Lisungwe plc
Company number 5356303

Lisungwe plc

Report & Financial Statements

for the year ended 31 March 2010

Contents

Company information

Directors	Frederick Bell – Executive director Stuart F Brand – Executive director Shaun C Dowling – Non-executive director Bernard Siddall – Non-executive director John Watkins – Non-executive chairman
all of	115 Eastbourne Mews London W2 6LQ
Secretary and registered office	Stephen F Ronaldson Ronaldsons LLP 55 Gower Street London WC1E 6HQ
Website	www lisungwe com
Auditors	Thompson, Fryza, Bannister Limited The Corner House 2 High Street Aylesford Kent, ME20 7BG
Corporate adviser	Rivington Street Corporate Finance Limited Henry Thomas House 5-11 Worship Street London, EC2A 2BH
Bankers	Standard Bank Isle of Man Limited Standard Bank House 1 Circular Road Douglas Isle of Man, IM1 1SB
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey, GU9 7LL
Registered number	5356303

Lisungwe plc

Chairman's statement

In my 30 September 2009 statement to Shareholders, I outlined the difficulties your Company was then experiencing and the need for further funding to pursue the Malingunde Hill sulphuric acid prospect In addition, I expressed some optimism for the future I regret to report that with the benefit of hindsight, it is clear that the optimism was ill conceived For that I am very sorry and can only offer my apologies to all Shareholders on behalf of the whole Board

I am sure that each member of the team has done his best, but as we all know, we have been living in very challenging times for the past three years Were we seeking to exploit a gold or rare earth discovery, we may have succeeded in raising the necessary finance, however, the mining of pyrite, leading to sulphuric acid production, has not attracted investors' attention, despite the product being in huge demand both for its use in mineral extraction and in fertilizers Sadly, vital funding was not forthcoming

The facts have been as follows:

- As announced in our 30 December 2009 interim statement, the repeated efforts to raise funds to facilitate the completion of the Malingunde Hill JORC resource failed
- For well over a year, the Group has survived on a very limited 'care and maintenance' basis
- On 20 October 2009, Mr R Bruce Rowan invested £50,000 in the Company for 50,000,000 new Ordinary shares at 0 1 pence per share In addition, Mr Rowan was granted warrants to subscribe for an additional 50,000,000 new Ordinary shares exercisable at 1 penny per share for three years to 31 October 2013 This funding was helpful but insufficient to enable your Company to achieve anything other than survival
- Also on 20 October 2009, the Company issued 21,342,000 new Ordinary shares at a price of 0 1 pence per share to Directors and certain employees in lieu of unpaid remuneration and fees amounting to £21,342 A further 25,585,200 new Ordinary shares were issued at a price of 0 25 pence per share to the Directors, certain employees and other service providers in lieu of unpaid fees and costs amounting to £63,963
- During March this year, Mr R Bruce Rowan undertook to make available to the Company up to £50,000 of new money by way of convertible unsecured loan stock for a period of six months from the date of signing Of this, £30,000 has been provided to date and used to enable the Company to discharge various liabilities The balance is expected to be paid on signing of the deed We understand that it is the intention of Mr Rowan to exercise his conversion option at the rate of 1,000 new Ordinary shares for every £1 nominal of stock However, before this can occur, Mr Rowan will require a Rule 9 Waiver under the City Code on Mergers and Takeovers
- Aside from a small number of Malawian employees who are engaged in essential site restoration and maintenance for a limited period, the contracts of all employees have been terminated

Post balance sheet events

- Roy Tucker, our chief executive, resigned on 1 April 2010 We are very grateful to Roy for his contribution since the Company was launched in 2005, his first hand knowledge of Africa and his attention to detail were invaluable We wish him well as he now focuses on his other African ventures

- Also on 1 April 2010, Mr Frederick Bell was appointed to the Board as an executive director to lead the Group in the future I welcome Fred to his new challenge and wish him all the very best as he seeks to add value to the Company

- My colleague Stuart Brand will continue to provide support to Frederick Bell until the Company's AGM, when his three year directorship term expires Stuart has worked tirelessly throughout the past five years, he has a great love of Malawi and its people so it is particularly sad for him that Lisungwe has not yet been successful I am hugely grateful to him for his commitment and wish him well in a well earned retirement

- The other members of the Board, myself included, will resign whenever requested by Frederick Bell Whilst no such request has yet been made, I wish to take this opportunity to thank Shaun Dowling and to Bernard Siddall for their respective contributions since they joined the Board

In conclusion, we will make further announcements as matters progress when Frederick Bell will brief Shareholders as to his plans for the future of the Company Finally, I am grateful to all Shareholders for their support and trust that some Shareholder value will be created by the activities of Frederick and his new team

John Watkins

Chairman

29 September 2010

Directors' report

The Directors present their fourth annual report on the affairs of the Company and Group, together with the financial statements for the year ended 31 March 2010

Principal activities and future developments

The principal activity of the company in the year under review is that of a management holding company providing administrative and management services to its group undertaking, Lisungwe Mineral Resources Limited (LMR) LMR is engaged in mineral exploration in Malawi, a small southern African country

The current developments during the period and those of the future are given in the Chairman's statement

Results and dividends

The results for the year and the financial position of the Group and Company are shown in the following financial statements

The Group has incurred a pre-tax loss of £(764,870) (2009 Loss of £(351,374)

The Group and Company have net liabilities of £(29,838) (2009 surplus £767,511) and £(29,639) (2009 surplus £2,058,031) respectively

The Directors do not recommend the payment of a dividend

Principal risks and uncertainties

The management of the business and the execution of the Board's strategy are subject to a number of risks

- Exploration is speculative in nature
- The economic viability of a project is affected by world commodity prices
- Commodity prices are subject to international economic trends, currency fluctuations and consumption patterns
- The Group's activities are undertaken in a developing country rather than the United Kingdom

Key performance indicators

Given the straightforward nature of the Group's activities, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business

Directors

The Directors who served during the period were as follows

Frederick Bell – appointed 1 April 2010

Stuart F Brand

Shaun C Dowling

Bernard Siddall

Roy C Tucker - resigned 1 April 2010

John Watkins

Directors' report, continued

Substantial shareholdings

On 31 March 2010 the following were registered as being interested in 3% or more of the Company's ordinary share capital

	31 March 2010		31 March 2009	
	Ordinary shares of £0 0005 each	Percentage of issued share capital	Ordinary shares of £0 0005 each	Percentage of issued share capital
BNY (OCS) Nominees Limited	56,857,000	18 35%	56,857,000	26 70%
Stuart F Brand	22,804,500	7 36%	14,937,500	7 02%
Shaun C Dowling	13,888,888	4 48%	9,888,888	4 64%
JIM Nominees Limited	7,890,458	2 55%	10,050,458	4 72%
R Bruce Rowan	50,000,000	16 14%	-	-
Starvest plc	27,400,000	8 84%	27,400,000	12 87%
Roy C Tucker – beneficial	35,003,500	11 30%	12,837,500	6 03%

Share capital

During the period 50,000,000 new ordinary shares of 0 05p were issued at 0 1p for £50,000 00 in cash A further 21,342,000 new ordinary shares of 0 05p were issued at a price of 0 1p to the Directors, and certain employees in lieu of unpaid remuneration and fees amounting to £21,342

At the same time 25,585,200 new ordinary shares of 0 05p were issued at a price of 0 25p to the Directors, and certain employees in lieu of unpaid remuneration and fees amounting to £63 963

Charitable and political donations

During the period there were no charitable or political contributions

Payment of suppliers

The Group's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them It is usual for suppliers to be paid within fourteen days of receipt of invoice At 31 March 2010, the Company's creditors were equivalent to 60 day's costs (2009 seven day's costs)

Financial instruments

The main financial risks arising from the Company's activities are liquidity risk and currency risk These are monitored by the Board and were not considered to be significant at the balance sheet date

The Company relies upon working capital injected via the issue of shares to support its exploration and administrative activities Budgets are regularly prepared and fund raising initiatives undertaken as and when required. This risk is inherent to the nature of the business and is managed to the best of the Board's ability

Funds are primarily maintained in sterling to minimise foreign exchange risk which is inherent in the Company's activities and accepted as such

Post balance sheet events

The post balance sheet events are set out in Note 22 to the accounts

Auditors

The auditors, Thompson, Fryza, Bannister Limited, will be proposed and reappointed in accordance with the Companies Act 2006

Remuneration

Details of directors' fees and of payments made for professional services rendered are set out in Note 7 to the financial statements, directors' emoluments, and Note 20, related party transactions

Directors' report, continued

Management incentives

The Company has granted options over Ordinary shares as follows

- 3,000,000 to a non-executive director as noted above in connection with consultancy services provided, vesting in stages from the date of grant, 26 March 2008 to 31 May 2010 and exercisable at a price of 2 5 pence per share at any time from the date of vesting to 31 May 2012,
- up to 2,000,000 to a senior consultant geologist accruing at the rate of 250,000 for every full three months of service from 1 January 2008 exercisable at 4 pence per share at any time from the date of vesting to 31 December 2012,
- up to 2,000,000 to a senior geologist accruing at the rate of 125,000 for every full three months of service from 1 January 2008 exercisable at 2 pence per share at any time from the date of vesting to 31 December 2012,
- up to 2,000,000 to an executive director accruing at the rate of 250,000 for every full three months of service from 1 January 2008 exercisable at 4 pence per share at any time from the date of vesting to 31 December 2012,

Not having been exercised, the following options lapsed on 31 May 2009

- Options over a total of 1,500,000 shares granted to a non-executive director of Lisungwe Mineral Resources Limited,
- Options over 2,000,000 shares granted to a non executive director of the Company,
- Options over 4,000,000 shares granted to a senior geologist

Otherwise, the Group has no bonus, share purchase, share option or other management incentive scheme

Corporate governance

It is the opinion of the Board that compliance with the recommendations of the Combined Code on corporate governance at this stage in its development would be unduly onerous bearing in mind the size of the business and limited cash resources However, the Board have appointed Mr Shaun C Dowling and Mr Bernard Siddall as non-executive directors and has established such procedures as are appropriate for the size of the business and will keep the matter under review

Control procedures

The Board has approved financial budgets and cash forecasts, in addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting

Going concern

Notwithstanding the loss incurred during the period under review and the deficit of shareholders equity at the balance sheet date, the Directors are of the opinion that preparation of the Group's accounts on a going concern basis is appropriate It remains the belief of the Board that a future is possible although uncertainty does exist with regard to the availability of future funding

By order of the Board

John Watkins

Chairman

29 September 2010

Statement of directors' responsibilities

Directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and practice The directors are required to prepare financial statements in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union Accordingly, these statements reflect the assumptions made by the Board about the standards, interpretations and the policies now applicable

Company law in the United Kingdom 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 and the group and of the profit or loss of the group for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities They are also responsible for ensuring that the annual report includes information required by PLUS Markets

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

The maintenance and integrity of the Company's website is the responsibility of the directors the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LISUNGWE PLC

We have audited the financial statements of Lisungwe plc for the year ended 31 March 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the group and company balance sheets, the group and company statement of changes in equity, the group and company cash flow statements and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union

This report is made solely to the company's members, as a body, in accordance with Sections 495, 496 and 497 of the UK Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc org uk/apb/scope/UKNP

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with IFRS's as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

OPINION ON OTHER MATTER PRESCRIBED BY THE UK COMPANIES ACT 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the financial statements which is not qualified, we have considered the adequacy of the disclosure made in note 2 2 "Basis of preparation of the financial statements, c) going concern" In order to carry on as a going concern the company is reliant upon the directors' ability to raise additional finance Finance has been secured for the immediate future These funds are however insufficient for the foreseeable future and additional funds will need to be secured Although management have expressed optimism in this respect, material uncertainty exists which may cast significant doubt about the company and group's ability to continue as a going concern The financial statements do not include the adjustments that would be necessary should the going concern basis be inappropriate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LISUNGWE PLC, continued

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or
- the parent company statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ivor Mark Fryza, Senior Statutory Auditor
For and on behalf of Thompson, Fryza, Bannister Limited
Statutory Auditor, Chartered Certified Accountants
The Corner House
2 High Street
Aylesford
Kent
ME20 7BG

Date 29/9/10

Lisungwe plc
Company number: 5356303

Consolidated income statement
for the year ended 31 March 2010

	Notes	**Year ended 31 March 2010 £**	Year ended 31 March 2009 £
Revenue		-	-
Exploration costs		(166,073)	(498,440)
Administrative expenses		(73,635)	(93,532)
Impairment of Goodwill		(654,113)	-
Operating loss	4	(893,821)	(591,972)
Currency gain		128,498	229,502
Finance income		453	11,096
Loss before and after taxation		(764,870)	(351,374)
Loss attributable to the equity holders of the parent company		(764,870)	(351,374)
Loss per share – basic and diluted	9	(0 30) pence	(0 17) pence

All amounts above relate to continuing operations

The accompanying accounting policies and notes on pages 18 to 34 form an integral part of these financial statements

Consolidated statement of comprehensive income for the year ended 31 March 2010

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Loss for the financial period	(764,870)	(351,374)
Other comprehensive income:		
Exchange translation differences on consolidation of group	(193,734)	(202,730)
Total comprehensive income/(loss) for the period	(958,604)	(554,104)

All amounts are attributable to equity holders of the parent company

The accompanying accounting policies and notes on pages 18 to 34 form an integral part of these financial statements

Lisungwe plc
Company number: 5356303

Balance Sheets
As at 31 March 2010

	Note	31 March 2010 Group £	31 March 2009 Group £	31 March 2010 Company £	31 March 2009 Company £
Assets					
Non-current assets					
Property, plant and equipment	10	63,025	137,583	-	-
Intangible assets	11	1	654,114	-	-
Investment in subsidiary	12	-	-	1	360,380
Trade and other receivables	13	-	-	-	1,689,282
Total non-current assets		63,026	791,697	1	2,049,662
Current assets					
Cash and cash equivalents	19	1,243	8,295	985	312
Trade and other receivables	13	8,791	12,126	7,712	20,822
Total current assets		10,034	20,421	8,697	21,134
Total assets		73,060	812,118	8,698	2,070,796
Equity and Liabilities					
Capital and reserves attributable to equity holders of the company					
Called-up share capital	15	154,920	106,456	154,920	106,456
Share premium reserve	18	1,531,091	1,444,250	1,531,091	1,444,250
Share option reserve	18	81,490	87,510	81,490	87,510
Retained earnings	18	(2,302,613)	(1,569,713)	(2,509,640)	(292,685)
Merger reserve	18	712,500	712,500	712,500	712,500
Currency translation reserve	18	(207,226)	(13,492)	-	-
Total equity		(29,838)	767,511	(29,639)	2,058,031
Liabilities					
Current liabilities					
Trade and other payables	14	102,898	44,607	38,337	12,765
Total current liabilities		102,898	44,607	38,337	12,765
Total equity and liabilities		73,060	812,118	8,698	2,070,796

The financial statements on pages 10 to 34 were approved by the Board of Directors on 29 September 2010 and signed on its behalf by

John Watkins
Chairman

The accompanying accounting policies and notes on pages 18 to 34 form an integral part of these financial statements

Lisungwe plc
Company number: 5356303

Consolidated statement of changes in equity for the year ended 31 March 2010

	Attributable to owners of the parent					
	Called up share capital	**Share premium account**	**Retained earnings**	**Merger reserve**	**Other reserves**	**Total Equity**
Group	£	£	£	£	£	£
As at 1 April 2008	106,456	1,444,250	(1,218,339)	712,500	243,998	1,288,865
Comprehensive income						
Loss for the period	-	-	(351,374)	-	-	(351,374)
Other comprehensive income						
Currency translation differences on foreign currency net investments	-	-	-	-	(202,730)	(202,730)
Total comprehensive income	-	-	(351,374)	-	(202,730)	(554,104)
Transaction with owners						
Share based payments – see note 16	-	-	-	-	32,750	32,750
As at 31 March 2009	106,456	1,444,250	(1,569,713)	712,500	74,018	767,511
Comprehensive income						
Loss for the period	-	-	(764,870)	-	-	(764,870)
Other comprehensive income						
Currency translation differences on foreign currency net investments	-	-	-	-	(193,734)	(193,734)
Total comprehensive income	-	-	(764,870)	-	(193,734)	(958,604)
Transaction with owners						
Share based payments – see note 16	-	-	-	-	25,950	25,950
Lapsed Share based payments – see note 16	-	-	31,970	-	(31,970)	-
Shares Issued-see note 15	48,464	86,841	-	-	-	135,305
Total transaction with owners	48,464	86,841	31,970	-	(6,020)	161,255
As at 31 March 2010	154,920	1,531,091	(2,302,613)	712,500	(125,736)	(29,838)

The accompanying policies and notes on page 18 to 34 form an integral part of these financial statements

Consolidated statement of changes in equity for the year ended 31 March 2010, continued

	Share option reserve	Currency translation reserves	Total other reserves
Group	£	£	£
As at 1 April 2008	54,760	189,238	243,998
Other comprehensive income			
Currency translation differences on foreign currency net investments	-	(202,730)	(202,730)
Total comprehensive income	-	(202,730)	(202,730)
Transaction with owners			
Share based payments – see note 16	32,750	-	32,750
As at 31 March 2009	87,510	(13,492)	74,018
Other comprehensive income			
Currency translation differences on foreign currency net investments	-	(193,734)	(193,734)
Total comprehensive income	-	(193,734)	(193,734)
Transaction with owners			
Share based payments – see note 16	25,950	-	25,950
Lapsed Share based payments – see note 16	(31,970)	-	(31,970)
Total transaction with owners	(6,020)	-	(6,020)
As at 31 March 2010	81,490	(207,226)	(125,736)

Lisungwe plc
Company number: 5356303

Company statement of changes in equity for the year ended 31 March 2010

	Attributable to owners of the parent					
	Called up share capital	**Share premium account**	**Share option reserve**	**Retained earnings**	**Merger reserve**	**Total Equity**
Group	£	£	£	£	£	£
As at 1 April 2008	106,456	1,444,250	54,760	(214,516)	712,500	2,103,450
Comprehensive income						
Loss for the period	-	-	-	(78,169)	-	(78,169)
Transaction with owners						
Share based payments – see note 16	-	-	32,750	-	-	32,750
As at 31 March 2009	106,456	1,444,250	87,510	(292,685)	712,500	2,058,031
Comprehensive income						
Loss for the period	-	-	-	(2,248,925)	-	(2,248,925)
Transaction with owners						
Share based payments – see note 16	-	-	25,950	-	-	25,950
Lapsed share based payments – see note 16	-	-	(31,970)	31,970	-	-
Shares Issued-see note 15	48,464	86,841	-	-	-	135,305
Total transaction with owners	48,464	86,841	(6,020)	31,970	-	161,255
As at 31 March 2010	154,920	1,531,091	81,490	(2,509,640)	712,500	(29,639)

The accompanying policies and notes on page 18 to 34 form an integral part of these financial statements

Cash flow statements
for the year ended 31 March 2010

	Note	**Year ended 31 March 2010 Group £**	Year ended 31 March 2009 Group £	**Year ended 31 March 2010 Company £**	Year ended 31 March 2009 Company £
Cash flows from operating activities					
Loss before taxation		(764,870)	(351,374)	(2,248,925)	(78,169)
Adjustments for					
Impairment of Goodwill		654,113	-	-	-
Impairment of fixed assets		9,787	-	-	-
Impairment of investment in subsidiary		-	-	360,379	-
Impairment of loan to subsidiary		-	-	1,829,911	-
Depreciation		32,282	38,715	-	-
Loss on disposal of fixed assets		1,144	-	-	-
Vested share options		25,950	32,750	25,950	32,750
Share based payments		21,342	-	21,342	-
Currency adjustments		(178,500)	(229,384)	-	-
Interest Income		(453)	(11,096)	(7,532)	(23,513)
		(199,205)	(520,389)	(18,875)	(68,932)
Changes in working capital:					
Increase in advance to group company		-	-	(140,630)	(572,456)
Decrease in trade and other receivables		3,335	7,738	13,111	8,047
Increase/(decrease) in trade and other payables		58,291	(26,966)	25,572	(27,804)
		61,626	(19,228)	(101,947)	(592,213)
Cash outflow from operations		(137,579)	(539,617)	(120,822)	(661,145)
Cash flows from investing activities					
Interest received		453	11,096	7,532	11,096
Sale proceeds of property, plant and equipment		16,111	-	-	-
Purchase of property, plant and equipment		-	(120,086)	-	-
Net cash flows used in investing activities		16,564	(108,990)	7,532	11,096
Cash inflows from financing activities					
Proceeds from issue of shares		50,000	-	50,000	-
Short term loan finance		63,963	-	63,963	-
Net cash flows from financing activities		113,963	-	113,963	-
Net (decrease)/increase in cash and cash equivalents		(7,052)	(648,607)	673	(650,049)
Cash and cash equivalents at the beginning of period		8,295	656,902	312	650,361
Cash and cash equivalents at end of period	19	1,243	8,295	985	312

The accompanying accounting policies and notes on pages 18 to 34 form an integral part of these financial statements

Cash flow statements
for the year ended 31 March 2010, continued

Major non-cash transactions

In the period the company entered into a number of equity settled share based payments recorded at a fair value £85,305

Of the total £21,342 relates to directors and group employees fees/remuneration These are included within the adjustments of cash flows from operating activities under the heading share based payments

The balance of £63,963 relates to repayment of loan finance (as reflected under the heading 'cash inflows from financing activities') secured in the period

Notes to financial statements for the year ended 31 March 2010

1. General information

Lisungwe plc (the company) is a management holding company providing administrative and management services to its subsidiary, Lisungwe Mineral Resources Limited (LMR) LMR is engaged in mineral exploration in Malawi, a small southern African country

The company is a public limited company which is listed on PLUS markets and is incorporated and domiciled in the UK The address of its registered office is 55 Gower Street, London WC1E 6HQ

2. Principal accounting policies

2.1 Introduction

The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied throughout the period presented in these financial statements unless otherwise stated

2.2 Basis of preparation

The consolidated financial statement of Lisungwe plc and its subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, IFRK interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement to fair value of assets and financial instruments as described in the accounting policies below, and on a going concern basis

The preparation of the group financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below

a) Impairment of intangibles – goodwill

The group is required to test annually whether goodwill has suffered any impairment The recoverable amount of the underlying cash generating unit has been determined based on its value in use calculations These calculations are dependent upon a commercially viable resource being found and developed The management have judged that given the lack of financial resources available to the group, the prospect of validating and developing a commercially viable resource is remote On this basis, a 100% impairment charge is made for Goodwill of £654,113

b) Impairment of investment and receivables in subsidiary

The company has an investment in the share capital of its subsidiary undertaking (Lisungwe Mineral Resources Limited) and a loan facility to fund its exploration activities With no clear cash generating capabilities within that company and a suspension of its exploration activities, the investment in share capital and loan facility have been fully impaired by £360,379 and £1,829,911 respectively leaving an account balance on each of £1

2.2 Basis of preparation, continued

c) Going concern

The financial information has been prepared on the going concern basis, the validity of which depends principally on the discovery of economically viable mineral deposits and the availability of subsequent funding to extract the resource Although the activities of Lisungwe Mineral Resources Limited have been curtailed to a 'care and maintenance' level with exploration activities suspended, management believes there is a future for the company exploring for rare earths and other minerals Short term funding has been established to finance the group in the immediate future These funds are not sufficient for the foreseeable future and additional funds will need to be secured in order to safeguard the groups position Management are hopeful that this can be achieved and believe it to be appropriate to prepare these financial statements on a going concern basis

d) Share based payments

The group operates an equity settled share based remuneration scheme for its employees The fair value of share options is estimated using the Black-Scholes model on the date of grant based on certain assumptions These assumptions are described in note 16 and include, among others, the expected volatility and expected life of the options

2.3 Basis of consolidation

Where the Company has the power, either directly or indirectly to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary The consolidated financial statements present the results of the company and its subsidiary ("the group") as if they formed a single entity Inter-company transactions and balances between group companies are eliminated in full

2.4 Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date with the premium, if any, arising on the issue of new shares as part of the consideration, being credited to a merger reserve The results of acquired operations are included in the consolidated income statement from the date on which control is obtained

2.5 Intangible assets – goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date

Goodwill is reviewed for impairment on an annual basis Goodwill is deemed to be impaired when the present value of future cash flows expected to be derived is lower than the carrying value

2.6 Non-current asset investments

Investments in subsidiary companies are classified as non-current assets and included in the balance sheet of the Company at cost at the date of acquisition They are subsequently carried at cost less any provision for impairment

Notes to financial statements
for the year ended 31 March 2010 continued

2.7 Financial assets

The group's financial assets consist of loans and receivables which include cash and cash equivalents Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are initially recognised at fair value plus directly attributable transaction costs and are subsequently carried at cost less any provision for impairment

The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet

Cash and cash equivalents include cash in hand and short term deposits with an original maturity of three months or less

2.8 Financial liabilities

The group's financial liabilities consist of trade and other payables which are initially recognised at fair value and subsequently amortised using the effective interest method

2.9 Revenue

The Group had no revenue during the period

2.10 Property, plant and equipment

Items of plant and equipment are initially recognised at cost and are depreciated on a straight-line basis at annual rates that will reduce book amounts to estimated residual values over their anticipated useful lives, as follows

Field equipment	20%
Motor vehicles	20%
Computers	33%

2.11 Foreign currencies

Both the functional and presentational currency of Lisungwe plc is sterling (£) Each group entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency

The functional currency of the foreign subsidiary, Lisungwe Mineral Resources Limited, is Malawi Kwacha (MWK)

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date All differences are taken to the income statement

On consolidation of a foreign operation, assets and liabilities are translated at the balance sheet rates, income and expenses are translated at rates ruling at the transaction date Exchange differences which arise from the translation of the opening assets and results of the foreign subsidiary undertaking are taken to currency translation reserve

2.12 Exploration and development expenditure

Exploration and development costs include expenditure on prospects at an exploratory stage These costs include the cost of acquisition, exploration, determination of recoverable reserves, economic feasibility studies and all technical and administrative overheads directly associated with those projects These costs are written off as 'exploration expenditure'

Notes to financial statements
for the year ended 31 March 2010 continued

2.13 Tax

The major components of income tax on the profit or loss from ordinary activities include current and deferred tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Income tax is charged or credited to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt within equity

2.14 Deferred Tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on

- The initial recognition of goodwill,
- Goodwill for which amortisation is not tax deductible,
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the differences will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet and are expected to apply when deferred tax liabilities/(assets) are settled/(recovered) Deferred tax balances are not discounted

2.15 Share based payments

The fair value of options granted to directors and others in respect of services provided is recognised as an expense in the income statement with a corresponding increase in equity reserves – the share option reserve

On exercise or cancellation of share options, the proportion of the share based payment reserve relevant to those options is transferred to the retained earnings reserve On exercise, equity is also increased by the amount of the proceeds received

The fair value is measured at grant date charged in the accounting period during which the option becomes unconditional

The fair value of options is calculated using the Black-Scholes model taking into account the terms and conditions upon which the options were granted Vesting conditions are non-market and there are no market vesting conditions The exercise price is fixed at the date of grant and no compensation is due at the date of grant

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received

Notes to financial statements
for the year ended 31 March 2010 continued

2.16 Segmental reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments

3 Turnover and segmental analysis

The Group's only business segment is mineral exploration There is no turnover within the Group for the current or previous periods

The Group operates within one geographical segment being Malawi, southern Africa

4 Group loss from operations

	2010 Group £	2009 Group £
Operating loss is stated after charging		
Auditors' remuneration – audit services	9,000	8,667
Auditors' remuneration – taxation services	2,278	-
Depreciation	32,282	38,715
Loss on disposal of wholly owned fixed assets	1,144	-
Directors' emoluments – vested share options	15,676	20,900
Impairment of fixed assets	9,787	-
Impairment of Goodwill	654,113	-

Auditors' remuneration

	2010	2009
Parent company auditors' remuneration	7,500	7,000
Secondary auditors' remuneration – subsidiary company	3,778	1,667
	11,278	8,667

Notes to financial statements
for the year ended 31 March 2010 continued

5 Taxation

Based on the results for the period, there is no charge to UK or foreign tax

The Group has tax losses available to carry forward against future profits calculated at the prevailing rates of tax of approximately £490,000 (2009 £292,000 restated)

This amount has not been recognised in the financial statements as its recovery cannot be foreseen with reasonable probability

Factors affecting the tax charge	**2010 Group £**	2009 Group £
Loss on ordinary activities	**764,870**	351,374
Loss before taxation at the applicable rate of tax	**(214,864)**	(103,805)
Effect of		
Expenses/(gains) not deductible for tax purposes	**154,805**	(59,681)
Tax losses for which no deferred income tax asset was recognised	**60,059**	163,486
Current tax charge	-	-

The applicable tax rate for the UK was 28% (2009 30%) and Malawi 30% (2009 30%)

6 Staff and directors

Employees	Group		Company	
	2010	2009	**2010**	2009
	£	£	**£**	£
Staff costs, including directors, consist of				
Wages and salaries – management	40,554	80,688	-	-
Wages and salaries – other	69,764	61,921	-	-
	110,318	142,609	-	-

The average number of employees, including directors, during the year was a follows

	Group		Company	
	2010	2009	**2010**	2009
Management	8	8	5	5
Other operations	10	78	-	-
	18	86	5	5

Notes to financial statements for the year ended 31 March 2010 continued

7 Share based directors' emoluments

	2010 £	2009 £
Stuart F Brand	4,725	6,300
Bernard Siddall	10,950	14,600
The emoluments relate to share based payments	15,675	20,900

No pension benefits are provided for any director

The directors' emoluments represent emoluments paid to key management

Messrs Stuart Brand, Shaun Dowling, Roy Tucker, John Watkins and Bernard Siddall have rendered fees for professional services to the Company and its subsidiary which are detailed at Note 20

8 Loss attributable to parent undertaking

The loss for the period attributable to the parent undertaking amounted to £ (2,248,925) (2009 £ (78,169)) This loss is after charging impairment of investment in subsidiary of £360,379 (2009 £nil) and impairment of loan to subsidiary of £1,829,911 (2009 £nil) As permitted by Section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent company

9 Loss per share

	2010 Group £	2009 Group £
The basic loss per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue		
Loss for the period	(764,870)	(351,374)
Weighted average number of Ordinary shares of £0 0005 in issue	253,298,853	212,912,520
Loss per share – basic	(0 30) pence	(0 17) pence

Due to the losses incurred during the year a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share

As detailed in note 16, there are options outstanding at the year end which have the potential to dilute basic earnings per share in the future and reduce the basic loss per share

Notes to financial statements
for the year ended 31 March 2010 continued

10 Property Plant and Equipment

Group

	Motor vehicles & equipment £
Cost	
At 1 April 2008	61,209
Additions	120,086
Foreign exchange rate fluctuations	46,492
At 31March 2009	227,787
Depreciation and impairment	
At 1 April 2008	31,651
Depreciation charge for the period	38,715
Foreign exchange rate fluctuations	19,838
At 31March 2009	90,204
Closing net book amount at 31 March 2009	137,583
Cost	
At 31March 2009	227,787
Additions	-
Disposals	(21,568)
Foreign exchange rate fluctuations	(26,875)
At 31March 2010	179,344
Depreciation and impairment	
At 31March 2009	90,204
Depreciation charge for the period	32,282
Impairment charge for the period	9,787
Disposals	(4,313)
Foreign exchange rate fluctuations	(11,641)
At 31March 2010	116,319
Closing net book amount at 31 March 2010	63,025

Notes to financial statements
for the year ended 31 March 2010, continued

11 Intangible assets

Group	**Goodwill**
	£
At 1 April 2008	
Cost	747,559
Accumulated amortisation and impairment	(93,445)
Net book value	654,114
Year ended 31 March 2009	
Opening and closing net book value	654,114
At 31 March 2009	
Cost	747,559
Accumulated amortisation and impairment	(93,445)
Net book value	654,114
Year ended 31 March 2010	
Opening net book amount	654,114
Impairment charge	(654,113)
Closing net book amount	1
At 31 March 2010	
Cost	747,559
Accumulated amortisation and impairment	(747,558)
Net book amount	1

Impairment of goodwill is assessed by reference to its underlying cash generating unit, Lisungwe Mineral Resources Limited The management have judged that given the lack of financial resources available, the prospect of validating and developing a commercially viable resource is remote Likewise, management assess the fair value of Lisungwe Mineral Resources Limited to be negligible On this basis, Goodwill has been impaired down to £1

Notes to financial statements
for the year ended 31 March 2010, continued

12 Non-current asset investment in subsidiary

	2010	2009
	£	£
Company		
Investment in subsidiary		
At 1 April 2009	360,380	360,380
Impairment charge	(360,379)	-
At 31 March 2010	1	360,380

The subsidiary of Lisungwe plc is detailed as follows and is included in these consolidated financial statements

At a company level, the investment in its subsidiary has been impaired down to £1 The reasons are as for the impairment of goodwill detailed at note 11

Company	Country of registration	Class	Proportion held by group	Nature of business
Lisungwe Mineral Resources Limited	Malawi	Ordinary	100%	Mineral exploration and development

13 Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Prepayments	4,935	8,668	4,935	8,668
Other receivables	3,856	3,458	2,776	12,154
Loan to subsidiary	-	-	1	1,689,282
Total trade and other receivables	8,791	12,126	7,712	1,710,104
Less non-current portion - loan to subsidiary	-	-	-	(1,689,282)
Current portion	8,791	12,126	7,712	20,822

The loan to subsidiary falls due for payment not before 31 December 2010 All amounts now fall due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Total financial assets other than cash and cash equivalents classified as loans and receivables	8,791	12,126	7,712	1,710,104
Cash and cash equivalents (note 18)	1,243	8,295	985	312
Total financial assets classified as loans and receivables	10,034	20,421	8,697	1,710,416

13 cont **Trade and other receivables**

The fair value of trade and other receivables is estimated as approximating their accounts carrying value The loan to subsidiary has been impaired down to £1 The impairment charge amounts to £1,829,911

The carrying values of the trade and other receivables are denominated in the following currencies

	Group		Company	
	2010	2009	**2010**	2009
	£	£	**£**	£
Pound Sterling	8,697	11,134	8,697	1,710,416
Malawi Kwacha	1,337	9,287	-	-
	10,034	20,421	8,697	1,710,416

The maximum exposure to credit risk at the reporting date is set out above The group or company does not hold any collateral as security

14 Trade and other payables

	Group		Company	
	2010	2009	**2010**	2009
	£	£	**£**	£
Current trade and other payables				
Trade payables	43,830	13,150	29,425	5,165
Other payables	44,273	9,000	867	-
Accruals	14,795	22,457	8,045	7,600
Total	102,898	44,607	38,337	12,765

The fair values of trade and other payables are estimated at approximately their accounts carrying value The maturity of these financial liabilities is within three months of the balance sheet date

15 Share capital

The authorised share capital of the Company and the called up and fully paid amounts were as follows

Authorised	Number	Nominal £
As at 31 March 2009 and 31 March 2010, Ordinary shares of £0 0005	1,000,000,000	500,000
Called up, allotted, issued and fully paid		
As at 31 March 2009, Ordinary shares of £0 0005	212,912,520	106,456
Issued 20 October 2009 at a premium to issue price of £0 001	21,342,000	10,671
Issued 20 October 2009 at a premium to issue price of £0 0025	25,585,200	12,793
Issued 21 October 2009 at a premium to issue price of £0 001	50,000,000	25,000
As at 31 March 2010, Ordinary shares of £0 0005	309,839,720	154,920

Notes to financial statements
for the year ended 31 March 2010, continued

15 Share capital, continued

cont The total consideration for issued shares was £135,305 Of this £50,000 was cash and £85,305 was in lieu of debts payable

16 Share based payments

The Company has an established share option scheme for management and external consultants under which options have been granted to subscribe for ordinary shares as follows

	At 31 March 2009	Options lapsed in period	At 31 March 2010	Exercisable at 31 March 2010	Exercise price	Date from which exercisable	Expiry date
G P W Malunga	1,500,000	(1,500,000)	-	-	1 1p	31 December 2007	31 May 2009
R Sanders	4,000,000	(4,000,000)	-	-	1 25p	24 April 2006 to 23 January 2008	31 May 2009
S C Dowling (Director)	2,000,000	(2,000,000)	-	-	2.5p	26 September 2006	31 May 2009
S Brand (Director)	2,000,000	-	2,000,000	2,000,000	4 0p	31 March 2008 to 31 December 2009	31 December 2012
R N Sanders	2,000,000	-	2,000,000	2,000,000	4 0p	31 March 2008 to 31 December 2009	31 December 2012
J E S Nkhoma	2,000,000	-	2,000,000	1,125,000	2.0p	31 March 2008 to 31 December 2011	31 December 2012
B Siddall (Director)	3,000,000	-	3,000,000	3,000,000	2.5p	26 March 2008 to 31 May 2010	31 May 2012
Total	16,500,000	(7,500,000)	9,000,000	8,125,000			

Of the 9,000,000 options outstanding at 31 March 2010, 875,000 are not yet exercisable at 31 March 2010

Notes to financial statements
for the year ended 31 March 2010, continued

16 cont **Share based payments, continued**

The fair value of the options using the Black-Scholes pricing model and assumptions were as follows

	1 1p options	1 1p options	2 5p options	4 0p options	2p options	2 5p options
Grant Date	March 2005	July 2005	September 2006	January 2008	January 2008	March 2008
Share price at date of grant	1 1p	1 1p	2 0p	2 25p	2 25p	2 5p
Exercise price	1 1p	1 1p	2 5p	4p	2p	2p
Expected volatility	50%	50%	50%	50%	50%	50%
Option Life	36 months	3-37 months	32 months	57 months	57 months	50 months
Expected dividend	Nil	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	4%	4%	4 5%	5 25%	5 25%	5 25%

The volatility is set by reference to the historic volatility of the share prices of the company and comparable companies The Black-Scholes model assumes that an option is only capable of exercise at date of expiry This date has been modified so that it is reflective of the likely date each individual is likely to exercise

Based on the above expectations, the fair values of the options granted are estimated to be

	1 1p options	1 1p options	2 5p options	4 0p options	2 0p options	2 0p options
Fair Value	0 4130p	0 3768p	0 4596p	0 63p	1 11p	1 46p

The fair value of the share options as expensed in the year is £25,950 (2009 £32,750)

In the period the company entered into a number of equity settled share based payments recorded at a fair value of £85,305 Fair value being by reference to the goods, services and debts discharged

Of the total £21,342 relates to directors and group employees fees/remuneration

£46,415 relates to the repayment of personal loans provided to the company by directors Messrs Tucker, Watkins and Dowling

The balance of £17,548 relates to the repayment of supplier debts or debts settled personally by directors/employees of the group

17 Fundraising incentives

In order to attract new equity investment, the Company has issued the following warrants to Starvest plc, a company of which John Watkins is also a director

- warrants to subscribe for 12,500,000 shares at any time until 31 October 2010 at a price of 1 75 pence per share, and
- warrants to subscribe for 12,500,000 shares at any time until 31 October 2012 at a price of 2 25 pence per share

Further warrants to subscribe for 50,000,000 shares were issued to Mr R B Rowan (Director of Starvest plc) exercisable at any time until 31 October 2013 at a price of 1p

18 Reserves

The following describes the nature and purpose of each reserve within owners' equity

Reserve	**Description and purpose**
Called up share capital	Amount subscribed for share capital at nominal value
Share premium account	Amount subscribed for share capital in excess of nominal value
Share option reserve	Being the fair value of options granted in respect of services provided pending exercise
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement
Merger reserve	Premium on shares issued as consideration for the acquisition of Lisungwe Mineral Resources Limited
Currency translation reserve	Gains/losses arising in retranslating the net assets of overseas operations into sterling

19 Cash and cash equivalents

	31 March 2010	Cash flow	31 March 2009
	£	£	£
Cash in hand and at bank	**1,243**	(7,052)	8,295

Notes to financial statements
for the year ended 31 March 2010, continued

20 Related party transactions

Group

The director, Stuart F Brand, received as share based payments of 7,667,000 new ordinary shares of 0 05p at a price of 0 1p in settlement of fees of £7,667 in fees for professional services and a further 200,000 new ordinary shares at a price of 0 25p for outstanding expenses of £500 The total sum being £8,167 (2009 £61,166)

There were no other related party transactions during the year in the group except for the Company disclosures below and in note 6

Company

The director, Roy C Tucker FCA, received as share based payments of 3,600,000 new ordinary shares of 0 05p at a price of 0 1p in settlement of fees of £3,600 in fees for professional services and a further 13,166,000 new ordinary shares at a price of 0 25p for outstanding expenses of £2,500 and repayment of a personal loan to the company of £30,415 The total sum being £36,515 (2009 £12,000)

The director, John Watkins FCA, received as share based payments of 2,025,000 new ordinary shares of 0 05p at a price of 0 1p in settlement of fees of £2,025 in fees for professional services and a further 3,800,000 new ordinary shares at a price of 0 25p for outstanding expenses of £1,000 and repayment of a personal loan to the company of £8,500 The total sum being £11,525 (2009 £6,750)

The director, Bernard Siddall, received as share based payments of 1,800,000 new ordinary shares of 0 05p at a price of 0 1p in settlement of fees of £1,800 in fees for professional services The total sum being £1,800 (2009 £6,000)

The director, Shaun C Dowling received as share based payments of 1,000,000 new ordinary shares of 0 05p at a price of 0 1p in settlement of fees of £1,000 in fees for professional services and a further 3,000,000 new ordinary shares at a price of 0 25p for repayment of a personal loan to the company of £7,500 The total sum being £8,500 (2009 £Nil)

Included in fixed asset investments for the company was a loan to its subsidiary, Lisungwe Mineral Resources Limited in the sum of £1,829,911 (2009 £1,689,282) This represents loan stock not repayable before 31 December 2010 and carries interest at the rate of 0 404% per annum During the year interest of £7,079 (2009 £12,420) was accrued on this loan

The Company also charged a management fee to Lisungwe Mineral Resources Limited of £10,000 (2009 £10,000) during the year Given the financial position of Lisungwe Mineral Resources Limited, the loan has been impaired to £1

21 Commitments

There were no capital commitments

22 Post balance sheet events

At the balance sheet date, an understanding was reached with Mr R B Rowan to make available £50,000 of new money by way of convertible loan stock £30,000 has now been advanced with the balance payable on final agreement of terms The draft agreement provides for a repayment term of 6 months with a nil rate of interest, with a conversion option of 1,000 new ordinary shares for every £1 of loan However the conversion will only arise if a Rule 6 waiver under the City Code On Mergers and Takeovers is obtained

Notes to financial statements
for the year ended 31 March 2010, continued

23 Financial instruments – risk management

The Group's financial instruments comprise cash and items arising directly from its operations such as trade receivables and trade payables The Group and company is exposed to the following financial risks

Credit risk

Financial assets which potentially subject the Group to concentrations of credit risk consist principally of cash, short term deposits and trade receivables Cash balances are all held at recognised financial institutions Trade receivables are presented net of allowances for doubtful receivables Trade receivables currently form an insignificant part of the Group's business and therefore the credit risk associated with them is also insignificant to the Group as a whole The maximum exposure to credit risk is detailed in note 13

Interest rate risk management

The Group has adopted a non speculative policy on managing interest rate risk Only approved financial institutions with sound capital bases are used to invest surplus funds in The Group had no borrowing facilities at either the current or previous year end Interest rate fluctuations of between 0-10% would not have a significant affect on interest received by the Group or Company

Liquidity risk management

To date the Group has relied upon equity funding to finance operations The management are confident that existing cash resources together with anticipated future equity funding and commercial borrowing will be adequate to finance operations to commercial exploitation Controls over expenditure are carefully managed The Group seeks to manage its financial risk to ensure that sufficient liquidity is available to meet the foreseeable needs both in the short and long term

Foreign exchange risk management

Foreign exchange risk is inherent in the Group's activities and is accepted as such The Group's exposure to foreign exchange risk is not normally considered significant The Group's cash balances are held in Pound Sterling and in Malawi Kwacha, the latter being the currency in which significant operating expenses are incurred Towards the end of the financial year there was a strengthening of the Malawi Kwacha against pound sterling As the group's activities are funded by pound sterling, this did have an impact on the group's purchasing power Since the year end, pound sterling has since strengthened

The Group seeks to obtain a favourable interest rate on its cash balances through the use of bank deposits At the year end the Group had a cash balance of £1,243 (2009 £8,295) comprising of the following balances

	31 March 2010	31 March 2009
	£	£
Pound Sterling	985	312
Malawi Kwacha	258	7,983
	1,243	8,295

The net fair value of financial assets and liabilities approximates the carrying values disclosed in the financial statements

Notes to financial statements
for the year ended 31 March 2010, continued

24 Control

There is considered to be no controlling related party

25 New Standards and those effective but not in force

25.1 New and amended standards adopted by the group.

The Group has adopted the following new and amended IFRS's as of 1 April 2009

Standard

IFRS 7 -Financial instruments-disclosures (amendment)

IAS 1 (revised) - Presentation of financial statements

IFRS 2 (amendment) - Share-based payment

IAS 23 - Borrowing costs

IFRIC 9- Reassessment of embedded derivatives

The above amendments have not had a material impact on the financial statements and only result in additional disclosures and presentational changes

Key presentational changes include the consolidation statement of recognised income and expenses being replaced by a consolidated statement of comprehensive income and a consolidated and company statement of changes in equity added to the primary financial statements

25.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group.

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

Standard

IFRIC 17- Distribution of non-cash assets to owners

IFIC 18- transfer of assets from customers

IFRS 2- Group settled share based payments

IFRS 5 – Disclosure aspects of non-current assets classified as held for sale or discontinued operations

IFRS 8- Operating segments

IAS 1 – Classification of convertible instruments

IAS 7 – Classification of expenditures on unrecognised assets

IAS 17 – Classification of leases of land and buildings

IAS 36– Unit of accounting for goodwill impairment test

IAS 38– Measuring fair value on an intangible asset acquired in a business combination

IAS 39– Treatment of loan prepayment penalties-scope exemption for business combination contracts-cash flow hedge accounting-hedging using internal contracts

IRRIC 19- Hedges of a net investment in foreign operations