in the periods as not significant.

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) Amendments to existing standards adopted by the Company

IAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits 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 in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy will only impact presentation of primary statements.

IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures and no significant impact on the Company.

Notes (continued)

2 Summary of significant accounting policies

Changes in accounting policy and disclosures (continued)

(ii) Standards, amendments and interpretations to existing standards effective in 2009 but not relevant

IFRS 8, 'Operating segments' – effective 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. It is relevant for entities whose debt or equity instruments are traded in a public market or files financial statements with a securities commission for the purpose of issuing any class of instruments in a public market.

IFRS 2 (amendment), 'Share-based payment' - effective from 1 January 2009. It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IAS 23 (amendment), 'Borrowing costs' - effective from 1 January 2009. 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.

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Two revised standards (IFRS 3 – Business combinations and IAS 27 – Consolidated and separate financial statements) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Company's accounting periods beginning on or after 1 January 2010, but the Company has not early adopted any of them.

The Directors have assessed the relevance of the new standards, interpretations, and amendments to existing standards with respect to the Company's operations and concluded that they will not have a significant impact on the Company's financial statements.

(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), 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

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 profit and loss account.

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

(d) Vehicle, Furniture & 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 the profit and loss account during the financial period in which they are incurred.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Vehicle, Furniture & Equipment (continued)

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

Furniture & Fittings	4 - 10 years
Computers & 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 & 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 & equipment are determined by reference to their carrying amounts and are taken into account in determining profit.

(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 and loss account 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 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 the profit and loss account.

Notes (continued)

2 Summary of significant accounting policies (continued)

(h) Trade Payables

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

(i) Share capital

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

(j) Cash and cash equivalents

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

(k) Employee benefits

(i) Retirement benefit obligations

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

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

The company's contributions to the defined contribution schemes are charged to the profit and loss account in the year in which they fall due.

(l) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Tax is recognised in the profit and loss account unless it relates to items recognised directly in equity, in which case it is also recognised directly in equity.

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.

Deferred income tax is recognised, using the liability method, on all 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 balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Notes (continued)

2 Summary of significant accounting policies (continued)

(l) Income tax (continued)

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.

(m) 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.

(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
- Whether assets are impaired.

Notes (continued)

4 Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks: Market risk (including currency 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 2010, 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.9,117,000 (2009: Shs.11,984,000) higher/lower, mainly as a result of US dollar denominated trade receivables, payables and bank balances.

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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 2010, an increase/decrease of 50 basis points would have resulted in a decrease/increase in post tax profit of Shs.475,000 (2009: Shs.639,000).

Credit risk

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

The amount that best represents the company's maximum exposure to credit risk at 31 March 2010 is made up as follows:

	2010 Shs'000	2009 Shs'000
Cash equivalents	76,500	64,577
Trade receivables	4,482	-
Trade receivables from related companies	62,504	21,174
Other receivables	18,242	18,905
	<hr/>	<hr/>
	161,728	104,656
	<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 amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

	2010 Shs'000	2009 Shs'000
Past due but not impaired:		
- by up to 30 days	-	-
	<hr/>	<hr/>

Liquidity Risk

Prudent liquid risk management includes maintaining sufficient cash balances and availability of funding from an adequate amount of committed credit facilities. The Finance Department monitors liquidity on an ongoing basis.

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

	Less than 3 months Shs'000
At 31 March 2010:	
Liabilities	
-payables and accrued expenses	335,738
	<hr/>
At 31 March 2009:	
Liabilities	
-payables and accrued expenses	333,333
-dividends payables	6,000
-current income tax	10,729
	<hr/>
Total financial liabilities	350,062
	<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.

During 2010 the company's strategy, which was unchanged from 2009, was to maintain a gearing ratio of 0%. The company had no borrowings at 31 March 2010 and 31 March 2009.

5 Revenue

Analysis of sales by category:

	2010 Shs'000	2009 Shs'000
Tea sales	2,580,583	1,951,450
	<hr/>	<hr/>

Notes (continued)

6 Other Income

	2010 Shs'000	2009 Shs'000
Commission Income	13,449	21,230
Net foreign exchange gains, other than on borrowings and cash and cash equivalents	(1,569)	11,121
Interest income	9,185	5,748
Gain on disposal of vehicles, furniture and equipment	-	1,400
Scrap sales	1,946	1,052
	<hr/>	<hr/>
	23,011	40,551
	<hr/>	<hr/>

7 Finance costs

Interest expense	(2,446)	(6,080)
Net foreign exchange losses on borrowings and cash and cash equivalents	482	(17,714)
	<hr/>	<hr/>
	(1,964)	(23,794)
	<hr/>	<hr/>

8 Expenses by nature

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

	2010 Shs'000	2009 Shs'000
Depreciation on property, plant and equipment (Note 14)	1,757	1,981
Operating lease rentals expensed	1,064	936
Repairs & maintenance expenditure	99	139
Profit on disposal of vehicles, furniture and equipment	-	1,400
Employee benefits expense (Note 9)	29,371	24,433
Auditors' remuneration	1,650	1,291
	<hr/>	<hr/>

9 Employee benefits expense

The following items are included within employee benefits expense:

	2010 Shs'000	2009 Shs'000
Salaries & wages	25,624	21,414
Other benefits	1,350	1,285
Retirement benefits costs:		
- Defined contribution scheme	2,364	1,702
- National Social Security Fund	33	32
	<hr/>	<hr/>
	29,371	24,433
	<hr/>	<hr/>

Notes (continued)

10 Income tax expense

	2010 Shs'000	2009 Shs'000
Current income tax	14,034	14,625
Deferred income tax (Note 13)	548	(4,658)
Overprovision of current tax in prior period	(117)	(1,561)
	<hr/>	<hr/>
Income tax expense	14,465	8,406
	<hr/>	<hr/>

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

	2010 Shs'000	2009 Shs'000
Profit before income tax	41,585	24,600
	<hr/>	<hr/>
Tax calculated at the statutory income tax rate of 30% (2009 – 30%)	12,475	7,380
Tax effect of:		
Income not subject to tax	-	(256)
Expenses not deductible for tax purposes	2,006	1,240
Overprovision of current tax in prior period	(117)	(1,561)
Underprovision of deferred tax in prior period	101	1,603
	<hr/>	<hr/>
Income tax expense	14,465	8,406
	<hr/>	<hr/>

11 Dividends per share

During the year no dividend was declared (2009: Shs 240 per share). Interim dividends declared for 2009 amounting to a total of shs.6,000,000 was paid during 2010.

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 5 April 2008, 31 March 2009 and 31 March 2010	25	500
	<hr/>	<hr/>

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.

Notes (continued)

13 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2009: 30%).
The movement on the deferred income tax account is as follows:

	2010 Shs'000	2009 Shs'000
At start of year	(1,857)	2,801
Credit to profit and loss account (Note 10)	548	(4,658)
At end of year	(1,309)	(1,857)

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

Year ended 31 March 2010	01.04.2009 Shs'000	Charge (Credited) to P/L Shs'000	31.03.2010 Shs'000
Deferred income tax liabilities			
Unrealised foreign exchange gains	-	70	70
	-	70	70
Deferred income tax assets			
Unrealised foreign exchange losses	(1,327)	538	(789)
Vehicle, furniture and Equipment	(530)	(60)	(590)
	(1,857)	478	(1,379)
Net deferred income tax asset	(1,857)	548	(1,309)

Notes (continued)

13 Deferred income tax (continued)

	06.04.2008	Credited to P/L	31.03.2009
Period ended 31 March 2009	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities			
Unrealised foreign exchange gains	3,236	(3,236)	-
	3,236	(3,236)	-
Deferred income tax assets			
Unrealised foreign exchange losses	-	(1,327)	(1,327)
Vehicle furniture and equipment	(435)	(95)	(530)
Net deferred income tax asset	2,801	(4,658)	(1,857)

Notes (continued)

14 Vehicles, furniture and equipment

	Furniture & Fittings	Computers & Equipment	Motor Vehicles	Total
	Shs'000	Shs'000	Shs'000	Shs'000
At 5 April 2008				
Cost	4,139	4,842	6,984	15,965
Accumulated depreciation	(3,044)	(3,756)	(4,817)	(11,617)
Net book amount	1,095	1,086	2,167	4,348
Period ended 31 March 2009				
Opening net book amount	1,095	1,086	2,167	4,348
Additions	-	160	-	160
Depreciation charge	(305)	(570)	(1,106)	(1,981)
Closing net book amount	790	676	1,061	2,527
At 31 March 2009				
Cost	4,139	4,970	4,424	13,533
Accumulated depreciation	(3,349)	(4,294)	(3,363)	(11,006)
Net book amount	790	676	1,061	2,527
Year ended 31 March 2010				
Opening net book amount	790	676	1,061	2,527
Additions	-	6	-	6
Disposals	-	-	-	-
Depreciation charge	(275)	(421)	(1,061)	(1,757)
Closing net book amount	515	261	-	776
At 31 March 2010				
Cost	4,139	4,976	4,424	13,539
Accumulated depreciation	(3,624)	(4,715)	(4,424)	(12,763)
Net book amount	515	261	-	776

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

The motor vehicle has been fully depreciated but still in use.

Notes (continued)

15 Inventories

	2010 Shs'000	2009 Shs'000
Purchased for resale (at cost)	239,488	283,342

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Shs.2,415,089,000 (2009: Shs.1,816,475,000).

16 Receivables and prepayments

	2010 Shs'000	2009 Shs'000
Trade receivables	4,482	-
Prepayments	844	899
Receivables from related companies (Note 22)	62,504	21,174
VAT refund receivable	17,911	18,816
Other receivables	331	89
	<u>86,072</u>	<u>40,978</u>

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

	2010 Shs'000	2009 Shs'000
Kenya Shillings	20,270	19,804
US Dollar	65,802	21,174
	<u>86,072</u>	<u>40,978</u>

17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank. The period-end cash and cash equivalents comprise the following:

	2010 Shs'000	2009 Shs'000
Cash at bank and in hand	76,520	64,597

Notes (continued)

18 Payables and accrued expenses

	2010 Shs'000	2009 Shs'000
Trade payables	14,056	2,626
Amounts due to related companies (Note 22)	265,609	312,829
Accrued expenses	9,617	4,639
Other payables	46,456	13,239
	<hr/>	<hr/>
	335,738	333,333
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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 2009 and 31 March 2010

20 Commitments

i) Capital commitments

There were no capital commitments as at 31 March 2009 and 31 March 2010.

ii) Operating lease commitments

	2010 Shs'000	2009 Shs'000
Not later than 1 year	2,330	2,330
Later than 1 year and not later than 5 years	1,764	2,744
	<hr/>	<hr/>
	4,094	5,074
	<hr/>	<hr/>

Included in the above operating lease commitments (not later than 1 year), is an amount of Shs.1,349,591 (2009: Shs 1,349,591) being the annual house lease rental payable for the Managing Director's residence. The rental payable is reviewed on an annual basis, as a result, the commitments relating to later than 1 year are not included in the analysis above.

Notes (continued)

21 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2010 Shs'000	2009 Shs'000
Profit before income tax	41,585	24,600
Adjustments for:		
Interest income (Note 6)	(9,185)	(5,748)
Interest expense (Note 7)	2,446	6,080
Depreciation (Note 14)	1,757	1,981
Profit on sale of property, plant and equipment	-	(1,400)
Changes in working capital		
– receivables and prepayments	(45,094)	57,508
– inventories	43,854	(104,357)
– payables and accrued expenses	2,405	58,738
Cash generated from operations	37,768	37,402

22 Related party transactions

The company is controlled by Tata Tea (GB) Limited incorporated in the United Kingdom. The ultimate parent of the Group is Tata Tea 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

	2010 Shs'000	2009 Shs'000
Tetley GB Limited	2,074,729	1,583,709
Other related parties	463,907	394,579
	2,538,636	1,978,288

ii) Key management compensation

Salaries and other short-term employment benefits	23,872	19,760
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Notes (continued)

22 Related party transactions (continued)

iii) Directors' remuneration	2010 Shs'000	2009 Shs'000
Directors emoluments (included in key management compensation above)	12,428	11,362
	<u>12,428</u>	<u>11,362</u>
iv) Outstanding balances arising from sale and purchase of goods/services		
	2010 Shs'000	2009 Shs'000
Current receivables from Tetley Clover (Pvt) Limited	62,504	21,174
	<u>62,504</u>	<u>21,174</u>
Payables to Tetley GB Limited	258,368	309,530
Payables to other related parties	7,241	3,299
	<u>265,609</u>	<u>312,829</u>

No provisions for impairment losses were held in 2010 (2009: nil) in respect of related party receivables.

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