Grant Thornton

Financial statements
Typhoo Tea Limited

For the year ended 31 March 2008

Company No 5573418

Company information

Company registration number	5573418
Registered office	Pasture Road Moreton Wirral Merseyside CH46 8XF
Directors	K Paul - Chairman N Ahmed - Vice Chairman P Paul D Atal M Banfield F Ahmed M McBrien M Tapal A Soans
Secretary	M Banfield
Bankers	ICICI Bank UK Limited Corporate Banking 21 Knight Bridge London SW1X 7LY Barclays Bank PLC Corporate Banking 8 - 9 Hanover Square London W1A 4ZW

Company information

Solicitors	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
	Brabners Chaffe Street LLP 3rd Floor Horton House Exchange Flags Liverpool L2 3YL
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 1st Floor Royal Liver Building Liverpool L3 1PS

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Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 March 2008.

Principal activity

The company is principally engaged in blending, packing and the sale of tea, and operates within the United Kingdom.

Business review

EBITDA for the year was £1,290,135 (2007: £2,060,392) with a net loss for the year of £10,318,418 (2007: £6,020,852). The net loss includes a charge of £1,529,377 in respect of derivative financial instruments and a loss of £934,458 on the translation of foreign currency loans, as disclosed in note 2 to the accounts. Net Sales and EBITDA are lower than the previous year, reflecting the reduction in lower margin business in the overall mix given the operational diseconomies of producing this volume, whereas total gross margin has improved as a result. Notwithstanding this loss and the deficit in reserves, these financial statements have been prepared under the principles of going concern. The Directors consider the continued support of the banks and shareholders to be adequate for this basis to be used.

The Company is one of the largest blenders and packers of tea in the United Kingdom selling a range of Branded and Customer Own Brand products. The Company also exports to more than 40 markets. Apart from the Typhoo brand, the Company also has a stable of other well known brands including Ridgways, Lift, Heath & Heather, London Fruit & Herb and Red Mountain instant coffee.

Blending and packing operations are based in Moreton in the Wirral where the average number of employees in the year were 363.

Since acquisition by the Apeejay Surrendra Group in October 2005 a number of changes were required to provide a standalone footing from the previous parent company to provide operational capability and capacity. This included a new IT system which became fully operational during the year and has already delivered process improvements and cost savings. Key personnel roles have also now been filled enabling the organisation to deliver the strategy to move the business forward.

The benefits of Group tea buying expertise, reduced packaging costs and improving factory efficiencies provided cost benefits during the year and will continue to deliver savings in the year ahead.

Commensurate levels of consumer and customer marketing spend were invested in the context of a continuing competitive market. This investment delivered strong results year-on-year with total UK branded market share growing by 8%*. Our international business grew by 14% year-on-year with the appointment of new distributors.

Outlook

We anticipate that levels of competitive activity in 2009/2010 will remain as high as the year just past. In line with our strategy, we will invest in relevant sales and marketing support to grow our brands and we will continue working closely with our Own Brand customers to ensure they have a competitive offering.

There are clear indications that the price of raw tea will rise significantly over the coming fiscal year reflecting shortages in African supply and increasing consumption on the Indian sub-continent. Our further challenge therefore will be to manage margins in this context. Cost reduction will continue which will deliver further savings in 2008/09.

*Source: IRL 52 weeks to March 2008 compared to previous 12 months.

Report of the directors

In summary, the market share growth achieved in 2007/08 and the reduced cost base provides a strong platform upon which to compete in 2008/09.

Strategy

The Company remains dedicated to:

- Brand growth through rigorous consumer focus
- Delivering value to our customer fixtures through Own Brand supply
- Delivering efficiency improvements throughout the year

Operational Review

Net Sales: £000

	2007 / 2008	2006 / 2007
Total	£56,696	£71,293
Excluding low margin business	£52,688	£55,326

Net sales were down on the preceding year reflecting the reduction in lower margin business in the overall mix given the operational diseconomies of producing this volume. The following should also be noted;

- Excluding low margin business, actual volumes increased by almost 2% year-on-year
- Notwithstanding the fact that volumes were up, competitive pressures required additional promotional investment which reduced net sales, excluding low margin business, from £55.3m to £52.7m.

With the reduction in low margin business, overall gross margin improved from 9.0% in 06/07 to 9.5%. Also contributing to gross margin improvement were cost savings in raw tea and packaging, improved factory efficiencies and the full year impact of a price increase in the previous year.

We have grown our market share during the fiscal year through a programme of consumer and customer activities. Typhoo was re-launched with a new TV commercial, pack design and associated consumer activities and we have sought to offer consumers value with a programme of promotional offers through our customers. Total company volume share grew by 8%* as a result. We have worked closely with our customers to develop their Own Brands resulting in numerous category building and profit growth initiatives.

Cost reduction is an on-going focus for the business. Packaging cost savings and improved factory efficiencies have been achieved. Additionally, headcount has reduced through restructuring and we anticipate further cost savings in the year ahead.

Key risks and uncertainties

The directors confirm that there is an ongoing process for identifying, evaluating and managing risks faced by the company.

The key risks faced by the company are movements in raw tea prices, foreign exchange movements and interest rate movements. The increases in tea prices during the year have led to pressure on margins as management try to secure price increases with key customers. These pressures are expected to continue in the foreseeable future as discussed in the outlook section above.

*Source: IRL 52 weeks to March 2008 compared to previous 12 months.

Report of the directors

As a result of the financial instruments in place, movements in foreign exchange rates and interest rates have a significant impact on the company.

KPIs

The business applies key performance indicators to monitor and benchmark performance as follows.

	2008	2007
Gross Margin % to revenue	9.5%	9.0%
Customer Service	99.07%	97.7%
Head Count (based on year end figures)	344	362

Year-on-year margin improvement reflects the reduction in low margin business, prime cost improvements and the full year benefit of price increases in the previous year. The customer service improvement resulted from continuous process improvement and close customer liaison. Restructuring has enabled reduced headcount.

Last year we commented on our Quality Assurance Programme (QAP). The programme, which commenced in 1992, is dedicated to developing ethical awareness and improving working and environmental conditions on the estates from which we purchase our tea. Since 1998 we have formally adopted the Ethical Trading Initiative (ETI) standards for ethics and labour practices and in 2007 became one of the first companies to be audited by the ETI. This audit endorsed our transparency and dedication to continuous improvement.

The continuing drive to recycle has reduced waste sent to landfill by 64% over the past 3-years.

Risk management objectives and policies

Typhoo Tea Limited is exposed to a variety of financial risks which result from both its operating and financing activities. The company's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial markets.

Typhoo Tea Limited does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant risks to which the company is exposed to are described below and in note 16 of the financial statements.

Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The company is exposed to concentrations of credit risk, due to the high volume of trading with specific customers. This exposure is primarily with blue chip customers and is reviewed on a daily basis with the monitoring of outstanding debts.

Report of the directors

Cash flow and fair value interest rate risks

The company's general borrowing facilities are managed by the use of floating rates of interest. Interest rates and cash flow forecasts are monitored regularly by the directors with a view to converting some borrowing to fixed rate if necessary.

Currency risk

The company purchases tea in US dollars, which gives rise to currency risk. The company policy is to manage this risk by foreign currency borrowing and forward currency contracts. The company manages the risk of foreign currency borrowings using derivative financial instruments.

Directors

The membership of the board at 31 March 2008 is set out below. Other than as stated all directors served throughout the year.

P Paul		
D Atal		
K Paul - Chairman		
N Bonneywell	-	resigned 31 December 2007
M Banfield		
N Ahmed - Vice Chairman		
M McBrien		
M Tapal		
F Ahmed		
A Soans	-	appointed 31 December 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the directors 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 elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Report of the directors

Statement of directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records that 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of The Companies Act 1985.

ON BEHALF OF THE BOARD

M Banfield
20 March 2009

Grant Thornton

Report of the independent auditor to the directors of Typhoo Tea Limited

We have audited the financial statements of Typhoo Tea Limited for the year ended 31 March 2008 which comprise the principal accounting policies, the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Report of the directors and the financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the directors consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Report of the independent auditor to the directors of Typhoo Tea Limited

Basis of audit opinion (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 March 2008 and of its loss for the year ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Report of the directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
LIVERPOOL

20 March 2009

Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRSs as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, except that they have been modified to include the revaluation of certain non-current assets and financial liabilities. The measurement basis and principal accounting policies of the company are set out below and remain unchanged from the previous period.

Going concern

Notwithstanding the deficiency in reserves and the loss incurred in the year, these financial statements have been prepared under the principles of going concern. The directors consider the continued support of the banks and shareholders to be adequate for this basis to be used.

The shareholders have provided support to the business and have confirmed that this support will not be withdrawn for the foreseeable future. It is expected that further investment will be required over the next three years, and the shareholders have confirmed that they will provide this as required. The loans are due for final repayment in 2012 and 2013 respectively and the company is trading within the terms of these loans and have met all the repayment and interest payments to date. During the year the company did breach a loan covenant. Therefore the relevant loans are disclosed as due in less than one year. The covenant breach has been discussed with the bank post year end with no impact on the loan repayment terms.

Change in accounting policies

Overall considerations

Typhoo Tea Limited have adopted for the first time IFRS 7 Financial Instrument: Disclosures in its 2008 financial statements. The standard has been applied retrospectively, ie with amendments to the 2007 accounts and their presentation. The 2007 comparatives contained in these financial statements therefore differ from those published in the financial statements for the year ended 31 March 2007.

Other standards or interpretations relevant for IFRS financial statements did not become effective during the current financial year.

Significant effects on current, prior or future periods arising from the first time application of the standards listed above in respect of presentation, recognition and measurement of accounts are described in the following notes. An overview of standards and interpretations that will become mandatory for Typhoo Tea Limited in future periods is given in the following accounting policies.

Principal accounting policies

Adoption of IFRS 7 Financial instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends disclosure requirements previously set out in IAS 32 Financial Instruments: Presentation and Disclosures. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, Typhoo Tea Limited's financial statements now feature:

- a sensitivity analysis, to explain the company's market risk exposure in regards to its financial instruments, and

- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first time application of IFRS 7, however, has not resulted in any prior period adjustments of cash flows, net income or balance sheet line items.

Consolidation

The directors consider that the subsidiary undertakings of the company taken together are not material and therefore consolidated financial statements are not required.

Revenue - sale of goods

Revenue is the value of sales after deduction of sales rebates, discounts, Value Added Tax and other taxes directly attributable to turnover. Sales are recognised upon receipt of confirmation that the goods shipped have been accepted by the customer, where the sales price is fixed and collectability is reasonably assured. Shipping and handling costs are included in selling and distribution costs.

Sales rebates and discounts

Sales rebates and discounts reserves are established based on the agreements in place and management's best estimate of the amounts necessary to meet claims by the company's customers in respect of these discounts and rebates. The provision is made at the time of sale and released, if unutilised, after assessment that the likelihood of such a claim being made has become remote.

Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the company of it's fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the company. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair values of the complimentary assets are reliably measurable, the company recognises them as a single asset provided the individual assets have similar useful lives.

Principal accounting policies

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised at cost as an intangible asset and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses, with all impairment costs being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

Externally acquired intangible assets

Brands, trademarks and domain names

Intangible assets acquired as part of a business combination are initially recognised as shown below and subsequently reviewed at least annually for impairment or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly, and charged to administration expenses.

The significant intangibles recognised by the company, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Contractual relationships

Contractual relationships are initially recognised at fair value and subsequently net of amortisation and any provision for impairment.

Amortisation is calculated to write down the valuation of contractual relationships by equal annual instalments or their estimated useful economic lives. The periods of amortisation are determined based on the expected term of the contract.

Intangible asset	Useful economic life	Valuation method
Trademarks	Indefinite	Multiple of estimated revenues profits
Contractual relationships	Term of contract	Estimated discounted cash flow
Domain names	Indefinite	Market value

Principal accounting policies

Property, plant and equipment

Property, plant and equipment are initially recognised at cost.

Freehold land is not depreciated. Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. Any revaluation surplus is credited to the revaluation reserve in equity, unless the carrying amount has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in the income statement, a revaluation increase is recognised in the income statement with the remaining increase charged to equity.

Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the income statement.

An appropriate transfer is made from the revaluation reserve to the profit and loss reserve when freehold land and buildings are expensed through the income statement (eg through depreciation, impairment or sale).

Antiques are not depreciated. Antiques are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. An appropriate transfer is made from the revaluation reserve to the profit and loss reserve when antiques are expensed through the income statement (eg through depreciation, impairment or sale).

All other items of property, plant and equipment are carried at depreciated cost.

Depreciation

Depreciation is provided on all other items of property, plant and equipment and the effect is to write off the carrying value of items by equal instalments over their expected useful economic lives. It is applied at the following rates.

Freehold buildings	40 years
Plant & machinery	Up to 10 years
Freehold improvements	Up to 20 years

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 31 March. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Principal accounting policies

Impairment of non-financial assets (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the company's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

An impairment loss is recognised for the amount by which the assets or cash generating units carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset, or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Inventories

Inventories are valued at the lower of cost and net realisable value. No interest is included but, where appropriate, cost includes materials, direct labour, production and other attributable overhead expenses. Cost is calculated on a first-in-first-out basis by reference to the invoiced value of supplies and attributable costs of bringing stock to its present location and condition.

Principal accounting policies

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the company and it is probable that reversal will not occur in the foreseeable future. In addition tax losses available to be carried forward as well as other income tax credits to the company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

Financial assets

Financial assets are divided into the following categories: loans and receivables or financial assets at fair value through profit or loss. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expenses through the income statement.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity as at fair value through profit or loss upon initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be reclassified subsequently.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Principal accounting policies

Financial assets (continued)

Provision against trade receivables is made when there is objective evidence that the company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the company transfers substantially all the risks and rewards of ownership of the asset, or if the company neither retains nor transfers substantially all the risks and rewards if ownership but does transfer control of that asset.

Generally, Typhoo Tea Limited recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expenses relating to financial assets are recognised in the income statement line item "finance costs" or "finance income", respectively.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. Typhoo Tea Limited's trade and most other receivables fall into this category of financial instruments. Discounting, however, is omitted where the effect of discounting is immaterial.

Significant receivables are considered for impairment on a case by case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics, if any. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category. However, no other type of Typhoo Tea Limited's financial instruments currently falls into this category.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Principal accounting policies

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. Items within this category relate to derivative financial instruments. All other financial liabilities are recorded at amortised cost using the effective interest method. With interest related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and liquid resources

Short-term cash deposits, which can be called on without any material penalty are included within cash balances in the balance sheet and cash flow statement.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Revaluation reserve" represents the excess of the fair value and carrying value of Property, plant and equipment.
- "Profit and loss reserve" represents retained profits.

Preference shares that are classified as liabilities are recognised at fair value through profit or loss and are remeasured at each reporting date. On conversion of these shares into equity shares, no gain or loss is recognised, as the new shares are issued at the fair value of the preference shares at the date of conversion.

Pension costs

Payments to the company's defined contribution schemes are charged to the profit and loss account in the period in which they are incurred.

Principal accounting policies

Foreign currency translation

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement. The "functional and presentational currency" of the entity is sterling.

Critical accounting estimates and judgements

In the preparation of the financial statements a number of estimates and assumptions have been made relating to the reporting of results and the financial condition of the company. Results may differ from those estimates under different assumptions and conditions. The directors consider that the above accounting policies address the critical areas of the company. These policies require subjective and complex judgement. Often as a result of the need to make estimates about matters that are uncertain. Further information about these estimates and judgements is included in the relevant notes as listed:

Business combinations	:	Note 32
Goodwill and impairments	:	Note 6
Intangibles and impairments	:	Note 7
Loans	:	Notes 14

Standards and interpretations not yet applied by Typhoo Tea Limited

The following new standards and interpretations, which are yet to become mandatory, have not been applied in Typhoo Tea Limited's 2008 group financial statements.

Standard or interpretation		Effectives for in reporting periods starting on or after
IAS 1	Presentation of Financial Statements (revised 2007)	1 January 2009
IAS 23	Borrowing costs (revised 2007)	1 January 2009
Improvements to IFRSs	Improvements to IFRSs	1 January 2009 other than certain amendments effective 1 July
IFRS 3	Business Combinations (Revised 2008)	1 July 2009 prospectively for transfers on or after 1 July 2009

Principal accounting policies

Standards and interpretations not yet applied by Typhoo Tea Limited (continued)

Based on Typhoo Tea Limited's current business model and accounting policies, management does not expect material impacts on Typhoo Tea Limited's company financial statements when the interpretations become effective.

The possible outcome of applying the revised version of IAS 23 is yet to be determined. Under the new standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. This may affect the management of assets which are self constructed in the course of Typhoo Tea Limited's ongoing research and development activities. The company's current accounting policy is to immediately expense all borrowing costs. A change in accounting policies will affect the timing of expense recognition as well as the presentation of the resulting expenses (interest costs versus amortisation).

Typhoo Tea Limited does not intend to apply any of these pronouncements early.

Income statement

	Note	2008	2007
		£	£
Revenue		**56,695,795**	71,292,640
Cost of sales		**(51,296,336)**	(64,832,096)
Gross profit		**5,399,459**	6,460,544
Administration costs		**(6,712,352)**	(6,660,582)
Operating loss	1	**(1,312,893)**	(200,038)
Finance costs	2	**(8,908,324)**	(5,890,642)
Finance income	2	**94,499**	69,828
Loss before tax		**(10,126,718)**	(6,020,852)
Taxation	5	**(191,700)**	-
Loss for the year	18	**(10,318,418)**	(6,020,852)

All of the activities of the company are classed as continuing.

See accompanying notes to the financial statements

Statement of changes in equity

	Share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 31 March 2006	1	(992,950)	-	(992,949)
Loss for the year and total recognised income and expenses for the year to 31 March 2007	-	(6,020,852)	-	(6,020,852)
Issue of non-voting ordinary shares	2,510,000	-	-	2,510,000
Conversion of preference shares	29,000,000	-	-	29,000,000
Balance at 31 March 2007	31,510,001	(7,013,802)	-	24,496,199
Revaluation of land and buildings	-	-	4,432,365	4,432,365
Loss for the year 31 March 2008	-	(10,318,418)	-	(10,318,418)
Balance at 31 March 2008	**31,510,001**	**(17,332,220)**	**4,432,365**	**18,610,146**

See accompanying notes to the financial statements

Balance sheet

	Note	2008 £	2007 £
Assets			
Non-current			
Goodwill	6	**6,595,350**	6,595,350
Intangible assets	7	**58,347,999**	58,447,999
Property, plant and equipment	8	**18,724,516**	15,791,201
Investments	9	**10**	10
Deferred tax asset	11	**-**	191,700
		83,667,875	81,026,260
Current assets			
Inventories	10	**7,244,082**	10,174,988
Trade and other receivables due within 1 year	11	**9,601,919**	7,604,494
Cash and cash equivalents	31	**741,649**	2,365,602
		17,587,650	20,145,084
Total assets		**101,225,525**	101,171,344
Equity			
Equity attributable to shareholders of Typhoo Tea Limited			
Share capital	17	**31,510,001**	31,510,001
Revaluation reserve	18	**4,432,365**	-
Retained earnings	18	**(17,332,220)**	(7,013,802)
Total equity		**18,610,146**	24,496,199
Current liabilities			
Trade and other payables	12	**15,031,839**	14,792,779
Other financial liabilities	12	**58,965,159**	12,681,755
Total current liabilities	12	**73,996,998**	27,474,534
Non-current liabilities			
Other financial liabilities	13	**7,119,004**	49,200,611
Derivative financial instruments		**1,529,377**	-
Total liabilities		**82,645,379**	76,675,145
Total equity and liabilities		**101,255,525**	101,171,344

These financial statements were approved by the directors on 20 March 2009 and signed on their behalf by:

M Banfield
Director

See accompanying notes to the financial statements

Cash flow statement

	Note		2008		2007
		£	£	£	£
Operating activities					
Loss before tax			**(10,126,718)**		(6,020,852)
Depreciation	8	**2,503,028**		2,185,430	
Amortisation of intangible assets	7	**100,000**		75,000	
Amortisation of issue costs		**671,214**		-	
Change in inventories	10	**2,930,906**		253,632	
Change in trade and other receivables	11	**(1,997,425)**		(413,547)	
Change in trade and other payables	12	**(71,620)**		7,383,129	
Interest payable	2	**8,908,324**		4,599,234	
Interest receivable	2	**(94,499)**		(69,828)	
Net cash from operating activities			**12,949,928**		14,013,050
Investing activities					
Additions to property, plant and equipment	8	**(1,066,977)**		(3,101,275)	
Disposals to property, plant and equipment	8	**63,000**		-	
Acquisition of Gold Crown Limited				(9,000,000)	
Interest received	2	**94,499**		69,828	
			(909,478)		(12,031,447)
Financing activities					
Proceeds from other loans		**8,454,554**		11,957,000	
Loss on translation of foreign currency loans		**934,458**		-	
Repayment of loans		**(5,576,000)**		(6,184,000)	
Proceeds from share issue		**-**		2,510,001	
Derivative fair value adjustment	2	**1,529,377**		-	
Interest paid	2	**(8,908,324)**		(4,599,234)	
			(3,565,935)		3,683,767
Cash and cash equivalents, beginning of year			**(1,234,078)**		(878,596)
Net decrease in cash and cash equivalents			**(1,652,203)**		(355,482)
Cash and cash equivalents, end of year	31		**(2,886,281)**		(1,234,078)

See accompanying notes to the financial statements

Notes to the financial statements

1 Operating loss

The following items have been included in arriving at operating loss:

	2008 £	2007 £
Employee benefits expense	**988,410**	890,190
Repairs and renewals	**1,261,119**	1,527,670
Auditor's remuneration		
Fees payable to the company's auditor in respect of the audit	**35,000**	28,000
Tax services	**5,000**	5,000
Other services	**-**	19,000
Inventories		
Cost of inventories recognised as an expense (included in cost of sales)	**36,590,742**	40,928,127
Write down of inventories (included in cost of sales)	**70,007**	155,489
Depreciation of property, plant and equipment:		
Owned assets	**2,361,301**	2,011,246
Lease assets	**141,726**	174,184
Amortisation	**100,000**	75,000
Other operating lease rentals payable		
Plant and machinery	**59,545**	72,901
Exchange gains/losses	**116,833**	(46,835)

Notes to the financial statements

2 Finance costs and finance income

Finance cost includes all interest related income and expenses, other than those arising from financial assets at fair value through profit or loss. The following amounts have been included in the income statement line for the reporting periods presented:

	2008 £	2007 £
Finance charge on preference shares	-	592,639
Interest payable on bank borrowing	431,004	326,744
Interest expense on bank borrowings at amortised cost	382,849	455,300
Amortisation of issue costs of other loan	671,214	698,769
Interest payable on related party loans	3,462,464	346,416
Interest expense on related party loans at amortised cost	1,361,343	3,337,500
Interest expenses for finance lease arrangements	123,456	73,124
Other interest payable	12,159	60,150
Total interest expense for financial liabilities	6,444,489	5,890,642
Loss on translation of foreign currency loans	934,458	-
Loss on foreign currency financial liabilities designated at fair value	1,529,377	-
Finance costs	8,908,324	5,890,642

The loss on foreign currency financial liabilities designated at fair value takes account of interest payments on these loans.

An element of the finance charge on preference shares remains unpaid at the balance sheet date and is included in accruals in note 13.

	2008 £	2007 £
Interest receivable	(94,499)	(69,828)
Finance income	(94,499)	(69,828)

Notes to the financial statements

3 Employee remuneration

Expense recognised for employee benefits is analysed below:

	2008 £	2007 £
Wages and salaries	**10,327,507**	10,328,646
Social security costs	**1,088,332**	1,014,060
Pensions - defined contributions plans	**821,867**	734,944
Total	**12,237,706**	12,077,650

The average monthly number of persons employed by the company during the year was:

	2008	2007
By activity		
4 weekly paid	**274**	306
Monthly paid	**89**	82
	363	388

The liability recognised for pensions and other employee remuneration in the balance sheet is £91,771 (2007: £112,670). These liabilities represent the company's obligations to its employees and are expected to be settled during the next financial year. These liabilities arise from outstanding pension contributions and accrued holiday entitlement.

4 Key management remuneration

Key management personnel remuneration includes the following:

	2008 £	2007 £
Short term employee benefits		
Emoluments	**689,572**	826,723
Post-employment benefits		
Defined contribution pension schemes	**69,540**	44,357
Total	**759,112**	871,080

The emoluments of the directors of Typhoo Tea Limited are included within the above. The directors received emoluments of £199,086 (2007: £125,478). During the year company pension contributions of £34,000 (2007: £10,500) were made to a money purchase scheme on behalf of the directors. Retirement benefits were accruing to one director under money purchase schemes.

Notes to the financial statements

5 Taxation

The relationship between the expected tax expense based on the standard rate of corporation tax in the UK (28%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2008 £	2007 £
Result for the year before tax	**(10,126,718)**	(6,020,852)
Expected tax credit at tax rate of 28% (2007: 30%)	**(2,835,481)**	(1,806,256)
Adjustment for non-deductible expenses	**29,689**	244,949
Adjustment to rate of tax	**118,647**	-
Deferred tax asset not recognised	**2,888,624**	1,561,307
Movement in other short term timing differences	**(9,779)**	-
Actual tax expense	**191,700**	-
Comprising:		
Current tax expense	**-**	-
Deferred tax expense resulting from the origination and reversal of temporary differences	**191,700**	-
	191,700	-

Reference should be made to note 15 for information on the entity's deferred tax assets and liabilities.

Notes to the financial statements

6 Goodwill

	2008	2007
	£	£
Gross carrying amount at 1 April 2007	**6,595,350**	1,013,841
Acquisition	**-**	4,085,998
Fair value adjustments	**-**	1,495,511
Gross carrying amount at 31 March 2008	**6,595,350**	6,595,350

No impairment has been recognised in relation to goodwill since initial recognition.

The fair value adjustment arises as the amounts relating to the business combination in 2006 were only provisionally determined at 31 March 2006. Although there has been no change to the overall value of the business combination, there has been a reallocation of values in the current year to correctly reflect the assets acquired at fair value.

Impairment tests for goodwill

Goodwill acquired is allocated by cash generating unit ("CGU") as follows:

	2008	2007
	£	£
Typhoo	**2,509,352**	2,509,352
Own label	**4,085,998**	4,085,998
Net carrying value of goodwill	**6,595,350**	6,595,350

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill may be impaired. Confirmation of the CGUs carrying value is determined based on value in use calculations. The key assumptions for value in use calculations are those relating to discount rates, future cashflows and growth rates. See note 7 for discussion of reasonable possible changes in each of these key assumptions. Discount rates are estimated based on the pre-tax interest rate applicable to the company as given the gearing of the company this is considered to reflect the risk of the cash generating units (CGUs). Growth rates after the detailed three year cash flow projection are assumed to be 3% based on UK long term average growth rates.

All projections are based on information approved by management in respect of the following three years cash flows.

Assumptions are based upon events in prior periods as adjusted for expected developments in the following year with reference to market conditions. All turnover and costs are taken into account based on forecasts over the next 3 years. These forecasts anticipate growth in margins, as a result of the business increasing its market share and also from cost savings. These assumptions are supported by the post year end result and are forecast to continue for the foreseeable future. As at 31 March 2008 the pre-tax rate used to discount the forecasted cash flows was 10% (2007: 8.5%).

There were no impairments resulting from reviews performed in 2007 or 2008.

Notes to the financial statements

7 Other intangible assets

	Contractual relationships £	Domain names £	Brand/ trademarks £	Total £
Cost				
As at 31 March 2006	-	60,000	55,203,899	55,263,899
Additions	600,000	5,000	3,409,000	4,014,000
Fair value adjustment	-	-	(754,900)	(754,900)
At 31 March 2007 and 31 March 2008	600,000	65,000	57,857,999	58,522,999
Amortisation				
As at 31 March 2006	-	-	-	-
Amortisation charge and as at 31 March 2007	75,000	-	-	75,000
Charge for the year	100,000	-	-	100,000
Impairments	-	-	-	-
At 31 March 2008	175,000	-	-	175,000
Net book value at 31 March 2008	**425,000**	**65,000**	**57,857,999**	**58,347,999**
Net book value at 31 March 2007	525,000	65,000	57,857,999	58,447,999
Net book value at 31 March 2006	-	60,000	55,203,899	55,263,899

The material brands held on the balance sheet are Typhoo, London Fruit & Herb, Lift, H & H, Red Mountain and Glengettie.

Notes to the financial statements

7 Other intangible assets (continued)

Domain names are not specifically allocated to a CGU. Brands/trademarks are fully allocated to specific CGUs. as detailed below:

CGU	Brand / Trademark
	£
Typhoo	33,339,100
Glengettie	2,526,930
Ridgeways	469,110
H&H	5,254,020
London Fruit & Herb	6,249,780
Lift	5,379,110
Melroses	349,020
Freshbrew	506,640
Natureland	375,290
Red Mountain	3,409,000
	57,857,999

The key assumptions to the value in use calculations are those regarding growth rates, discount rates and future cash flows. The impact on the impairment review of the CGUs of reasonably possible changes to each of the key assumptions is as follows:

Growth rates
Growth rates after the detailed three year plan are assumed to be 3% based on UK long term average growth rates. There would be no impact of increasing the growth rates as this would result in an increase to the value in use of the CGUs. A reduction in the growth rate to 2% does not give rise to any impairment if all other factors remain consistent.

Discount rates
Discount rates are estimated based on pre-tax interest rates applicable to the company, as due to the gearing of the company this is considered to reflect the risk of the CGUs. The discount rate used in the calculations is 10% (2007: 8.5%). The directors consider that a reasonable possible change of the discount factor would be an increase/decrease of 1%/1.5% based on past experience and external sources of information. There would be no impact on the impairment review if the discount rate were to change by this amount as the recoverable amount of the CGUs would remain greater than their carrying value and so there would be no impairment.

Future cash flows
The directors have determined future cash flows based on past performance and its expectations of developments in future years with reference to market conditions. The directors consider that the three year plan is their best estimate of future cashflows, and do not envisage that the cashflows projected will not be achieved. Sensitivity analysis has been completed to determine the reduction that would be required before an impairment issue would arise; this showed that a reduction over 40% reduction in the forecast cashflows would be required before impairments would be required.

There were no impairments resulting from reviews performed in 2007 or 2008.

Notes to the financial statements

8 Property, plant and equipment

	Land	Freehold buildings	Freehold improvements	Antiques	Plant and machinery	Total
	£	£	£	£	£	£
Cost						
As at 31 March 2006	1,170,000	2,020,000	222,211	10,485	11,568,718	14,991,414
Additions	-	-	67,187	-	3,934,088	4,001,275
Fair value adjustments	-	-	-	-	(203,443)	(203,443)
As at 31 March 2007	1,170,000	2,020,000	289,398	10,485	15,299,363	18,789,246
Additions	-	-	-	-	1,067,426	1,067,426
Disposal	-	-	-	-	(63,449)	(63,449)
Transfer	-	-	42,224	-	(42,224)	-
Revaluation adjustment	530,000	3,780,000	-	-	-	4,310,000
31 March 2008	1,700,000	5,800,000	331,622	10,485	16,261,116	24,103,223
Accumulated depreciation						
Depreciation charge and as at 31 March 2006	-	21,365	5,907	-	785,343	812,615
Charge for the year	-	50,500	19,002	-	2,115,928	2,185,430
Depreciation charge and as at At 31 March 2007	-	71,865	24,909	-	2,901,271	2,998,045
Charge for the year	-	50,500	21,117	-	2,431,410	2,503,027
Depreciation eliminated on revaluation	-	(122,365)	-	-	-	(122,365)
31 March 2008	-	-	46,026	-	5,332,681	5,378,707
Net book value at 31 March 2008	**1,700,000**	**5,800,000**	**285,596**	**10,485**	**10,928,435**	**18,724,516**
Net book value at 31 March 2007	1,170,000	1,948,135	264,489	10,485	12,398,092	15,791,201
Net book value at 31 March 2006	1,170,000	1,998,635	216,304	10,485	10,783,375	14,178,799

Notes to the financial statements

8 Property, plant and equipment (continued)

Land and freehold buildings are carried at fair value based on periodic valuations. These assets were revalued using a market based appraisal as at 31 March 2008, guided by an independent external professional valuer, GVA Grimley.

The following carrying amounts would have been recognised on revalued assets under the cost model:

	Land	Freehold buildings
	£	£
Cost	1,170,000	2,020,000
Accumulated depreciation	0	122,365
Net book value	**1,170,000**	**1,897,635**

The property, plant and equipment are subject to a debenture that secures a loan as detailed in note 14.

Included within plant and machinery are assets with a net book value of £1,346,837 (2007: £1,810,603) held under a finance lease. Depreciation of £141,726 (2007: £174,184) has been charged on these assets.

9 Investments

Typhoo Tea Limited owns the entire ordinary share capital of the following companies, who are all dormant and registered in England and Wales. Consolidation of these subsidiaries is not considered necessary as all of the companies have capital and reserves of £1 and have no material assets or liabilities.

Ridgways Limited
Heath & Heather Limited
The London Herb & Spice Company Limited
Kardomah Limited
London Tea & Produce Company Limited
Glengettie Tea Company Limited
The London Fruit & Herb Company Limited
Melroses Limited
Mantunna Limited
Red Mountain Coffee Company Limited

	2008	2007
	£	£
Cost		
At 1 April 2007	10	8
Additions	-	2
At 31 March 2008	10	10

Notes to the financial statements

10 Inventories

	2008	2007
	£	£
Raw materials and consumables	**2,350,693**	5,868,780
Work in progress	**548,404**	857,629
Finished goods	**4,402,202**	3,575,803
Write down on inventories	**(57,217)**	(127,224)
	7,244,082	10,174,988

11 Trade and other receivables

	2008	2007
	£	£
Trade receivables	**8,510,290**	6,710,172
VAT	**690,238**	723,915
Other debtors	**94,885**	12,922
Prepayments and accrued income	**306,506**	157,485
	9,601,919	7,604,494

The carrying value of trade receivables is considered a reasonable approximation of fair value.

The trade receivables are subject to a debenture that secures a loan as detailed in note 14.

	2008	2007
	£	£
Non current assets		
Deferred tax asset (see note 15)	-	191,700
	-	191,700

All of Typhoo Tea Limited's trade and other receivables have been reviewed for indicators of impairment. No trade receivables were found to be impaired therefore no provision (2007: £Nil) has been recorded accordingly.

Notes to the financial statements

12 Trade and other payables

	2008	2007
	£	£
Trade payables	**8,305,194**	6,159,238
Other tax and social security payments	**269,071**	268,577
Other creditors and accruals	**6,457,574**	8,364,964
Amounts owed under asset financing agreement	**334,992**	348,054
Bank overdraft	**3,627,930**	3,599,680
Bank loan	**6,267,151**	2,741,956
Loans from related parties	**48,735,086**	5,992,065
	73,996,998	27,474,534

The fair values of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

13 Non-current liabilities

	2008	2007
	£	£
Other creditors and accruals	**750,000**	750,000
Bank loan	**-**	6,259,737
Amounts owed under asset financing agreement	**906,804**	1,204,441
Loans from related parties	**5,462,200**	40,986,433
	7,119,004	49,200,611

The loan from related party is subject to an intermediary arrangement. The loan originates from ICICI Bank UK Limited and was loaned to Teaco Finance Sàrl a limited liability company registered in Luxembourg who then made the facility available to Typhoo Tea Limited.

The loan is secured on Typhoo Tea Limited's property and assets including goodwill, book debts, uncalled capital, buildings, fixtures and fixed plant and machinery by way of a debenture held by ICICI Bank UK Limited. During the year the company did breach a loan covenant in relation to one of the loans in this caption. Therefore the relevant loan is disclosed as due in less than one year. The covenant has been renegotiated post year end with no impact on the loan repayment terms.

The interest is payable on the loan from related party at LIBOR plus 1.9125%. In addition, premiums that formed part of the finance cost were incurred, which results in an effective interest rate on this loan of 10%.

The interest is payable on the bank loan at LIBOR plus 1.85%. Management consider that this is a reasonable approximation of the effective interest rate.

Included in other creditors and accruals is an amount of £750,000 (2007: £750,000). This represents the amount that the former holders of the preference shares are owed. This amount will not be paid until there are sufficient distributable reserves. The amount was calculated with reference to the amount prescribed in the Articles of Association, but was fixed as a specific amount on conversion of the preference shares during the year.

Notes to the financial statements

14 Financial liabilities - borrowings

	2008	2007
	£	£
Current		
Bank overdraft	**3,627,930**	3,599,680
Amounts owed under asset financing agreement	**334,992**	348,054
Loan from related party	**48,735,086**	5,992,065
Bank loan	**6,267,151**	2,741,956
	58,965,159	12,681,755
Non-current		
Loan from related party	**5,462,200**	40,986,433
Bank loan	-	6,259,737
Amounts owed under asset financing agreement	**906,804**	1,204,441
	65,334,163	61,132,366

The loan from related party and overdraft are secured on Typhoo Tea Limited's property and assets including goodwill, book debts, uncalled capital, buildings, fixtures and fixed plant and machinery by way of a debenture held by ICICI Bank UK Limited.

The bank loan is due for repayment by June 2013 as follows:

	2008	2007
	£	£
In one year	**6,267,151**	284,956
In one to two years	-	578,956
In two to five years	-	1,736,868
In more than five years	-	3,943,913
	6,267,151	6,544,693

Interest is payable on the bank loan at LIBOR plus 1.85%. Management consider that this is a reasonable approximation of the effective interest rate.

The balance of the bank loan in the prior year that was classified as current was repayable on demand based on the terms of the loan. Interest is payable on this loan at LIBOR plus 4%. Management consider that this is a reasonable approximation of the effective interest rate.

Notes to the financial statements

14 Financial liabilities - borrowings (continued)

The loan from related party is due for repayment by 30 September 2012 as follows:

	2008	2007
	£	£
In one year	**48,735,086**	5,992,065
In one to two years	-	4,492,065
In two to five years	-	13,476,195
In more than five years	-	23,018,173
	48,735,086	46,978,498

The interest is payable on the loan from related party at LIBOR plus 1.9125%. In addition, premiums that formed part of the finance cost were incurred, which results in an effective interest rate on this loan of 10%.

The balance of the loan from related party is classified as current, as it is repayable on demand based on the terms of the loan. Interest is payable on this loan at LIBOR plus 4%. Management consider that this is a reasonable approximation of the effective interest rate.

Preference share capital
In previous periods the company had preference shares in issue. These were classified as debt under IAS 32. Shareholders were entitled to receive a dividend of LIBOR plus 2% or 3% per annum. During the prior year these preference shares were converted into £1 nominal value, non-voting ordinary equity shares.

The dividend owing to the shareholders at the conversion date was waived and replaced with an amount of £750,000, agreed by the company and its shareholders. This amount is shown within non current liabilities as an accrual and will be paid once there are sufficient distributable reserves.

Financial instruments
As referred to in the Report of the directors on page 6, the company only uses financial instruments comprising borrowing, cash, liquid resources and various items, such as trade receivables and trade payables, that arise directly from its operations. The main purpose of these financial instruments is to finance the company's operations.

The main risks arising from the company's financial instruments are credit risk, cash flow and interest rate risk. The directors review and agree policies for managing each of these risks. The directors do not consider that there is any significant foreign exchange risk within the business.

Notes to the financial statements

15 Deferred tax assets and liabilities

The deferred tax arising from temporary differences and unused tax losses can be summarised as follows:

	2008	Movements in year	2007
	£	£	£
Tax asset by type of temporary differences			
Total tax losses available	**6,799,381**	3,440,451	3,358,930
Tax losses recognised	**3,590,512**	1,792,889	1,797,623
Tax liabilities by type of temporary differences			
Property, plant and equipment	**1,879,362**	1,332,594	546,768
Intangible assets	**1,711,150**	651,995	1,059,155
	3,590,512	1,984,589	1,605,923
Net asset	**-**	(191,700)	191,700

The tax losses available are recognised up to the point of eliminating the tax liabilities arising due to temporary differences. These tax liabilities arise due to capital allowances being in excess of amortisation and depreciation, however due to the significant unrecognised tax losses, the directors do not consider that it is appropriate to recognise a liability in relation to these.

Within the property, plant and equipment deferred tax liability there is £1,241,062 that would have been recognised directly in equity if there had not been an offsetting deferred tax asset.

The directors do not feel it would be prudent to recognise the full deferred tax asset as a result of the current and prior period results. The directors do however, believe that the company will become profitable at operating level as supported by forecasts.

16 Risk management objectives and policies

Typhoo Tea Limited is exposed to a variety of financial risks which result from both its operating and investing activities. The company's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial markets.

Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The company is exposed to concentrations of credit risk, due to the high volume of trading with specific customers. This exposure is primarily with blue chip customers and is reviewed on a daily basis with the monitoring of outstanding debts.

Notes to the financial statements

16 Risk management objectives and policies (continued)

Cash flow and fair value interest rate risks

The company's general borrowing facilities are managed by the use of floating rates of interest. Interest rates and cash flow forecasts are monitored regularly by the directors with a view to converting some borrowing to fixed rate if necessary.

Currency risk

The company purchases tea in US dollars, which gives rise to currency risk. The company policy is to manage this risk by foreign currency borrowing and forward currency contracts. The company manages the risk of foreign currency borrowings using derivative financial instruments.

17 Share capital

The share capital of Typhoo Tea Limited consists of ordinary equity shares.

The 1p ordinary equity shareholders are eligible to receive dividends and the repayment of capital and each share represents one vote at the shareholders' meeting.

The £1 ordinary equity shareholders are eligible to receive dividends and the repayment of capital but do not have any voting rights.

	2008	2007
	£	£
Authorised share capital:		
10,000 ordinary shares of 1p each	**100**	100
60,000,000 ordinary shares of £1 each	**60,000,000**	60,000,000
	60,000,100	60,000,100

Issued share capital		**2008**		2007
	No	**£**	No	£
100 ordinary shares 1p each	**100**	**1**	100	1
Ordinary shares of £1 each	**31,510,000**	**31,510,000**	31,510,000	31,510,000
		31,510,001		31,510,001

Notes to the financial statements

18 Reserves

	Revaluation reserve £	Retained earnings £
At 31 March 2007	-	(7,013,802)
Loss for the year	-	(10,318,418)
Revaluation surplus	4,432,365	-
At 31 March 2008	**4,432,365**	**(17,332,220)**

19 Finance leases

The company's significant finance leases are in relation to plant and machinery. The net carrying amount of assets held under finance leases are £1,346,837 (2007: £1,810,603).

Future minimum finance lease payments at the end of each reporting period under review were as follows:

	2008 £	2007 £
Within one year	**334,992**	348,064
From one to five years	**906,804**	348,064
After five years	**-**	856,387
	1,241,796	1,552,515

The company has a number of leasing arrangements in relation to property, plant and equipment, including computer equipment.

20 Operating lease

The company's future minimum operating lease payments are as follows:

	Other £	Other £
From one to five years	**156,634**	158,734

21 Contingent liabilities

At 31 March 2008 and 31 March 2007 the company had no contingent liabilities.

Notes to the financial statements

22 Capital commitments

	2008	2007
	£	£
Contracts placed for future capital expenditure not provided in the financial statements	-	257,530

23 Other commitments

	2008	2007
	£	£
Contracts placed for future expenditure regarding tea contracts	6,476,945	4,873,179

24 Summary of financial assets and liabilities by category

The carrying amounts of Typhoo Tea Limited's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categories as follows.

	2008	2007
	£	£
Financial assets - loans and receivables		
Cash and cash equivalents	741,649	2,365,602
Trade receivables	8,510,290	6,710,172
Other debtors	94,885	12,922
Prepayments and accrued income	306,506	157,485
	9,653,330	9,246,181
Financial liabilities		
Fair value through profit or loss		
Derivative financial instrument	1,529,377	-
Other		
Trade payables	8,305,194	6,159,238
Other creditors and accruals - current	6,457,574	8,364,964
Other creditors and accruals - non current	750,000	750,000
Amounts owed under asset financing agreement - current	334,992	348,054
Amounts owed under asset financing agreement - non current	906,804	1,204,441
Bank overdraft	3,627,930	3,599,680
Bank loan - current	6,267,151	2,741,956
Bank loan - non current	-	6,259,737
Loans from related parties - current	48,735,086	5,992,065
Loans from related parties - non current	5,462,200	40,986,433
	80,846,931	76,406,565
	82,376,308	76,406,565

Notes to the financial statements

24 Summary of financial assets and liabilities by category (continued)

Derivative financial instruments: financial liabilities carried at fair value through profit or loss. This is a new instrument taken out by Typhoo Tea Limited in the current year to reduce the level of interest payments in relation to a number of Swiss franc loans. The amount above represents the change in fair value which is wholly attributable to variations in interest rates. The fair value change recognised has not been affected by changes in credit risk.

The above financial assets and liabilities have not suffered any impairment.

The carrying values of the above financial assets and liabilities is considered to be their fair values. All financial assets are short term and therefore the carrying value is considered a reasonable approximation of fair value. Financial liabilities measured at amortised cost have been valued using the effective interest rate method. Derivative financial instruments have been valued by an external valuer using a discounted cash flow model and a simulation model.

25 Foreign currency sensitivity

Most of Typhoo Tea Limited's transactions are carried out in Sterling. Exposures to currency exchange rates arise from the company's overseas purchases, which are primarily denominated in US Dollars and Euros. Further, Typhoo Tea Limited has a Swiss Franc loan which has been used to fund working capital.

To mitigate the company's exposure to foreign currency risk, non-Sterling cash flows are monitored and forward exchange contracts are entered into in accordance with Typhoo Tea Limited's risk management policies. Generally, Typhoo Tea Limited's risk management procedures distinguish short term foreign currency cash flows (due within six months) from longer term cash flows. Forward exchange contracts are mainly entered into for significant long term foreign currency exposures that are not expected to be offset by other currency transactions.

Foreign currency denominated financial assets and liabilities, translated in Sterling at the closing rate, are as follows: trade receivables, trade payables and loans.

Notes to the financial statements

25 Foreign currency sensitivity (continued)

Nominal amounts	2008 US$	2008 €	2008 CHF	2008 Other	2007 US$	2007 €	2007 CHF	2007 Other
	£	£	£	£	£	£	£	£
Financial assets	125,576	43,320	141	2,473	2,660	-	-	-
Financial liabilities	4,121	(39,971)	(9,178)	-	(33,865)	(399,212)	(47,711)	(3,631)
Short term exposure	**129,697**	**3,349**	**(9,037)**	**2,473**	(31,205)	(399,212)	(47,711)	(3,631)
Financial liabilities	-	-	5,153,088	-	-	-	-	-
Long term exposure	-	-	**5,153,088**	-	-	-	-	-

Note financial assets are not subject to any long term currency exposures

The following table illustrates the sensitivity of the net result for the year in regard to the company's financial assets and financial liabilities and the US Dollar - Sterling exchange rate,
Euro-Sterling exchange rate, Swiss Franc (CHF) - Sterling exchange rate and other - Sterling exchange rate.

It assumes a + / - 10% and 20% change of the exchange rates for the year ended 31 March 2008 (2007: 10% and 20%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Typhoo Tea Limited's foreign currency financial instruments held at each balance sheet date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

Notes to the financial statements

25 Foreign currency sensitivity (continued)

	2008				2007			
	US$	**€**	**CHF**	**Other**	US$	€	CHF	Other
	£	**£**	**£**	**£**	£	£	£	£
Short term exposure								
Financial assets								
+ 10%	11,416	3,938	13	225	123	-	-	-
- 10%	(13,953)	(4,813)	(16)	(275)	(151)	-	-	-
+ 20%	10,929	7,220	23	412	226	-	-	-
- 20%	(31,394)	(10,830)	(35)	(618)	(339)	-	-	-
Financial liabilities								
+ 10%	4,121	(39,971)	(9,178)	-	1,569	24,657	1,815	146
- 10%	(5,037)	48,853	11,217	-	(1,917)	(30,136)	(2,218)	(178)
+ 20%	7,555	(73,279)	(16,826)	-	2,876	45,204	3,328	267
- 20%	(11,332)	109,919	25,239	-	(4,314)	(67,806)	(4,991)	(400)
Long term exposure								
Financial liabilities								
+ 10%	-	-	468,463	-	-	-	-	-
- 10%	-	-	(572,565)	-	-	-	-	-
+ 20%	-	-	858,848	-	-	-	-	-
- 20%	-	-	(1,288,272)	-	-	-	-	-

Notes to the financial statements

25 Foreign currency sensitivity (continued)

In addition to the above, Typhoo Tea Limited also has a number of Swiss Franc loans, which management have taken out a foreign currency derivative against in order to reduce the level of interest payment. The currency rate sensitivities of this instrument are detailed below.

	2008	2007
Nominal amounts	**US$**	US$
Financial Liabilities		
Derivative financial instrument - USD - CHF exchange rate 0.96.	**1,529,377**	-
Long term exposure	**1,529,377**	-

The following table illustrates the sensitivity of the net result for the year in regards to the above arrangement.

	2008	2007
	US$	US$
Long term exposure		
Financial liabilities		
Derivative financial instrument		
USD - CHF exchange rate 1.0	**1,189,000**	-
USD - CHF exchange rate 0.9	**1,689,000**	-

26 Interest rate sensitivity

Typhoo Tea Limited's policy is to minimise interest rate cash flow risk exposures on long term financing. At 31 March 2008 Typhoo Tea Limited was exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

The following table illustrates the sensitivity on the net result for the year and equity to a reasonably possible change in interest rates of +2% and -2% (2007: +/-2%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observations of current market conditions. The calculations are based on Typhoo Tea Limited's financial instruments held at each balance sheet date. All other variables are held constant.

		2008		2007
	+2%	**-2%**	+2%	-2%
Net result for the year	(1,137,867)	1,137,867	(1,190,312)	1,190,238
Equity	1,137,867	(1,137,867)	1,190,312	(1,190,288)

Notes to the financial statements

27 Credit risk analysis

Typhoo Tea Limited's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2008	2007
	£	£
Classes of financial assets - carrying amounts		
Trade and other receivables (excluding VAT)	**8,911,681**	6,880,579
Cash and cash equivalents	**741,649**	2,365,602
	9,653,330	9,246,181

Typhoo Tea Limited continuously monitor defaults of customers and other counterparties, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Typhoo Tea Limited's policy is to deal only with creditworthy counterparties.

The company is exposed to concentrations of credit risk, due to the high volume of trading with specific customers. This exposure is primarily with blue chip customers and is reviewed on a daily basis with the monitoring of outstanding debts.

Typhoo Tea Limited's management considers that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See below for further information on impairment or financial assets that are past due.

None of Typhoo Tea Limited's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The entities trade receivables are reviewed for indicators of impairment.

	2008	2007
	£	£
Trade receivables as at 1 April 2007	**6,710,172**	5,481,413
Increase/(decrease) in trade receivables	**1,800,118**	1,228,759
	8,510,290	6,710,172

Notes to the financial statements

27 Credit risk analysis (continued)

In addition, some of the unimpaired receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2008 £	2007 £
Not more than 3 months	**439,276**	(3,309,024)
More than 3 months but not more than 6 months	**(43,970)**	2,989,432
More than 6 months but not more than 12 months	**22,953**	(426,856)
More than 12 months	**347**	-
	418,606	(746,448)

Credit balances above relate to rebates that have not yet been taken by customers. These are offered as incentives if certain volumes are achieved, the credit is raised against the debtor balance.

28 Liquidity risk analysis

Typhoo Tea Limited manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day projection. Long-term liquidity needs for a 180 day and a 360 day lookout period are identified monthly.

Typhoo Tea Limited maintains cash to meet its liquidity requirements for up to 30 day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at 31 March 2008 Typhoo Tea Limited's liabilities have contractual maturities which are summarised below:

31 March 2008	Current		Non-current	
	within 6 months £000	6 - 12 months £000	1 to 5 years £000	later than 5 years £000
Bank loans	**905**	**261**	**7,856**	-
Loans from related parties	**4,295**	**15,296**	**49,913**	-
Finance lease obligations	**215**	**215**	**889**	-
Trade payables	**8,305**	-	-	-
Other short term financial liabilities	**10,086**	-	-	-
Other financial liabilities	-	-	-	**750**
Derivatives	-	-	**1,529**	-
	23,806	**15,772**	**60,188**	**750**

Notes to the financial statements

28 Liquidity risk analysis (continued)

This compares to the maturity of Typhoo Tea Limited's financial liabilities in the previous reporting period as follows:

31 March 2007	within 6 months £000	Current 6 - 12 months £000	1 to 5 years £000	Non-current later than 5 years £000
Bank loans	611	261	5,217	3,685
Loans from related parties	4,292	6,672	30,794	25,775
Finance lease obligations	215	215	1,319	-
Trade payables	6,159	-	-	-
Other short term financial liabilities	11,965	-	-	-
Other financial liabilities	-	-	-	750
Derivatives	-	-	-	-
	23,242	7,148	37,330	30,210

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

Notes to the financial statements

29 Related party transactions

The following transactions took place in the period

Company name	Relationship	Nature of transaction	Value in period to 31.3.2008 £	Amount due (from)/to at 31.3.2008 £	Value in period to 31.3.2007 £	Amount due to at 31.3.2007 £
Apeejay London Limited	Fellow subsidiary	Cost recharge	**5,161,603**	**5,159,330**	441,742	2,273
Apeejay London Limited	Fellow subsidiary	Loan advance	**4,218,630**	**4,218,630**	-	-
Teaco Finance Sàrl	Fellow subsidiary	Loan advance/ (capital repayment)	**3,726,000**	**45,090,000**	(5,184,000)	48,816,000
Teaco Finance Sàrl	Fellow subsidiary	Interest on loan	**3,187,484**	**536,836**	3,590,120	593,597
Apeejay Tea Limited	Fellow subsidiary	Tea purchases	**559,441**	**339,486**	652,549	-
Apeejay Tea Panama	Fellow subsidiary	Loan advance	**6,250,000**	**6,250,000**	2,500,000	1,500,000
Global Tea Commodites Limited	Related party	Tea purchases	**4,815,747**	**2,563,545**	717,224	468,883
Gold Crown Foods (EPZ) Ltd Mombasa	Related Party	Contract packing	**848,817**	**454,357**	-	-
Gold Crown Foods (EPZ) Ltd Mombasa	Related Party	Sale of property, plant & equipment	**205,087**	**115,284**	-	-

The loan with Teaco Financial Sarl is set up on an arms length basis. The loan from related party is subject to an intermediary arrangement. The loan originates from ICICI Bank UK Limited and was loaned to Teaco Finance Sarl, a limited liability company registered in Luxembourg who then made the facility available to Typhoo Tea Limited.

The interest is payable on the loan from the related party at LIBOR plus 1.9125%. The effective interest rate on this loan is 10%.

Notes to the financial statements

30 Ultimate controlling entity

The directors consider the ultimate controlling entity of this company to be Surrendra Holdings Inc, registered in Panama. The directors consider the entity's parent to be International Beverages Inc, a company registered in Panama.

31 Analysis of balances of cash and cash equivalents

	2008	2007
	£	£
Bank balances	**741,649**	2,365,602
Overdraft	**(3,627,930)**	(3,599,680)
Movement	**(2,886,281)**	(1,234,078)

32 Acquisitions

The company acquired the trade and assets from First Management Services Limited and Gold Crown Foods Limited on 27 June 2006. The acquisition was made to enhance the company's position in the retail market.

The total cost of acquisition is the purchase price of £9m. The purchase price was settled in cash.

The acquisition cost was allocated as below:

	2008
	£
Goodwill	4,085,998
Property, plant and equipment	900,000
Investments	2
Intangible assets	4,014,000
Acquisition cost	9,000,000

Disclosure of the carrying amounts of the acquirees assets and liabilities immediately before the combination in accordance with IFRS was impracticable. Gold Crown Foods Limited had not applied IFRS prior to the acquisition, therefore IFRS data is not available prior to the date of acquisition.

Notes to the financial statements

32 Acquisitions (continued)

A significant part of the acquisition costs can be attributed to the own label business that Gold Crown serviced. Due to the terms related to this business, £600,000 was recognised in respect of these customer relationships. These circumstances contributed to the amount recognised as goodwill on this combination.

All goodwill arising on the combination has been allocated to cash generating units by 31 March 2007. No major line of business will be disposed of as a result of the combination.

It is impracticable to disclose the result of the Gold Crown business between the date of acquisition and the balance sheet date, as this business has been fully integrated into the combined entity.

It is impracticable to disclose the revenue and the result for the full year, as though the Gold Crown acquisition had taken place at 1 April 2006, as IFRS data is not available prior to the date of acquisition in relation to Gold Crown Foods Limited.