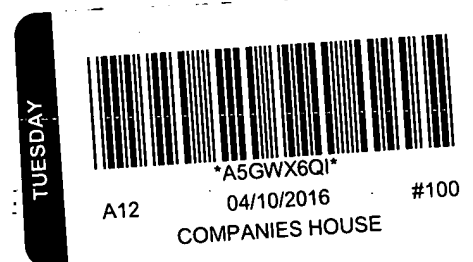


**Tata Global Beverages GB Limited**

**Registered number 03019950**

**Annual Report and Financial Statements**

**Year ended 31 March 2016**



# Tata Global Beverages GB Limited

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# Tata Global Beverages GB Limited

## Strategic report

### Strategic report for the year end 31 March 2016

The directors present their strategic report on the company for the year ended 31 March 2016.

#### Review of business

The principal activities of Tata Global Beverages GB Limited (the “company”) are the processing, marketing and distribution of tea products. The company operates within the UK from where it services the UK grocery and foodservice markets as well as export markets primarily in Canada, Australia, Western Europe and Middle East.

The directors consider that it has been a satisfactory but challenging financial year for the company. A summary of the financial results for the year ended 31 March 2016 is set out below:

The company achieved sales of £137.8 million (2015: £146.6 million) which represents a decline of 6% year on year. In the financial year ending 31 March 2016 an after tax loss was recorded in the amount of £0.9million (2015: after tax profit £13.2 million) a change of £14.1 million from prior year. The decrease in profit was mainly driven by lower sales in the UK owing to structural decline in UK everyday black tea market combined with competitor intensity within grocery channel and higher commodity costs. We also note an impairment expense of £7.2 million relating to the company's Eastern Europe tea brands was recorded reflecting underperformance against plan and competitor intensity (note 12). The directors however note that the company made an operating profit before impairment, exceptional items, finance income and tax in the amount of £6.9 million.

During the year the company also incurred exceptional costs of £0.9 million (2015: £1.0 million) relating to consultancy and re-organisation costs. The net asset position of the company of as at 31 March 2016 was £180.4 million, a decrease from £190.2 million as at 31 March 2015 driven by after tax loss of £0.9 million, dividend paid of £3.0 million and other comprehensive loss of £5.9 million accounting for the total movement of £9.8 million for the financial year.

The operating environment remains challenging with macroeconomic challenges, changes in consumer behaviour, high competitive intensity and everyday black tea category decline which are common themes across geographies. Grocery market deflation in the UK continues to put additional pressure on the bottom line, as do some rises in commodity costs. The company continues to strive to meet these challenges with a focus on investment behind brands, category expansion, innovation and cost rationalisation. There have also been various opportunities it has been able to take advantage of, such as growing its presence in the growing non-black tea sectors in the UK and other geographies and continuing its expansion in the Middle East.

The market performance of the company remains satisfactory given the challenging market conditions. The company has a UK market share in value terms of 16.7% (2015: 17.1%). In Canada, the company's largest export market, leadership was maintained with a value share of 31.4% (2015: 31.1%).

The company remains a leading member of the Ethical Tea Partnership, an international non-commercial alliance of tea packers with a vision to create a thriving global tea sector that is socially just and environmentally sustainable. The company continues to pursue its commitment to purchase all tea for Tetley branded teabag and loose tea products from Rainforest Alliance (“RA”) Certified TM farms. The company is also engaged in reducing the carbon intensity and measures its carbon footprint.

There have been no other significant business developments in the year, except for the transition to FRS 101.

# Tata Global Beverages GB Limited

## Strategic report (continued)

### Transition to FRS 101

During the year the company transitioned from UK GAAP to Financial Reporting Standard 101 – 'Reduced Disclosure Framework (FRS 101)', and has taken advantage of the disclosure exemptions allowed under this standard. The prior year comparatives are also under the new standards, which has resulted in the statement of financial position as at 31 March 2015 showing a decrease in total equity of £15.1 million from £205.3 million under UK GAAP to £190.2 million under FRS whilst the income statement for the year then ended shows an increase in the profit for the year of £1.1 million from £12.1 million to £13.2 million. Further information on the impact can be found in the note 27 transition to FRS 101.

The company's parent undertaking Tata Global Beverages Group Limited was notified of this and did not object to the use of FRS 101.

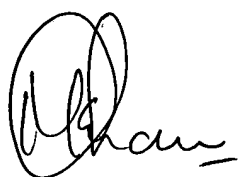
### Principal risks and uncertainties

The company takes a proactive approach to the management of the various risks that it faces. Of these risks the principal ones are raw tea pricing, currency movements, and the current dependence on black tea. These are managed in the following ways:

- *Raw tea pricing* - raw tea is the company's single largest cost. Climatic conditions in the different countries from which raw tea is sourced can lead to fluctuations in price. However, these raw teas are blended before packing which allows some flexibility to manage these fluctuations by substitution.
- *Currency movements* - foreign exchange risk in relation to export revenues and import costs is managed by the parent company's Treasury function using spot, forward and option exchange contracts.
- *Dependence on black tea* - much of the company's current trading is in black tea, a market that is in slow decline in the UK. Management's strategy is to grow the business in product categories other than black tea, which are currently growing.

The company is a subsidiary of Tata Global Beverages Group Limited. More detail on the performance of the Group as a whole can be found in the Directors' report of that company.

on behalf of the Board



M Thakrar  
Director  
30 June 2016

# **Tata Global Beverages GB Limited**

## **Directors' report**

### **Directors' report for the year ended 31 March 2016**

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

### **Registered office**

Tata Global Beverages GB Limited is a private company incorporated and domiciled in the UK and its registered office is 325 Oldfield Lane North, Greenford, Middlesex, UK, UB6 0AZ.

The ultimate parent company is Tata Global Beverages Limited, a public company incorporated in India.

### **Future developments**

The company's activities and future prospects have been reviewed and the company plans to continue trading within the tea market. The company is looking to maximise the value of its portfolio of brands and to increase its presence in the wider beverage market specifically in the Green Tea and Fruit & Herbal categories.

### **Dividends**

The company proposed and paid an interim dividend of £3,000,000 in the year (2015: £2,500,000). The directors do not recommend a final dividend for the year ended 31 March 2016 (2015: £nil).

### **Health, safety and the environment**

The company operates in full compliance with all relevant environmental legislation and has a worldwide environmental policy and ISO14001 accreditation for its UK based facilities.

As a responsible employer, the company is aware of its position and role in the community and is continually committed to improving its environmental performance.

### **Disabled persons**

It is the policy of the company to employ disabled persons, whenever possible, in jobs suited to their individual circumstances and to give them, together with employees who become disabled while employed, full and fair consideration at all times in career development, training and promotion.

### **Supplier payments**

The company agrees payment terms with its suppliers when it places purchase orders for the supply of goods and services. Tea commodity purchases are subject to industry-wide purchase contracts.

The company expects to meet these payment terms provided it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

### **Treasury policy and financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, interest rates, credit risks and liquidity. The Group board approves Treasury policy that provides a framework to manage these risks on financial performance. The application of the policy, together with the management of day-to-day treasury operations, is managed by the Group Treasury function. Treasury activities are reported to the board on a regular basis and are subject to periodic independent review and audit, both internal and external.

Treasury policy is in place designed to manage the main financial risks faced by the company in relation to hedging. The policy dictates that the exposure to any one counterparty or type of instrument be within specified limits and that company exposure to exchange rate movements is managed according to set parameters.

The treasury function enters into derivative transactions, principally forward currency contracts and options. The purpose of these transactions is to manage the currency risks arising from the company's underlying business operations.

In the context of the company's business operations, no transactions are undertaken which are speculative in nature.

# **Tata Global Beverages GB Limited**

## **Directors' report (continued)**

### **Treasury policy and financial risk management (continued)**

#### **(i) Liquidity risk**

The company ensures that there is adequate financing available through intercompany funding arrangements with group companies to fund growth and has adequate capacity to comfortably meet its expected peak funding requirements. The company considers that the Group cash reserves are sufficient for this purpose. Should the overall structure change the company is confident that debt can be raised by the Group from the market on attractive terms.

#### **(ii) Interest rate risk**

The company seeks to manage any exposure to changes in interest rates arising from external borrowings that it may take out which would be achieved through the use of interest rate swaps. No change to the existing hedging structure is permitted without approval of the Group Board. Group Treasury is responsible for monitoring long-term interest exposures of the company and for recommending appropriate action to the Board.

#### **(iii) Foreign currency exchange rates risk**

Foreign exchange risk is transaction risk which arises from income and expenses denominated in foreign currencies. The company's transaction risk consists mainly of a deficit in US dollars for purchasing tea and a surplus in Canadian dollars arising from its Canadian operations.

The company hedges its transaction exposures with a combination of forward contracts and options. Group Treasury monitors exposures through cashflow forecasts up to three months forward.

The maximum period for which transaction exposures may be hedged under Group policy is 12 months, with specific board approval.

#### **(iv) Credit risk**

The company's credit risks are spread both geographically as well as across customers. Whilst the majority of customers have good credit ratings, where this is not the case other measures are used to mitigate credit risks, for example risk monitoring services and credit insurance. The company recognised no significant credit losses during the financial year.

#### **(v) Price risk**

The company is exposed to changes in the price of raw tea. Whilst the company is not able to hedge this price exposure, it manages its exposure through blending which enables it to source teas from different geographies limiting its exposure to supply-driven price increases in any given region and long term contracts with suppliers.

### **Employee involvement**

The company believes in effective communication to engage its employees. This is regularly delivered via its intranet site, a quarterly financial performance webinar hosted by the Group CEO and an EMEA regional newsletter, supported by ad hoc mailings and face to face communication events. Together, these ensure all employees are well informed about the company's performance and key business issues and developments.

### **Directors and their interests**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

L Krishna Kumar  
M Thakrar  
N Holland

There were no changes to the directors' during the financial year. The company secretary, who is not a director is M Bailey.

# **Tata Global Beverages GB Limited**

## **Directors' report (continued)**

### **Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### **Going concern**

The directors confirm that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis in preparing the financial statements.

### **Events subsequent to the end of the financial year**

As at the date of this report, no matter or circumstance has arisen since 31 March 2016 that has significantly affected, or may significantly affect the company, its results or the state of affairs in future financial years.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the integrity of the financial statements being published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

### **Statement of disclosure of information to auditors**

For each of the persons who were directors at the time this report was prepared, the following applies:

- So far as the directors are aware, there is no relevant information of which the Company's auditors are unaware; and
- The directors have taken steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

# **Tata Global Beverages GB Limited**

## **Directors' report (continued)**

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they will be reappointed will be proposed at the annual general meeting.

On behalf of the board

A handwritten signature in black ink, appearing to be 'M Thakrar', written over a circular stamp or seal.

M Thakrar  
Director  
30 June 2016



# **Tata Global Beverages GB Limited**

## **Independent auditors' report to the members of Tata Global Beverages GB Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Tata Global Beverages GB Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 March 2016;
- the Income statement and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# Tata Global Beverages GB Limited

## Independent auditors' report to the members of Tata Global Beverages GB Limited (continued)

### Responsibilities for the financial statements and the audit

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 7, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

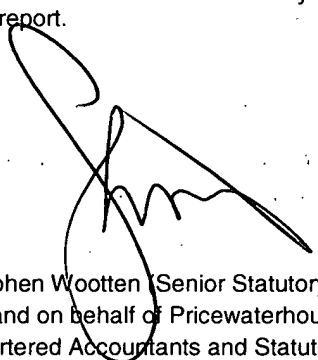
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Stephen Wootton (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge  
30 June 2016

# Tata Global Beverages GB Limited

## Income statement

For the year ended 31 March 2016

	Note	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Revenue	5	137,775	146,592
Operating profit before impairment and exceptional items	6	6,864	14,215
Impairment expense - brands	12	(7,198)	-
Exceptional items	6	(860)	(965)
<b>Operating (loss) / profit</b>	6	<b>(1,194)</b>	<b>13,250</b>
Finance income	8	4,305	4,393
Finance costs	8	(2,322)	(2,391)
Finance income - net		1,983	2,002
<b>Profit on ordinary activities before income tax</b>		<b>789</b>	<b>15,252</b>
Income tax expense	10	(1,652)	(2,019)
<b>(Loss) / profit for the financial year</b>		<b>(863)</b>	<b>13,233</b>

The notes on pages 14 to 40 are an integral part of these financial statements

## Statement of comprehensive income

For the year ended 31 March 2016

	Note	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
<b>(Loss) / profit for the financial year</b>		<b>(863)</b>	<b>13,233</b>
<b>Other comprehensive (loss) / income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement losses on defined benefit pension schemes	20	(4,300)	(4,800)
Deferred tax in respect of contribution to defined benefit pension plans	10	540	-
Remeasurements of defined benefit pension plans	10	320	826
		<b>(3,440)</b>	<b>(3,974)</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
(Losses) / gains in the financial year in respect of cashflow hedges		<b>(2,854)</b>	<b>4,370</b>
Deferred tax in respect of cashflow hedges accounted for in the hedging reserve		405	(917)
		<b>(2,449)</b>	<b>3,453</b>
<b>Other comprehensive loss for the financial year, net of tax</b>		<b>(5,889)</b>	<b>(521)</b>
<b>Total comprehensive (loss) / income for the financial year</b>		<b>(6,752)</b>	<b>12,712</b>

The notes on pages 14 to 40 are an integral part of these financial statements

# Tata Global Beverages GB Limited

## Statement of Financial Position

As at 31 March 2016

	Note	As at 31 March 2016 £'000	As at 31 March 2015 £'000
<b>Fixed assets</b>			
Intangible assets	12	64,085	71,228
Property, plant and equipment	13	10,926	10,519
Investment in subsidiaries	14	1,000	1,000
		<b>76,011</b>	<b>82,747</b>
<b>Current assets</b>			
Inventories	15	24,594	22,543
Trade and other receivables	16	193,290	199,070
Cash and cash equivalents		5	9
Derivative financial instruments	17	624	27
		<b>218,513</b>	<b>221,649</b>
Creditors - amounts falling due within one year	18	(93,488)	(95,914)
Derivative financial instruments	17	(706)	-
<b>Net current assets</b>		<b>124,319</b>	<b>125,735</b>
<b>Total assets less current liabilities</b>		<b>200,330</b>	<b>208,482</b>
Creditors - amounts falling due after more than one year	19	(130)	(130)
Provisions (post employment benefits)	20	(19,800)	(18,200)
<b>Net assets</b>		<b>180,400</b>	<b>190,152</b>
<b>Equity</b>			
Share capital	21	-	-
Retained earnings		180,400	190,152
<b>Total equity</b>		<b>180,400</b>	<b>190,152</b>

*The notes on pages 14 to 40 are an integral part of these financial statements*

The financial statements on pages 11 to 40 were approved by the Board 27 June 2016 and signed on its behalf by:



M Thakrar  
Director

# Tata Global Beverages GB Limited

## Statement of changes in equity

For the year ended 31 March 2016

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014		-	179,940	179,940
Profit for the financial year	27	-	13,233	13,233
Other comprehensive loss for the financial year	27	-	(521)	(521)
Total comprehensive income for the financial year		-	12,712	12,712
Dividends	11	-	(2,500)	(2,500)
Balance at 31 March 2015		-	190,152	190,152
<b>Balance at 1 April 2015</b>		-	<b>190,152</b>	<b>190,152</b>
Loss for the financial year		-	(863)	(863)
Other comprehensive loss for the financial year		-	(5,889)	(5,889)
Total comprehensive loss for the financial year		-	(6,752)	(6,752)
Dividends	11	-	(3,000)	(3,000)
<b>Balance at 31 March 2016</b>		-	<b>180,400</b>	<b>180,400</b>

*The notes on pages 14 to 40 are an integral part of these financial statements*

# **Tata Global Beverages GB Limited**

## **Notes to the financial statements for the year ended 31 March 2016**

### **1. General Information**

Tata Global Beverages GB Limited ("the company") manufactures, markets, distributes and sells Tea products. The company operates within the UK from where it services the UK grocery and foodservice markets as well as export markets primarily in Canada, Australia, Western Europe and Middle East. The company is a wholly owned subsidiary of Tata Global Beverages Group Limited ("UK") which in turn is a subsidiary of the ultimate parent company Tata Global Beverages Limited incorporated in India.

The company is a private company incorporated and domiciled in the United Kingdom. The address of its registered office is 325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ.

### **2. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are either set out below or included in the accompanying notes. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 101 in these financial statements during the year. Details of the transition to FRS 101 are disclosed in note 27.

#### **(a) Basis of preparation**

The financial statements of Tata Global Beverages GB Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006, as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 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 areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 111 (cash flow statement information),
  - 134-136 (capital management disclosures),
  - IAS 7, 'Statement of cash flows',
  - Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation), and
  - The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

#### **(b) Going concern**

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities and the company's principal risks and uncertainties as set out in the Strategic Report. Based on the company's statement of financial position showing a net asset position of £180,400k as at 31 March 2016 and the forecasts and projections, taking account of reasonably possible changes in trading performance, show that the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 2. Summary of significant accounting policies (continued)

#### (c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2016 reporting periods. The assessment of the impact of these new standards and interpretations is set out below.

##### i. New standards, amendments and interpretations adopted by the company

There are no new FRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2014 that would be expected to have a material impact on the company.

##### ii. New Standards and interpretations not yet adopted

A number of new standards and amendments, standards and interpretations are effective for annual period beginning after 1 April 2016, and have not been applied in preparing these financial statements. The company is currently assessing the impact of these standards and amendments on its results and financial position.

- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal
- IFRS 7, 'Financial instruments: Disclosures'
- IAS 19, 'Employee benefits'
- IAS 34, 'Interim financial reporting'
- IFRS 14, 'Regulatory deferral accounts'
- Amendment to IFRS 11 'Joint arrangements' on Accounting for acquisitions of interests in joint operations
- Amendments to IAS 16, 'Property plant and equipment' and IAS 41, 'Agriculture' on Agriculture: Bearer plants
- Amendments to IAS 16, 'Property plant and equipment' and IAS 38, 'Intangible assets' on clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 27, 'Separate financial statements' on equity method in separate financial statements
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates', on Investment entities: Applying the consolidation exception
- Amendments to IAS 1, 'Presentation of financial statements' Disclosure initiative.
- Amendment to IAS 12, 'Income taxes', 'Recognition of deferred tax assets for unrealised losses'
- Amendment to IAS 7, 'Cashflow statements', Disclosure initiative
- IFRS 9, 'Financial instruments'
- IFRS 15, 'Revenue from contracts with customers'
- IFRS 16, 'Leases'

#### (d) Cash flow statement

The company is a wholly-owned subsidiary of Tata Global Beverages Group Limited and is included in the consolidated financial statements of Tata Global Beverages Group Limited, which are publicly available. Consequently the company has taken advantage of the exemption from preparing the cash flow statement under the terms of FRS 101.

#### (e) Consolidated financial statements

The company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 not to prepare group financial statements as the results are included in the consolidated financial statements of Tata Global Beverages Group Limited.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 2. Summary of significant accounting policies (continued)

#### (f) Function and presentation currency financial statements

The company's functional and presentation currency is the pound sterling.

#### (g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when the risks and rewards of the underlying products have been substantially transferred to the customer including specific criteria been met for each of the company's activities, as described below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### *Sales of goods*

The company manufactures, markets and distributes tea and related products. Sales of goods are recognised when the entity has delivered products to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. Revenue is adjusted for the value of expected returns. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with sales related discounts, customers rebates and trade support costs. Sales are recorded based on the price specified in the sales contracts, net of the estimated discounts / rebates and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns.

#### (h) Depreciation and amortisation

Depreciation and amortisation is based on management estimates of the future useful lives of the property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.

#### (i) Dividend payable

Dividend payable by the company is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders.

#### (j) Investments

Investments are shown at cost less provision for accumulated impairment losses. At each reporting date investments are reviewed to determine whether there is any indication of impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected investment is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement.

If an impairment loss subsequently reverses, the carry amount of the investment is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the investment in prior years. A reversal of an impairment loss is recognised immediately in the income statement.



# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 2. Summary of significant accounting policies (continued)

#### (k) Intangible assets

##### (i) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of consideration over the identifiable net asset acquired. Fair value of consideration represents the aggregate of the consideration transferred, a reliable estimate of contingent consideration payable, and the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree on the acquisition date. Net assets acquired represents the fair value of the identifiable assets acquired and liability assumed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the acquisition itself or from the synergies of the combination or both. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is not amortised but is tested for impairment. Goodwill impairment reviews are undertaken annually. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Goodwill is subsequently measured at cost less amounts provided for impairment.

##### (ii) Brands

Brands acquired separately are measured on initial recognition at the fair value of consideration paid. Following initial recognition, brands are carried at cost less any amortisation or impairment losses. A brand acquired as part of a business combination is recognised outside goodwill, at fair value at the date of acquisition, if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

The useful lives of brands are assessed to be either finite or indefinite. The assessment includes whether the brand name will continue to trade, and the expected lifetime of the brand. Amortisation is charged on assets with finite lives on a straight-line basis over a period appropriate to the asset's useful life. The carrying values of brands with finite and indefinite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Brands with indefinite useful lives are also tested for impairment annually either individually or, if the intangible asset does not generate cash flows that are largely independent of those from other assets or groups of assets, as part of the cash-generating unit to which it belongs. Such intangibles are not amortised. The useful life of a brand with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

##### (iii) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 2. Summary of significant accounting policies (continued)

#### (k) Intangible assets (continued)

##### (iii) Computer software (continued)

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which range between 3 to 5 years.

#### (l) Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment is 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 group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings - Freehold	50 years or their estimated remaining useful life
Buildings – Leasehold	Straight line basis over remaining term of lease
Plant and equipment	3 - 25 years

Depreciation is allocated to the appropriate heading of expense by function in the income statement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### (m) Other receivables

Other receivables are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### (n) Inventories

Inventories are stated at cost or net realizable value whichever is lower. Cost is determined on weighted average basis for all inventories other than auction/private purchased teas and stores and spares. Stores and spare parts are valued on first-in, first-out (FIFO) basis whilst auction purchased or privately bought teas are carried at actual cost for each lot. Cost comprises of expenditure incurred in the normal course of business in bringing the inventories to its present location and condition and includes appropriate overheads based on the normal level of activity. Net realizable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

#### (o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

# **Tata Global Beverages GB Limited**

## **Notes to the financial statements for the year ended 31 March 2016**

### **2. Summary of significant accounting policies (continued)**

#### **(o) Current and deferred income tax (continued)**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

#### **(p) Cash and cash equivalents**

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

#### **(q) Trade receivables**

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### **(r) Creditors**

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### **(s) Employee benefits**

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 2. Summary of significant accounting policies (continued)

#### (s) Employee benefits (continued)

The company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions.

#### (t) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions mainly comprise of restructuring provisions which may include employee termination payments, lease termination penalties and dilapidations or any other provision relating to the restructure; provision for onerous lease contracts and provision for litigation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

#### (u) Derivative financial instruments and hedging activities

A derivative is a financial instrument which changes value in response to changes in an underlying asset and is settled at a future date. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities (fair value hedge); or
- (b) hedges of a particular risk associated with a firm commitment or a highly probable forecast transaction (cash flow hedge);

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 17. Movements on the hedging reserve in other comprehensive income are shown within the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group only applies fair value hedge accounting for hedging foreign exchange risk on recognised assets and liabilities.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 2. Summary of significant accounting policies (continued)

#### (u) Derivative financial instruments and hedging activities (continued)

##### (b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The ineffective portion of changes in the fair value of the derivative is recognised in the income statement within 'Other gains/(losses) – net.'

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects the income statement (for example, when the forecast purchase that is hedged takes place).

When a hedging instrument expires, swapped or unwound, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecasted transaction is no longer expected to occur, the cumulative gains/losses than were reported in equity are immediately transferred to the income statement.

#### (v) Pension obligations

A defined contribution plan is a pension plan under which the group 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. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 2. Summary of significant accounting policies (continued)

#### (w) Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities in foreign currencies are re-translated at the rate of exchange rate ruling at the balance sheet date. All exchange differences are recognised in the income statement.

#### (x) Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

#### (y) Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

### 3. Critical accounting estimates and assumptions

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

#### (a) 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.

##### (i) *Estimated impairment of goodwill and brands*

The company tests annually whether goodwill and brands have suffered any impairment, in accordance with the accounting policy stated in note 2 (k). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 12).

##### (ii) *Depreciation and amortisation*

Depreciation and amortisation is based on management estimates of the future useful lives of the property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.

##### (iii) *Employee benefits*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 3. Critical accounting estimates and assumptions (continued)

#### (a) Critical accounting estimates and assumptions (continued)

Other key assumptions for pension obligations are based in part on current market conditions.

#### (iv) Fair value of derivative financial instruments

The fair value of financial instruments that are unlisted and not traded in an active market is determined at fair value assessed based on recent transactions entered into with third party or based on valuation done by external appraisers. Where such elements don't exist the fair value is deemed to be the acquisition cost of these investments.

#### (v) Carrying value of brand support accruals

The company incurs significant costs in the support and development of the company's brands. Judgement is required in determining the level of closing accrual required at a year-end for promotions and brand support campaigns that either span two financial years or where the costs have not been fully settled by the year end date. This includes sales related discounts which are included within revenue as disclosed in the revenue recognition policy above.

### 4. Auditors remuneration

The auditors' remuneration for audit services in the current year is borne by a fellow subsidiary undertaking, Tata Global Beverages Services Limited. The audit fee of £408,900 (2015: £354,300) was paid in aggregate for the audit of the UK based subsidiaries of Tata Global Beverages Group Limited and no split is separately available for the audit of the company.

### 5. Revenue

The principal operations of the company are the processing, marketing and distribution of tea, which are regarded by the directors as a single class of business.

The origin (geographical location) and destination of the company's revenue is as follows:

Year ended 31 March 2016:	Turnover by origin £'000	Turnover by destination £'000
<i>Continuing Operations</i>		
United Kingdom	120,807	104,490
Rest of the World	16,968	33,285
<b>Total</b>	<b>137,775</b>	<b>137,775</b>

Year ended 31 March 2015:	Turnover by origin £'000	Turnover by destination £'000
<i>Continuing Operations</i>		
United Kingdom	130,111	112,261
Rest of the World	16,481	34,331
<b>Total</b>	<b>146,592</b>	<b>146,592</b>

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 6. Operating loss

	Year ended March 31 2016 £'000	Year ended March 31 2015 £'000
Revenue	137,775	146,592
Cost of sales	(102,622)	(102,476)
<b>Gross profit</b>	<b>35,153</b>	<b>44,116</b>
Selling and distribution costs	(20,763)	(22,463)
Administrative expenses	(7,526)	(7,438)
<b>Operating profit before impairment and exceptional items</b>	<b>6,864</b>	<b>14,215</b>
Impairment expense - brands (note 12)	(7,198)	-
Exceptional items (note 7)	(860)	(965)
<b>Operating (loss) / profit</b>	<b>(1,194)</b>	<b>13,250</b>

Operating loss is stated after charging:

	2016 £'000	2015 £'000
Wages and salaries	16,567	15,580
Social security costs	1,471	1,757
Other pension costs	893	915
<b>Staff costs:</b>	<b>18,931</b>	<b>18,252</b>
Depreciation	1,562	1,606
Computer software amortisation	769	859
Operating lease charges		
- Other	491	490
- Plant and machinery	228	221
Exceptional items (see note 7)	860	965

### 7. Exceptional items

	2016 £'000	2015 £'000
Manufacturing restructuring programme	860	672
UK sales and marketing team restructure	-	293
<b>Total exceptional items</b>	<b>860</b>	<b>965</b>

The manufacturing restructuring costs include redundancy and contractor exit fees (£292k) and consultancy costs for designing plans to support group's future growth agenda (£568k).



# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 8. Finance income and costs

	2016 £'000	2015 £'000
Interest income from group undertakings	4,305	4,393
<b>Total interest income</b>	<b>4,305</b>	<b>4,393</b>
Interest expense to group undertakings	(1,522)	(1,591)
Net finance cost relating to defined benefit plan (note 20)	(800)	(800)
<b>Total interest expense</b>	<b>(2,322)</b>	<b>(2,391)</b>
<b>Net interest income</b>	<b>1,983</b>	<b>2,002</b>

### 9. Employees and directors

The average number of persons (full time equivalent) employed, principally in the United Kingdom, during the year was:

	2016 Monthly average number	2015 Monthly average number
Manufacturing	272	274
Selling & distribution	58	64
Administration	52	47
<b>Total</b>	<b>382</b>	<b>385</b>

The emoluments of the Directors were as follows:

	2016 Monthly average number	2015 Monthly average number
The closed defined benefit scheme	1	1
The defined contribution pension schemes	2	2

	2016 £'000	2015 £'000
Aggregate emoluments	475	440
Company contribution to defined contribution pension schemes	50	48
	<b>525</b>	<b>488</b>

One director is an employee of Tata Global Beverages Limited who is remunerated for his service to the Group as a whole.

Highest paid director	2016 £'000	2015 £'000
Aggregate emoluments	316	290
Company contribution to defined contribution pension schemes	27	27
	<b>343</b>	<b>317</b>

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 10. Income tax

The tax assessed on the profit on ordinary activities before tax is higher (2015: higher) to that of the standard rate of corporation tax in the UK of 20% (2015: 21%).

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
<b>Current tax</b>		
UK corporation tax charge for the financial year	1,494	3,300
Adjustments in respect of prior years	(20)	(546)
Total current tax charge for the financial year	1,474	2,754
<b>Deferred tax</b>		
Origination and reversal of temporary differences	135	(636)
Adjustment in respect of previous years	43	(99)
Total deferred tax charge / (credit) for the year	178	(735)
<b>Total tax charge for the financial year</b>	<b>1,652</b>	<b>2,019</b>

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
<b>Statement of comprehensive income</b>		
Deferred tax in respect of contribution to defined benefit pension plans	540	-
Deferred tax in respect of cashflow hedges accounted for in hedging reserve	405	(917)
Remeasurements of defined benefit pension plans	320	826
<b>Total tax charge to statement of comprehensive income</b>	<b>1,265</b>	<b>(91)</b>

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	789	15,252
Tax at the UK corporation tax rate of 20% (2015: 21%)	158	3,203
Tax effect of expenses not deductible for tax		
Impairment	1,439	-
Other non deductible expenses	32	13
Retirement benefit obligation	-	(552)
Adjustments to tax charge in respect of prior years	23	(645)
<b>Total tax charge for the financial year</b>	<b>1,652</b>	<b>2,019</b>

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 10. Income tax (continued)

#### Deferred tax

Deferred tax consists of the following assets:

	Year Ended 31 March 2016	Year Ended 31 March 2015
	£'000	£'000
<b>Deferred tax assets</b>		
Deferred tax asset - to be recovered after 12 months	2,406	2,285
Deferred tax asset - to be recovered within 12 months	605	179
<b>Total</b>	<b>3,011</b>	<b>2,464</b>

There are no deferred tax liability balances as at 31 March 2016.

	Retirement benefit obligation	Derivative financial liability	Property, plant and equipment	Provisions	Other timing differences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2014</b>	2,646	137	(733)	(403)	(211)	1,436
Income statement charge / (credit)	552	-	(3)	403	167	1,119
Tax charge relating to components of other comprehensive income	826	(917)	-	-	-	(91)
<b>At 31 March 2015</b>	<b>4,024</b>	<b>(780)</b>	<b>(736)</b>	<b>-</b>	<b>(44)</b>	<b>2,464</b>
Income statement (credit)	-	-	(69)	-	(109)	(178)
Tax charge relating to components of other comprehensive income	320	405	-	-	-	725
<b>At 31 March 2016</b>	<b>4,344</b>	<b>(375)</b>	<b>(805)</b>	<b>-</b>	<b>(153)</b>	<b>3,011</b>

The company has losses of £5,000 (2015: £5,000) that are available indefinitely and are for offset against future capital gain profits only. A deferred tax asset has not been recognised as the company does not foresee the crystallisation of any capital gains in the foreseeable future for which the losses could be utilised against.

The standard rate of the corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at a rate of 20%. On 20 October 2015, the UK government substantively enacted Finance (No 2) Act 2015 which included reductions in the main corporation tax rate to 19% from April 1 2017 and to 18% from 1 April 2020.

### 11. Dividends

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

	2016 £'000	2015 £'000
<b>Equity - Ordinary</b>		
Paid 2016: £3,000,000 (2015: £2,500,000) per £1 share	3,000	2,500

Dividends proposed and paid during the year were £3,000,000 (2015: £2,500,000).

### 12. Intangible assets

	Brands	Goodwill	Software	Software work in progress	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2015	9,856	58,540	7,098	434	75,928
Additions	-	-	-	824	824
Reclassifications	-	-	597	(597)	-
<b>At 31 March 2016</b>	<b>9,856</b>	<b>58,540</b>	<b>7,695</b>	<b>661</b>	<b>76,752</b>
<b>Accumulated impairment</b>					
At 1 April 2015	-	-	-	-	-
Charge for the year	7,198	-	-	-	7,198
<b>As at 31 March 2016</b>	<b>7,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,198</b>
<b>Accumulated amortisation</b>					
At 1 April 2015	-	-	4,700	-	4,700
Charge for the year	-	-	769	-	769
<b>As at 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>5,469</b>	<b>-</b>	<b>5,469</b>
<b>Net book amount</b>					
<b>At 31 March 2016</b>	<b>2,658</b>	<b>58,540</b>	<b>2,226</b>	<b>661</b>	<b>64,085</b>
At 31 March 2015	9,856	58,540	2,398	434	71,228

#### Brands

Brands consists of the purchase of 'Vitax' tea brands principally sold in Poland for £4.8m in April 2007 and 'Jemca' tea brand principally sold in Czech republic for £5.0m in March 2014. In the prior years, the directors assessed the durability of the brands and concluded that they should be ascribed indefinite useful lives based on the strength of the brands acquired and their respective market positions.

#### Goodwill

Goodwill relates to the investments made in The Tetley Group in March 2000.

#### Impairment testing for Brands and Goodwill

The carrying value of the goodwill and brands has been, and will continue to be, subject to an annual impairment review based on the expected future cash flows of the cash generating units and adjusted to the higher of NRV or value in use if required.

As part of the impairment review, sensitivity analysis is performed on the base case assumptions used to assess the carrying value of the goodwill. In particular, the sensitivity of the discounted cash flows to the weighted average cost of capital and the achievement of the medium term plans has been reviewed and the assumptions made are considered appropriate. To focus on the strategy of exploiting the beverage potential across geographies, the company is managed based on regional responsibilities. Regions or countries within these regions having independent cash flows are designated as Cash Generating Units for the purposes of impairment testing. It has identified UK, Poland and Czech Republic as the main geographies.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 12. Intangible assets (continued)

Carrying amounts of Goodwill and brands has been allocated as follows:

CGUs	Brands		Goodwill	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Poland	-	4,816	-	-
Czech	2,658	5,040	-	-
UK	-	-	58,540	58,540
<b>Total</b>	<b>2,658</b>	<b>9,856</b>	<b>58,540</b>	<b>58,540</b>

The recoverable amount each CGU has been determined based on a value in use calculation using cash flow projections over a period of 5 years, with amounts based medium term strategic plans approved by the board. Any major variations to strategic plan based on past experience are incorporated in the calculations. Cashflows beyond the 5 year period are extrapolated using a long term growth rate.

Key assumptions in the budgets and plans include future revenue volume/price growth rates, associated future levels of marketing support, cost-base of manufacture and supply and directly associated overheads. These assumptions are based on historical trends and future market expectations specific to each CGU and the markets and geographies in which they operate.

Other key assumptions applied in determining value in use are:

- long term growth rate – Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate applicable for the geographies in which the CGUs operate, with reference to historical economic growth rates.
- discount rate – The discount rate is based on a Weighted Average Cost of Capital (WACC) for comparable companies operating in similar markets and geographies adjusted for country specific risk affecting where each CGU operates.

The long term growth rates and discount rates applied in the value in use calculations have been set out below:

	Pre-tax discount rate	Long-term growth rate
GB	7.5%	2.0%
Poland	9.1%	2.0%
Czech Republic	7.1%	2.0%

We have performed sensitivity analyses around the base assumptions and have concluded that no reasonable possible changes in key assumptions would cause the recoverable amount of the CGUs with exception of Czech Republic and Poland to be less than the carrying value.

#### Impairment charges

During the year ended 31 March 2016, the company recorded a total impairment charge of £7.2m related to the brands in Poland (£4.8m) and Czech Republic (£2.4m) reflecting a prolonged decline in the tea category which is directly related to the brands and increase in competitor intensity.

The impact of impairment has been disclosed separately within operating loss.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 13. Property, plant and equipment

	Freehold land and buildings	Plant, machinery, fixtures, fittings and equipment	Capital work in progress	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2015	9,130	56,397	375	65,902
Reclassification	-	884	(884)	-
Additions	-	-	1,988	1,988
Disposals	(19)	(2,698)	-	(2,717)
<b>At 31 March 2016</b>	<b>9,111</b>	<b>54,583</b>	<b>1,479</b>	<b>65,173</b>
<b>Accumulated Depreciation</b>				
At 1 April 2015	5,397	49,986	-	55,383
Charge for the year	82	1,480	-	1,562
Disposals	(19)	(2,679)	-	(2,698)
<b>At 31 March 2016</b>	<b>5,460</b>	<b>48,787</b>	<b>-</b>	<b>54,247</b>
<b>Net book amount</b>				
<b>At 31 March 2016</b>	<b>3,651</b>	<b>5,796</b>	<b>1,479</b>	<b>10,926</b>
At 31 March 2015	3,733	6,411	375	10,519

The capital work in progress represents plant and machinery, fixtures, fittings and equipment which have been purchased and will be brought into use in the next financial year.

### 14. Investment in subsidiaries

Cost and net book value	Shares in Group undertakings £'000
At 1 April 2015 and 31 March 2016	1,000

The directors believe that the carrying value of the investments does not require any impairment.

The Company's subsidiary undertakings held are as follows:

Entity name	Country of incorporation	Sector	Proportion of equity and voting rights held	Direct / Indirectly held
Lyons Tetley Limited	UK	Dormant Company	100%	Direct
Stansand Limited	UK	Dormant Company	100%	Direct
Stansand (Brokers) Limited	UK	Dormant Company	100%	Direct
Drassington Limited	UK	Dormant Company	100%	Direct
Teapigs Limited	UK	Tea	100%	Direct
Teapigs USA LLC	USA	Tea	100%	Indirect

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 15. Inventories

	2016 £'000	2015 £'000
Raw materials	16,972	13,372
Work in progress	562	579
Finished goods	7,060	8,592
<b>Total</b>	<b>24,594</b>	<b>22,543</b>

There is no significant difference between the amount shown above and replacement cost. During the year ended 31 March 2016 £113k (2015: £nil) was charged to the income statement for slow moving and obsolete inventories.

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £71,412k (2015: 71,262k).

### 16. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	18,073	20,116
Amounts owed by group undertakings	168,843	175,416
Corporation tax	1,841	233
Other receivables	1,071	352
Deferred tax asset (note 10)	3,011	2,464
Prepayments and accrued income	451	489
<b>Total</b>	<b>193,290</b>	<b>199,070</b>
Less non-current portion:		
Amounts owed by group undertakings	(162,061)	(168,592)
<b>Current portion</b>	<b>31,229</b>	<b>30,478</b>

The current portion of amounts owed by group undertakings is trading balances which are unsecured, repayable on demand and non-interest bearing.

Amounts owed by group undertakings include a balance held with Tata Global Beverages Services Limited totalling £161.5m (2015: £167.8m) Teapigs Limited of £0.5m (£0.8m) which fall due after more than one year. Interest is charged at variable rates of 1% above LIBOR and the loan is unsecured. The loan agreement provides for the principal to be repaid on demand by the borrower. The company has indicated to Tata Global Beverages Services Limited that it will not require the loan to be repaid within the next 12 months from the date of approval of these financial statements.

The remaining amounts owed by group undertakings reflect balances which fall due within one year of £6.8m (2015: £6.8m) which have been lent to fellow group subsidiaries. No interest is charged on these balances which are repayable on demand.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 17. Derivative financial instruments

The company has the following financial assets and liabilities measured at fair value:

	2016		2015	
	Asset	Liability	Asset	Liability
Derivative asset	624	-	27	-
Derivative liability	-	706	-	-
<b>Derivative financial instruments</b>	<b>624</b>	<b>706</b>	<b>27</b>	<b>-</b>

#### Derivative financial instruments

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency transactions. At 31 March 2016, the outstanding contracts all mature within 6 months (2015: 6 months) of the year end. The company is committed to buy US\$19m and sell CAD\$18m both against a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:USD and GBP:CAD.

### 18. Creditors - amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	7,137	7,800
Amounts owed to group undertakings	73,321	71,651
Other creditors	722	12
Accruals and deferred income	12,308	16,451
<b>Total</b>	<b>93,488</b>	<b>95,914</b>

Amounts owed to group undertakings include a loan from Tata Global Beverages Group Limited of £51.8m (2015: £49.9m), Tata Global Beverages Holdings Limited of £11.2m (2015: £11.2m), Tata Global Beverages Capital Limited of £nil (2015: £0.4m), a loan from Tata Global Beverages Czech Republic a.s. of £nil (2015: £0.1m), a trading balance with Tata Global Beverages Limited (India) of £3.1m (2015: £2.0m), a loan from Tata Global Beverages Canada Inc. of £nil (2015: £1.9m) together with other loan balances with fellow group subsidiaries in the amount of £7.2m (2015: £6.1m). The loan agreements provide for the principal to be repaid on demand by the lender.

### 19. Creditors - amounts falling due after more than one year

	2016 £'000	2015 £'000
Other Long-term Liabilities	130	130
<b>Total</b>	<b>130</b>	<b>130</b>



# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 20. Provisions (Post-employment benefits)

The table below outlines where the company's post-employment benefits amount and activity are included in the financial statements.

	2016 £'000	2015 £'000
<b>Balance sheet obligations for:</b>		
- Defined pension benefits	19,800	18,200
<b>Liability in the balance sheet</b>	<b>19,800</b>	<b>18,200</b>
<b>Income statement charge:</b>		
- Finance cost on defined pension benefits	800	800
	<b>800</b>	<b>800</b>
<b>Losses recognised in other comprehensive income:</b>		
- Remeasurements for defined pension benefits	4,300	4,800
	<b>4,300</b>	<b>4,800</b>

The company sponsors a defined benefit pension plan, the Tetley GB Final Salary Scheme (the "Scheme"), in the UK with benefits based on final salary. The company closed the Scheme to future accrual with effect from 6 April 2005. At this point, all active Scheme members moved to a deferred status under the Scheme. The final salary pension plans provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on the members' length of service and their salary in the schemes final year.

Payments to the scheme are generally updated in line with the retail price index. The majority of benefit payments are from trustee-administered funds. Responsibility for governance of the plan– including investment decisions and contribution schedules – lies jointly with the company and the board of trustees. The board of trustees must be composed of representatives of the company and plan participants in accordance with the plan's regulations.

The amounts recognised in the balance sheet are determined as follows:

	2016 £'000	2015 £'000
Present value of funded obligations	136,400	137,500
Fair value of plan assets	(116,600)	(119,300)
<b>Liability in the balance sheet</b>	<b>19,800</b>	<b>18,200</b>

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 20. Post-employment benefits (continued)

The movement in the defined benefit liability over the year is as follows:

	Present value of obligation	Fair value of plan assets	Total
	£'000	£'000	£'000
<b>At 1 April 2015</b>	<b>137,500</b>	<b>(119,300)</b>	<b>18,200</b>
Interest expense/(income)	4,600	(4,000)	600
Administrative expenses	-	200	200
	<b>142,100</b>	<b>(123,100)</b>	<b>19,000</b>
<b>Remeasurements:</b>			
– Return on plan assets, excluding amounts included in interest expense/(income)	-	5,900	5,900
– Loss from change in demographic assumptions	400	-	400
– (Gain) from change in financial assumptions	(800)	-	(800)
– Experience (gains)	(1,200)	-	(1,200)
	<b>(1,600)</b>	<b>5,900</b>	<b>4,300</b>
<b>Contributions:</b>			
– Employers	-	(3,500)	(3,500)
<b>Payments from plans:</b>			
– Benefit payments	(4,100)	4,100	-
<b>At 31 March 2016</b>	<b>136,400</b>	<b>(116,600)</b>	<b>19,800</b>

The movement in the defined benefit liability over the year is as follows:

	Present value of obligation	Fair value of plan assets	Total
	£'000	£'000	£'000
<b>At 1 April 2014</b>	<b>117,300</b>	<b>(104,700)</b>	<b>12,600</b>
Interest expense/(income)	5,200	(4,600)	600
Administrative expenses	-	200	200
	<b>122,500</b>	<b>(109,100)</b>	<b>13,400</b>
<b>Remeasurements:</b>			
– Return on plan assets, excluding amounts included in interest (income)	-	(13,800)	(13,800)
– Loss from change in demographic assumptions	18,400	-	18,400
– (Gain) from change in financial assumptions	(500)	-	(500)
– Experience losses	700	-	700
	<b>18,600</b>	<b>(13,800)</b>	<b>4,800</b>
<b>Contributions:</b>			
– Employers	-	-	-
<b>Payments from plans:</b>			
– Benefit payments	(3,600)	3,600	-
<b>At 31 March 2015</b>	<b>137,500</b>	<b>(119,300)</b>	<b>18,200</b>

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 20. Post-employment benefits (continued)

The significant actuarial assumptions were as follows:

	2016 %	2015 %
Discount rate	3.40	3.40
Inflation assumptions		
- RPI	2.90	3.00
- CPI	2.00	2.10
Rate of increase in pensions in payment	3.35	3.40
Rate of increase in pensions in deferment	3.00	3.00

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	Executives		Staff	
	2016 Years	2015 Years	2016 Years	2015 Years
Longevity at age 65 for current pensioners				
Males	23.6	23.2	22.7	22.3
Females	25.4	25.5	24.6	24.7
Longevity at age 65 for future pensioners				
Males	25.3	24.6	24.5	23.8
Females	26.9	27.1	26.0	26.2

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(10,500)	11,700
Pension growth rate in retirement	0.25%	3,200	(3,100)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Age of member in mortality assumption		(4,100)	4,100

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Plan assets comprised of:

	2016 £'000	2015 £'000
Equities	41,200	45,200
Bonds	63,200	64,000
Property	10,200	9,400
Cash	2,000	700
<b>Total</b>	<b>116,600</b>	<b>119,300</b>

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 20. Post-employment benefits (continued)

#### Risks

The nature of the Scheme exposes the company to the risk of paying unanticipated additional contributions to the Scheme in times of adverse experience. The most financially significant risks are likely to be:

- *Asset volatility*  
The Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields in line with the requirements of IAS 19R. If the Scheme assets underperform this yield, this will increase the deficit. The plan holds investments in a portfolio of equity and bonds which are expected to outperform corporate bonds in the long term but provide volatility and risk in the short term.
- *Changes in bond yields*  
A decrease in corporate bond yields will increase plan liabilities. In the event of a reduction in the corporate bond yields there will be an increase in the value of the Scheme's bond holdings.
- *Inflation risk*  
The company pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the Scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.
- *Life expectancy*  
The Scheme's obligation is to provide benefits for the life of the members. An increase in life expectancy will result in an increase in the Scheme's liabilities.

#### Policy for recognising gains and losses

The company recognises actuarial gains and losses immediately, through the remeasurement of the net defined benefit liability.

#### Asset-liability matching strategies used by the Scheme

The Scheme does not currently use any specific asset-liability matching strategies. The Trustees' current investment strategy, having consulted with the company, is to invest circa 40% of the Scheme's assets in a mix of equities and diversifying return seeking assets, with the balance in corporate bonds, in order to strike a balance between:

- maximising the returns on the Scheme's assets; and
- minimising the risks associated with the lower than expected returns on the Scheme's assets.

The trustees following the latest triennial valuation have agreed with the company to implement a revised investment strategy in the next financial year. This will consist of a reduced equity allocation of 25%, a new 50% allocation to liability-driven investment strategy which will involve hedging, in whole or in part, the fund's exposure to changes in interest rates and inflation with the remaining portfolio to be invested in multi-asset credit and property.

#### Description of funding arrangements and funding policy that affect future contributions

The Schedule of Contributions dated 10 December 2015 sets out the current contributions payable by the Company to the Scheme. This was revised based on the triennial valuation performed as at 6 April 2014 which revealed a deficit of £26,800k, with an annual deficit recovery, subject to discussions triennially of £3,500k per year up until 5 April 2022 (£292k contribution in 2023). An additional contribution of up to £3,000k will be due at the next triennial valuation date (6 April 2017) if the deficit at that date is greater than £17,700k.

#### Expected contributions over the next accounting period

The company expects to contribute approximately £3,500k to the Scheme in the year ending 31 March 2017.

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 21. Share capital

	Number	2016 £	2015 £
Allotted, called up and fully paid			
Ordinary shares of £1 each	1 (2015: 1)	1	1

### 22. Leases

The company's future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
No later than 1 year	713	682
Later than 1 year and no later than 5 years	2,760	2,239
Later than 5 years	1,022	1,278
<b>Total</b>	<b>4,495</b>	<b>4,199</b>

### 23. Contingent liabilities

The company has provided a letter of financial support to Tata Global Beverages Polska Sp. Z o.o., a fellow subsidiary undertaking owned by Tata Global Beverages Group Limited. The letter of financial support indicates that the company will provide such financial support as may be required to Tata Global Beverages Polska Sp. Z o.o. to meet its obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements of that company. Tata Global Beverages Polska Sp. Z o.o. made a loss for the financial year of PLN 7,934,000 and had net liabilities of PLN 23,163,000 at 31 March 2016.

### 24. Capital commitments

Capital expenditure authorised by the Board and contracted for at 31 March 2016 amounted to £0.4m (2015: £0.1m).

### 25. Parent company

The immediate parent undertaking is Tata Global Beverages Holdings Limited. The smallest parent company to include the company's results in its consolidated financial statements is Tata Global Beverages Group Limited, a company incorporated in the United Kingdom. Copies of that company's financial statements may be obtained from 325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ. The largest company to consolidate the company's results and the company's ultimate parent undertaking and controlling party is Tata Global Beverages Limited, a company registered in India. The consolidated financial statements of Tata Global Beverages Limited are available from 1 Bishop Lefroy Road, Kolkata, India.

### 26. Events after the end of the reporting period

As at the date of this report, no matter or circumstance has arisen since 31 March 2016 that has significantly affected, or may significantly affect the company, its results or the state of affairs in future financial years.

### 27. Transition to FRS 101

This is the first year that the company has presented its results under FRS 101. The last financial statements under UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 101 was 1 April 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 31 March 2015 between UK GAAP as previously reported and FRS 101.

A reconciliation of the profit and loss, statement of comprehensive income and balance sheet at the transition date and as at the prior year end date is presented below:

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 27. Transition to FRS 101 (continued)

#### Reconciliation of income statement for the year ended 31 March 2015

		UK GAAP	FRS adjustments		FRS
		Year ended 31 March 2015	Defined benefit pension scheme	Derivative financial instruments	Year ended 31 March 2015
	Note	£'000	£'000	£'000	£'000
<b>Revenue</b>		146,592	-	-	146,592
<b>Operating profit before impairment and exceptional items</b>	B,C	12,617	2,625	(1,027)	14,215
Impairment expense - brands		-	-	-	-
Exceptional items		(965)	-	-	(965)
<b>Operating profit</b>		11,652	2,625	(1,027)	13,250
Finance income		4,393	-	-	4,393
Finance costs	B	(1,591)	(800)	-	(2,391)
<b>Finance income - net</b>		2,802	(800)	-	2,002
<b>Profit on ordinary activities before income tax</b>		14,454	1,825	(1,027)	15,252
Income tax expense	B	(2,403)	384	-	(2,019)
<b>Profit for the financial year</b>		12,051	2,209	(1,027)	13,233

#### Reconciliation of statement of comprehensive income for the year ended 31 March 2015

		UK GAAP	FRS adjustments		FRS
		Year ended 31 March 2015	Defined benefit pension	Derivative financial instruments	Year ended 31 March 2015
	Note	£'000	£'000	£'000	£'000
<b>Other comprehensive (loss) / income:</b>					
<b>Items that will not be reclassified to profit and loss</b>					
Remeasurement losses on defined benefit pension schemes	B	(5,800)	1,000	-	(4,800)
Remeasurements of defined benefit pension plans	B	994	(168)	-	826
		(4,806)	832	-	(3,974)
<b>Items that may be subsequently reclassified to the profit and loss</b>					
Gains in the period in respect to cashflow hedges	C	-	-	4,370	4,370
Deferred tax in respect of cashflow hedges accounted for in the hedging reserve	C	-	-	(917)	(917)
		-	-	3,453	3,453
<b>Other comprehensive loss for the financial year, net of tax</b>		(4,806)	832	3,453	(521)

# Tata Global Beverages GB Limited

## Notes to the financial statements for the year ended 31 March 2016

### 27. Transition to FRS 101 (continued)

Reconciliation of statement of financial position as at 31 March 2015

	UK GAAP As at 31 March 2015	FRS adjustments				FRS As at 31 March 2015
		Reclass between property, plant & equipment and intangibles	Defined benefit pension scheme	Derivative financial instruments	Reclass of loan balances between current and non- current	
	Note	£'000	£'000	£'000	£'000	£'000
<b>Fixed assets</b>						
Intangible assets	A	68,396	2,832	-	-	71,228
Property, plant and equipment	A	13,351	(2,832)	-	-	10,519
Investment in subsidiaries		1,000	-	-	-	1,000
		82,747	-	-	-	82,747
<b>Current assets</b>						
Inventories		22,543	-	-	-	22,543
Trade and other receivables	B,C	196,887	-	1,985	198	199,070
Cash and cash equivalents		9	-	-	-	9
Derivative financial instruments	C	-	-	27	-	27
		219,439	-	1,985	225	221,649
Creditors - amounts due within one year	D	(28,998)	-	-	183 (67,099)	(95,914)
Derivative financial instruments	C	-	-	-	-	-
<b>Net current assets</b>		190,441	-	1,985	408 (67,099)	125,735
<b>Total assets less current liabilities</b>		273,188	-	1,985	408 (67,099)	208,482
Creditors - amounts due after more than one year	C,D	(67,099)	-	-	(130) 67,099	(130)
Provisions (post employment benefits)		(780)	-	(17,420)	-	(18,200)
<b>Net assets</b>		205,309	-	(15,435)	278	190,152
<b>Equity</b>						
Share capital		-	-	-	-	-
Retained earnings	B	205,309	-	(15,435)	278	190,152
<b>Total equity</b>		205,309	-	(15,435)	278	190,152

#### Explanation of adjustments

##### (A) Recognition of computer software

Under FRS 101 Computer software integral to the related hardware is classified as property, plant and equipment. Computer software not integral to the related hardware is recognised as an intangible asset whilst under UK GAAP it is stated that software development costs that are directly attributable to bringing a computer system into working condition should be treated as part of the cost of the related hardware rather than as a separate intangible asset.

##### (B) Defined benefit pension scheme

Under FRS 17 the company was able to take advantage of the multi-employer exemption which enabled it to account for its obligations under the group defined benefit plan as a defined contribution plan. Under IAS 19, no such exemption exists and the company must now recognise the defined benefit liability, and given that the majority of it's the group plan's members were formerly employed by the company the full deficit has been accounted for in the company, with the other sponsoring company Tata Global Beverages Services Limited no longer accounting for its share. In prior years the company took 75% of the total contribution to the scheme as a charge to the income statement with Tata Global Beverages Services Limited taking the remainder.

# **Tata Global Beverages GB Limited**

## **Notes to the financial statements for the year ended 31 March 2016**

### **27. Transition to FRS 101 (continued)**

#### **(C) Derivative accounting**

Under UK GAAP the group's foreign currency forward contracts hedging future transactions at the balance sheet date were not retranslated and were held off balance sheet. Under IFRS 9 all derivatives are fair valued and the group has elected to apply hedge accounting by designating the contracts as hedging instrument in cashflow hedges of either future sales for which the group has firm commitments or expected purchases from suppliers that are highly probable. The fair value changes on the hedging instrument that is determined to be effective hedge is recognised in other comprehensive income with any remaining gain or loss deemed to be an ineffective hedge and is recognised in profit or loss.

#### **(D) Reclassification of loan balances**

Under IAS 32 and 39 for financial instruments loans issued or borrowed that are non-interest bearing in nature these are required under the standards to be classified as current rather than non-current in the statement of financial position compared to the UK GAAP. An analysis was performed to review outstanding loans and identified balances that are current liabilities due to their repayable on demand nature.