



Financial statements Typhoo Tea Limited

For the year ended 31 March 2011

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Company No 5573418

Company information

Company registration number	5573418
Country of incorporation	England and Wales
Registered office	Pasture Road Moreton Wirral Merseyside CH46 8XF
Directors	K Paul - Chairman N Ahmed - Vice Chairman P Paul K Packer F Ahmed M McBrien M Tapal A Soans
Secretary	K Packer
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
Statutory Auditor
Chartered Accountants
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 2011

Principal activity

The company is principally engaged in marketing, blending, packing and the sale of hot beverages, and operates within the United Kingdom

Business review

Typhoo Tea Limited consistently endeavours to improve the quality of the products and their brand presence in the market. The company is performing well after the last re-organisation, improving the volume production and cash flow of the company.

The current recessionary conditions in the economy have driven the market towards a 'state of two nations', one nation gravitating to value for money products, the other towards higher quality and value items.

The results of the company show the impact of the current economic situation which has driven the overall turnover slightly lower (3% down on a year on year basis) in spite of a high increase in the retailer branded business (22% up on a year on year basis). The company is maintaining its performance in terms of turnover, production quantity, quality, and service to the customer overcoming the impact of the slowdown in the retail market. A large part of this ongoing sustainability has been contributed by improving the Typhoo brands share in key trade sectors, further international sales growth, and winning a number of new private label supply contracts. During the course of the year we have increased the range of products offering many new products in black tea, and Fruit & Herbal infusions.

Raw material inflation continues to be a challenge to all businesses, at Typhoo we are keeping pressure on reducing cost and have improved the cost base through intelligent buying and efficient production.

The Company is one of the largest blenders and packers of black tea, and fruit & herbal infusions in the United Kingdom selling a range of Branded and Private Label products. The Company also exports to more than 50 international markets.

The company is intensifying its activities towards optimum utilisation of the group's available global resources. A detailed strategy has been implemented to improve the company's future profitability and the business plan for next year has been finalised accordingly.

The company has extended its activities with more focus into speciality and fruit & herbal infusions and continues to pursue development of higher added value tea products. The launch of Typhoo Eco Refill has already started to show growth for the brand.

The directors are confident that this business plan and the confirmed continued support of their parent group will allow the company to move into a successful year ahead.

Future Strategy

During 2009-10 we re-defined our company purpose as,

'Delivering consistently our great range of British beverages with an enthusiastic commitment to quality, value and service every day'

Report of the directors

Business review (continued)

A detailed 5 year strategy that sits behind our company purpose has been finalised to accelerate the company's future growth and the business plan for 2011-12 will show considerably improved financial and operational performance. This includes the expansion & improvement of the manufacturing operation along with strong sales & marketing to support the activation of our brand plans and to add consumer value to our product ranges at an affordable cost.

The Directors are confident that this year's business plan and the confirmed support of their parent group, Apeejay Surrendra and Global will allow the company to grow faster.

The above justifies the decision to continue to invest in the future of our business at a time when many businesses have been looking to rationalise their operational base.

We would like to thank our employees, suppliers, customers and banking institution, ICICI, for all the input and support they have given us over the last 12 months.

Disabled employees

In the event of an employee becoming disabled, every effort is made to continue their employment and having due regard to their aptitude and abilities, opportunities are given for retaining or redeployment wherever possible.

Equal opportunities policy

The Company is committed to ensuring equal opportunities in the workplace for all its employees. One of the key aims of the policy is that the Company can provide a working environment in which employees feel comfortable and assured that they will be treated with dignity and respect.

We are committed to ensuring all employees are treated equally and fairly irrespective of their sex, race, colour, creed, marital status, sexual orientation, age or disability.

This equal opportunities policy applies to the Company recruitment and selection procedures, employees' terms and conditions of employment including pay, opportunities for promotion, transfer and training, general treatment at work, disciplinary and grievance procedure and termination of employment.

All employees have a responsibility to apply this principle in practice.

Report of the directors

Business review (continued)

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. As a result of the financial instruments in place being primarily loans, movements in foreign exchange rates and interest rates have a significant impact on the company. This exposure is managed by the cross currency, interest rate swap that is in place.

Financial 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.

Cash flow and fair value interest rate risks

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

Report of the directors

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, and by fixing the exchange rates on borrowing facilities.

Directors

The membership of the board at 31 March 2011 is set out below. Other than as stated all directors served throughout the year.

P Paul
K Paul - Chairman
N Ahmed - Vice Chairman
M McBrien
M Tapal
F Ahmed
A Soans
K Packer

Prior year adjustment

In previous years, the acquired goodwill was allocated between the Typhoo and Own Label CGUs in error. The goodwill is wholly attributable to the Typhoo CGU and has been corrected in the current year. There has been no change to the total goodwill balance nor any change to the conclusion of prior period impairment reviews and as a result no change to any line items within the financial statements.

An adjustment has been processed in respect of certain loans to ensure they are carried at amortised cost in accordance with IAS 39. This has resulted in a reduction in shareholders equity of £767k as presented in the Statement of changes in shareholders equity. This was not carried at amortised cost in the previous year, and so this adjustment corrects this error.

Report of the directors

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). 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 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.

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.

In so far as each of the directors is 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Policy and practice on payment of creditors

Payment is made in accordance with the company's contractual or other legal obligations.

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 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD



K Packer
22 December 2011



Independent auditor's report to the members of Typhoo Tea Limited

We have audited the financial statements of Typhoo Tea Limited for the year ended 31 March 2011 which comprise the principal accounting policies, the statement of comprehensive income, the statement of changes in shareholders' equity, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of the company's loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent auditor's report to the members of Typhoo Tea Limited

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Carl Williams
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
22 December 2011

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 2006 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 have been applied consistently throughout the financial statements

Presentation of Financial Statements (Revised 2007)

The financial statements are prepared in accordance with IAS1 presentation of Financial Statements (Revised 2007) in its financial statements

The company has elected to present the "Statement of comprehensive income" as one statement

Two comparative periods are presented for the balance sheet when the company

- i applies an accounting policy retrospectively,
- ii makes a retrospective restatement of items in its financial statements, or
- iii reclassifies items in the financial statements

Two comparative periods have not been presented for the balance sheet as there have been no changes to the information disclosed in the previously published financial statements

Going concern

Notwithstanding the deficit in reserves and the loss incurred in the year, these financial statements have been prepared under the going concern principle. 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 2016 and 2017 following the debt restructuring in the year and the company is trading within the terms of these loans and have met all the repayment and interest payments to date

Consolidation

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

The financial statements present information about the company as an individual entity

Principal accounting policies

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 the date of delivery which is when the transfer of the risks and rewards associated with the goods takes place. 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. A 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.

Borrowing costs

Borrowing costs are expensed to the income statement in the period that they are incurred to the extent that they do not meet the capitalisation requirements of IAS 23.

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.

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 its 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 the individual fair values of the complementary assets are reliably measurable, the company recognises them as a single asset provided the individual assets have similar useful lives.

Principal accounting policies

Externally acquired intangible assets

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

Intangible asset	Useful economic life	Valuation method (initial recognition)
Brands	Indefinite	Estimated discounted cash flow
Trademarks	Indefinite	Estimated discounted cash flow
Contractual relationships	Term of contract	Estimated discounted cash flow
Domain names	Indefinite	Market value

Brands, trademarks and domain names

Brands, trademarks and domain names acquired as part of a business combination are initially recognised at fair value 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.

Brands, trademarks and domain names are considered to have an indefinite life on the basis that they form part of the cash generating units within Typhoo Tea Limited which do not expect to be discontinued and will continue in operation indefinitely.

Those assets with indefinite lives are tested annually for impairment.

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.

Investments

Shares in group undertakings are stated at cost less amounts written off where, in the opinion of the directors, there has been an impairment loss in the investments following the annual impairment review in accordance with IAS 36.

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. IMA's (tea bag machines) are subsequently carried at fair value, based on directors valuations supported by market values for machines of similar age and condition. 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 statement of comprehensive income, a revaluation increase is recognised in the statement of comprehensive income 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 statement of comprehensive income.

An appropriate transfer is made from the revaluation reserve to the profit and loss reserve when freehold land and buildings and IMAs are expensed through the statement of comprehensive income (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.

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 straight line
Plant and machinery	Up to 40 years straight line
Freehold improvements	Up to 20 years straight line
IMAs	30 years straight line

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

Principal accounting policies

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.

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 smallest 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 costs line item in the statement of comprehensive income, except to the extent they reverse gains previously recognised.

Leased assets

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 statement of comprehensive income 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 inventory 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 other comprehensive income (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to other comprehensive income.

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 expensed through the statement of comprehensive income.

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.

By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category.

Principal accounting policies

Financial assets (continued)

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. The company's trade and most other receivables fall into this category. Discounting is omitted where the effect is immaterial.

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.

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.

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 of 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 statement of comprehensive income line item "finance costs" or "finance income", respectively.

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 statement of comprehensive income. All other 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 surplus resulting from carrying assets at their fair value
- "Profit and loss reserve" represents retained profits

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.

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 recognised immediately in the statement of comprehensive income. The "functional and presentational currency" of the entity is sterling.

Principal accounting policies

Critical judgements and key sources of estimation uncertainty

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. The directors consider that the above accounting policies address the critical areas of the company, which themselves require judgement in selecting the appropriate accounting policies. Further information about the critical estimates and judgements is included in the relevant notes as listed.

Goodwill and impairments	Note 6	critical judgement
Intangibles and impairments	Note 7	critical judgement
Loans	Notes 14	key source of estimation uncertainty

The critical judgements in relation to "goodwill and impairments" and "intangibles and impairments" are the identification of cash generating units (CGUs) and the allocation of assets to those CGUs. These have been assessed based as the smallest group of assets that generate an independent revenue source. The directors have determined that the brand names are the smallest group of assets which generate an independent revenue source. These have been listed in note 7.

The key source of estimation uncertainty in relation to 'loans' is the valuation of the bank loans at amortised cost.

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 2011 financial statements.

Standard or interpretation	Effective for reporting periods starting on or after
IFRS 9 Financial Instruments	1 January 2013
IAS 24 Related Party Disclosure (Revised 2009)	1 January 2011
Improvements to IFRSs Improvements to IFRSs	1 July 2010 and 1 January 2011
IFRS 7 Disclosures - Transfers of financial assets	1 July 2011
IA5 12 Deferred tax - Recovery of underlying assets	1 January 2012

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 standards and interpretations become effective.

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

Statement of comprehensive income

	Note	2011 £'000	2010 restated £'000
Revenue		61,191	67,472
Cost of sales		<u>(49,135)</u>	<u>(49,039)</u>
Gross profit		12,056	18,433
Selling, distribution and marketing costs		<u>(7,254)</u>	<u>(9,648)</u>
Administration costs		<u>(5,229)</u>	<u>(5,640)</u>
Operating (loss)/profit	1	(427)	3,145
Effective interest rate charge	30	<u>(1,111)</u>	<u>(767)</u>
Fair value movement on derivatives	2	<u>(747)</u>	<u>(305)</u>
Other finance costs	2	<u>(5,460)</u>	<u>(4,845)</u>
Total finance costs		<u>(7,318)</u>	<u>(5,917)</u>
Finance income	2	<u>3</u>	<u>17</u>
Loss before tax		(7,742)	(2,755)
Taxation	5	<u>(36)</u>	<u>(61)</u>
Loss for the year	18	<u>(7,778)</u>	<u>(2,816)</u>
Other comprehensive income for the year			
Taxation	5	<u>36</u>	<u>61</u>
Total comprehensive income		<u>(7,742)</u>	<u>(2,755)</u>

All of the activities of the company are classed as continuing

The accompanying accounting policies and notes form an integral part of these financial statements

Statement of changes in shareholders' equity

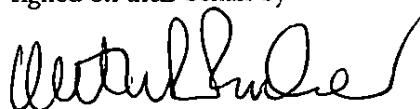
	Share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Total Shareholders' equity £'000
Balance at 31 March 2009	31,510	(22,186)	7,747	17,071
Loss for the year ended 31 March 2010 as restated	-	(2,816)	-	(2,816)
Other comprehensive income				
Transfer of increased depreciation on revaluation	-	127	(127)	-
Deferred taxation on revaluation	-	61	-	61
Total comprehensive income for the year	-	(2,628)	(127)	(2,755)
Balance at 31 March 2010 (restated)	31,510	(24,814)	7,620	14,316
Loss for the year ended 31 March 2011	-	(7,778)	-	(7,778)
Other comprehensive income				
Transfer of increased depreciation on revaluation	-	127	(127)	-
Deferred taxation on revaluation	-	36	-	36
Total comprehensive income for the year	-	(7,615)	(127)	(7,742)
Balance at 31 March 2011	31,510	(32,429)	7,493	6,574

The accompanying accounting policies and notes form an integral part of these financial statements

Balance sheet

	Note	2011 £'000	Restated 2010 £'000	2009 £'000
Assets				
Non-current				
Goodwill	6	6,595	6,595	6,595
Intangible assets	7	58,048	58,148	58,248
Property, plant and equipment	8	19,081	19,753	20,754
Investments	9	-	-	-
Deferred tax asset	11	6,966	6,222	-
		<u>90,690</u>	<u>90,718</u>	<u>85,597</u>
Current assets				
Derivative asset		-	-	725
Inventories	10	9,290	8,446	9,903
Trade and other receivables due within one year	11	8,709	10,590	7,701
Cash and cash equivalents	29	879	672	1,908
		<u>18,878</u>	<u>19,708</u>	<u>20,237</u>
Total assets		<u>109,568</u>	<u>110,426</u>	<u>105,834</u>
Equity				
Share capital	17	31,510	31,510	31,510
Revaluation reserve	18	7,493	7,620	7,747
Retained earnings	18	(32,429)	(24,814)	(22,186)
Total equity		<u>6,574</u>	<u>14,316</u>	<u>17,071</u>
Current liabilities				
Trade and other payables	12	14,429	14,446	16,439
Other financial liabilities	12	17,213	11,687	27,054
Total current liabilities	12	<u>31,642</u>	<u>26,133</u>	<u>43,493</u>
Non-current liabilities				
Other financial liabilities	13	61,805	61,922	43,741
Derivative financial instruments	13	2,581	1,833	1,529
Deferred tax liability	15	6,966	6,222	-
Total liabilities		<u>102,994</u>	<u>96,110</u>	<u>88,763</u>
Total equity and liabilities		<u>109,568</u>	<u>110,426</u>	<u>105,834</u>

These financial statements were approved by the directors and authorised of issue on 22 December 2011, and signed on their behalf by



K Packer

Director

The accompanying accounting policies and notes form an integral part of these financial statements

Cash flow statement

	Note	2011 £'000	2010 restated £'000
Operating activities			
Loss before tax		(7,742)	(2,755)
Depreciation	8	1,112	1,078
Amortisation of intangible assets	7	100	100
Amortisation of issue costs	2	674	675
Change in inventories	10	(844)	1,457
Change in trade and other receivables	11	1,879	(2,889)
Change in trade and other payables	12	(15)	(1,993)
Profit on sale of property, plant and equipment	1	-	(515)
Derivative fair value adjustment		-	1,029
Derivative finance costs	2	747	305
Effective interest rate charge	30	1,111	767
Interest payable	2	4,786	4,170
Interest receivable	2	(3)	(17)
Net cash from operating activities		1,805	1,412
Investing activities			
Additions to property, plant and equipment	8	(440)	(312)
Disposals of property, plant and equipment	8	-	750
Interest received	2	3	17
		(437)	455
Financing activities			
Proceeds from other loans		23,637	20,200
Capital element of finance lease payments		(373)	(365)
Repayment of loans		(19,630)	(18,478)
Interest paid	2	(4,786)	(4,475)
		(1,152)	(3,118)
		216	(1,251)
Cash and cash equivalents, beginning of year		(4,335)	(3,084)
Net increase/(decrease) in cash and cash equivalents		216	(1,251)
Cash and cash equivalents, end of year	29	(4,119)	(4,335)

Notes to the financial statements

1 Operating profit

The following items have been included in arriving at operating profit

	2011 £'000	2010 £'000
Employee benefits expense	1,004	956
Repairs and renewals	982	789
Auditor's remuneration		
Fees payable to the company's auditor in respect of the audit	51	41
Tax services	4	4
Inventories		
Cost of inventories recognised as an expense (included in cost of sales)	41,206	42,144
Write down of inventories (included in cost of sales)	-	102
Profit on sales of property, plant and equipment	-	(515)
Depreciation of property, plant and equipment		
Owned assets	1,090	1,056
Leased assets	22	22
Amortisation	100	100
Other operating lease rentals payable		
Plant and machinery	79	92
Motor vehicles	96	103
Fair value movements on derivatives	-	725
Exchange losses/(gains)	11	60

Notes to the financial statements

2 Finance costs and finance income

Finance costs include 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 statement of comprehensive income line for the reporting periods presented

	2011 £'000	2010 £'000
Interest expense on bank borrowings at amortised cost	317	248
Amortisation of issue costs of other loan	674	675
Interest expense on related party loans at amortised cost	4,130	3,583
Interest expenses for finance lease arrangements	31	64
Other interest payable	308	275
Total interest expense for financial liabilities	<u>5,460</u>	<u>4,845</u>

Fair value movements on derivatives	<u>747</u>	<u>305</u>
Effective interest rate charge	<u>1,111</u>	<u>767</u>
Total finance costs	<u>7,318</u>	<u>5,917</u>

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

	2011 £'000	2010 £'000
Interest receivable	<u>(3)</u>	<u>(17)</u>
Finance income	<u>(3)</u>	<u>(17)</u>

Notes to the financial statements

3 Employee remuneration

Expense recognised for employee benefits is analysed below

	2011	2010
	£'000	£'000
Wages and salaries	8,400	9,458
Social security costs	828	815
Pensions - defined contributions plans	880	818
Total	10,108	11,091

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

	2011	2010
By activity		
4 weekly paid	68	224
Monthly paid	233	72
	301	296

The liability recognised for pensions and other employee remuneration in the balance sheet is £74,145 (2010 £73,692). 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.

4 Key management remuneration

Key management personnel remuneration includes the following:

	2011	2010
	£'000	£'000
Short term employee benefits		
Emoluments	536	701
Post-employment benefits		
Defined contribution pension schemes	61	69
Total	597	770

The emoluments of the directors of Typhoo Tea Limited are included within the above. The directors received emoluments of £147,363 (2010 £157,924). During the year company pension contributions of £19,557 (2010 £18,705) were made to a money purchase scheme on behalf of the directors. Retirement benefits were accruing to one director under money purchase schemes. This also amounts to the emoluments of the highest paid director.

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% (2010 28%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2011 £'000	2010 £'000
Current tax expense	-	-
Deferred tax expense resulting from the origination and reversal of temporary differences	(36)	(61)
Total tax expense	<u>(36)</u>	<u>(61)</u>
		As restated
Current tax	2011 £'000	2010 £'000
Result for the year before tax	<u>(7,778)</u>	<u>(2,816)</u>
Expected tax credit at tax rate of 28% (2010 28%)	(2,178)	(788)
Adjustment for non-deductible expenses	64	56
Income not taxable	-	(15)
Deferred tax asset not recognised	2,114	747
Actual current tax expense	<u>-</u>	<u>-</u>

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

	2011 £'000	2010 £'000	2009 £'000
Gross carrying amount at beginning and end of period	<u>6,595</u>	<u>6,595</u>	<u>6,595</u>

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

The loan from related party and overdraft are secured on Typhoo Tea Limited's property and assets including goodwill by way of a debenture held by ICICI Bank UK Limited

Impairment tests for goodwill

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

	2011 £'000	2010 Restated £'000
Typhoo	<u>6,595</u>	<u>6,595</u>

In previous years, the acquired goodwill was allocated between the Typhoo and Own Label CGUs in error. The goodwill is wholly attributable to the Typhoo CGU and has been corrected in the current year. There has been no change to the total goodwill balance nor any change to the conclusion of prior period impairment reviews and as a result no change to any line items within the financial statements.

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 reasonably 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 2.5% 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

As at 31 March 2011 the pre-tax rate used to discount the forecasted cash flows was 13.27% (2010 11.1%)

There were no impairments resulting from reviews performed in 2010 or 2011

Notes to the financial statements

7 Other intangible assets

	Contractual relationships £'000	Domain names £'000	Brand/ trademarks £'000	Total £'000
Cost				
As at 31 March 2010 and at 31 March 2011	600	65	57,858	58,523
Amortisation				
As at 31 March 2009	275	-	-	275
Charge for the year	100	-	-	100
As at 31 March 2010	375	-	-	375
Charge for the year	100	-	-	100
At 31 March 2011	475	-	-	475
Net book value at 31 March 2011	125	65	57,858	58,048
Net book value at 31 March 2010	225	65	57,858	58,148

Contractual relationships relate to customer contracts acquired as part of the business combination

Brands/trademarks relate to the different product types within the entity

The material brands held on the balance sheet are Typhoo, London Fruit & Herb, Lift, H & H, Red Mountain and Glengettie. The carrying amounts are set out in the following table. These brands continue to have an indefinite life.

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	Brands/Trademark
	£'000
Typhoo	33,339
Glengettie	2,527
Ridgeways	469
H&H	5,254
London Fruit & Herb	6,250
Lift	5,379
Melroses	349
Freshbrew	507
Natureland	375
Red Mountain	3,409
	57,858

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 2.5% 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 1.5% does not give rise to any impairment if all other factors remain consistent.

Discount rates

Discount rates are estimated based on weighted average cost of capital 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 13.27% (2010: 11.1%). The directors consider that a reasonably 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 of over 40% in the forecast cashflows would be required before impairments would be required.

Domain names are reviewed annually for impairment with reference to fair value determined by open market value less costs to sell.

There were no impairments resulting from reviews performed in 2010 or 2011.

Notes to the financial statements

8 Property, plant and equipment

	Land £'000	Freehold buildings £'000	Freehold improvements £'000	Antiques £'000	Plant and machinery £'000	IMAs £'000	Total £'000
Cost or valuation							
As at 31 March 2009	1,700	5,800	490	10	13,840	5,639	27,479
Additions	-	-	32	-	280	-	312
Disposals	-	-	-	-	(365)	-	(365)
As at 31 March 2010	1,700	5,800	522	10	13,755	5,639	27,426
Additions							
31 March 2011	-	-	47	-	393	-	440
	1,700	5,800	569	10	14,148	5,639	27,866
Accumulated depreciation							
Depreciation as at 31 March 2009	-	145	69	-	5,981	530	6,725
Charge for the year	-	145	28	-	725	180	1,078
Depreciation eliminated on disposal	-	-	-	-	(130)	-	(130)
Depreciation as at 31 March 2010	-	290	97	-	6,576	710	7,673
Charge for the year	-	145	29	-	750	188	1,112
Depreciation as at 31 March 2011	-	435	126	-	7,326	898	8,785
Net book value at 31 March 2011	1,700	5,365	443	10	6,822	4,741	19,081
Net book value at 31 March 2010	1,700	5,510	425	10	7,179	4,929	19,753
Net book value at 31 March 2009	1,700	5,655	421	10	7,859	5,109	20,754

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 directors consider that those valuations remain appropriate. IMA machines are carried at fair value based on periodic valuations. These assets were revalued as at 31 March 2009 by the directors using a market based appraisal and considering the age, operating efficiency and condition of the machines. The directors consider that those valuations remain appropriate.

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

	Land £'000	Freehold buildings £'000	IMAs £'000
Cost	1,170	2,020	1,022
Accumulated depreciation	-	(274)	(587)
Net book value	1,170	1,746	435

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 £799,124 (2010 £821,564) held under a finance lease. Depreciation of £22,441 (2010 £22,441) 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

Notes to the financial statements

10 Inventories

	2011 £'000	2010 £'000
Raw materials and consumables	4,063	3,581
Work in progress	618	210
Finished goods	4,609	4,655
	<u>9,290</u>	<u>8,446</u>

11 Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	7,041	7,831
VAT	556	595
Other receivables	862	774
Prepayments and accrued income	250	1,390
	<u>8,709</u>	<u>10,590</u>

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

	2011 £'000	2010 £'000
Non-current assets		
Deferred tax asset (see note 15)	<u>6,966</u>	<u>6,222</u>

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 (2010 £Nil) has been recorded.

An analysis of receivables past due but not impaired is at note 25.

Notes to the financial statements

12 Trade and other payables

	2011	2010	
	£'000	Restated £'000	2009 £'000
Trade and other payables			
Trade payables	9,274	8,308	7,599
Other tax and social security payments	181	192	240
Other payables and accruals	4,974	5,946	8,600
	<u>14,429</u>	<u>14,446</u>	<u>16,439</u>
Other financial liabilities			
Amounts owed under asset financing agreement	167	374	366
Bank overdraft	4,998	5,007	4,992
Bank loan	201	148	571
Related party loans	11,847	6,158	21,125
	<u>17,213</u>	<u>11,687</u>	<u>27,054</u>
	<u>31,642</u>	<u>26,133</u>	<u>43,493</u>

The fair values of trade and other payables have 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

	2011	Restated 2010	2009
	£'000	£'000	£'000
Other payables and accruals	750	750	750
Bank loan	5,239	5,075	5,125
Amounts owed under asset financing agreement	-	167	541
Related party loans	55,816	55,930	37,325
	<u>61,805</u>	<u>61,922</u>	<u>43,741</u>

The bank 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

The interest is payable on the loans from related party at LIBOR plus a pre-determined margin, as disclosed in note 27. Management consider that this is a reasonable approximation of the effective interest rate.

The interest is payable on the bank loan at LIBOR plus 3%. Management consider that this is a reasonable approximation of the effective interest rate.

Notes to the financial statements

13 Non-current liabilities (continued)

Included in other payables and accruals is an amount of £750,000 (2010 £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.

	2011 £'000	2010 £'000	2009 £'000
Derivative financial instrument	<u>2,581</u>	<u>1,833</u>	<u>1,529</u>

The derivative financial liability is in relation to a cross currency interest rate swap taken out by Typhoo Tea Limited to mitigate the effect of interest payments on the Swiss Franc loan in place.

	2011 £'000	2010 £'000	2009 £'000
Deferred tax liability (see note 15)	<u>6,966</u>	<u>6,222</u>	<u>-</u>

14 Financial liabilities - borrowings

	2011 £'000	Restated 2010 £'000	2009 £'000
Current			
Bank overdraft	4,998	5,007	4,992
Amounts owed under asset financing agreement	167	374	366
Bank loan	201	148	571
Related party loan	<u>11,847</u>	<u>6,158</u>	<u>21,125</u>
	<u>17,213</u>	<u>11,687</u>	<u>27,054</u>
Non-current			
Loan from related party	55,816	55,930	37,325
Bank loan	5,239	5,075	5,125
Amounts owed under asset financing agreement	<u>-</u>	<u>167</u>	<u>541</u>
	<u>61,055</u>	<u>61,172</u>	<u>42,991</u>

The loans 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.

Notes to the financial statements

14 Financial liabilities - borrowings (continued)

The bank loan is due for repayment by June 2017 as follows

	2011 £'000	2010 £'000	2009 £'000
In one year	201	148	571
In one to two years	426	191	571
In two to five years	1,990	1,709	4,554
In greater than five years	2,823	3,175	-
	<u>5,440</u>	<u>5,223</u>	<u>5,696</u>

Interest is payable on the bank loan at LIBOR plus 3%. Management consider that this is a reasonable approximation of the effective interest rate

The loans from related parties are for repayment by as follows

	2011 £'000	Restated 2010 £'000	2009 £'000
In one year	11,847	6,158	21,125
In one to two years	4,089	2,488	646
In two to five years	14,577	13,595	36,679
In greater than five years	37,150	39,847	-
	<u>67,663</u>	<u>62,088</u>	<u>58,450</u>

The interest is payable on the loans from related party at LIBOR plus a pre-determined margin

Preference share capital

Historically 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 2008 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 and will be paid once there are sufficient distributable reserves.

Financial instruments

As referred to in the Report of the directors on page 9, the company uses financial instruments comprising interest rate swaps, 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, currency risk and interest rate risk.

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

	2011 £'000	Movements in year £'000	2010 £'000
Tax asset by type of temporary differences			
Total tax losses available – gross	<u>12,967</u>	<u>2,586</u>	<u>10,381</u>
Deferred tax asset recognised	<u>6,966</u>	<u>744</u>	<u>6,222</u>
Tax liabilities by type of temporary differences			
Property, plant and equipment	3,087	21	3,066
Intangible assets	<u>3,879</u>	<u>723</u>	<u>3,156</u>
Deferred tax liability recognised	<u>6,966</u>	<u>744</u>	<u>6,222</u>
Net asset	<u>-</u>	<u>-</u>	<u>-</u>

Within the property, plant and equipment deferred tax liability there is £2,098,238 (2010 £2,133,876) that has been recognised directly in equity. The movement of £35,638 has been recognised within the statement of comprehensive income.

The tax losses available are recognised up to the point of equalling the tax liabilities arising due to temporary differences. These tax liabilities arise due to capital allowances being in excess of amortisation and depreciation.

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.

Typhoo Tea Limited does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

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.

Notes to the financial statements

16 Risk management objectives and policies (continued)

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.

Cash flow and fair value interest rate risks

The company's borrowing facilities are managed by the use of floating rates of interest and interest swaps. 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, and by fixing the exchange rate on borrowing facilities.

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.

The entity is not subject to any externally imposed capital requirements.

The directors review the funding requirements of the entity on a regular basis and consider the need for an increase/change in the capital structure as well as considering the impact on the shareholders. There have been no changes in the current year.

The below issued amounts are managed as capital.

Notes to the financial statements

17 Share capital (continued)

	2011 £	2010 £
Authorised share capital:		
10,000 ordinary shares of 1p each	100	100
60,000,000 ordinary shares of £1 each	<u>60,000,000</u>	<u>60,000,000</u>
	<u>60,000,100</u>	<u>60,000,100</u>

Issued share capital	No	2011 £	No	2010 £
100 ordinary shares 1p each	100	1	100	1
Ordinary shares of £1 each	31,510,000	<u>31,510,000</u>	31,510,000	<u>31,510,000</u>
		<u>31,510,001</u>		<u>31,510,001</u>

18 Reserves

	Revaluation reserve £'000	Retained earnings £'000
At 31 March 2010	7,620	(24,047)
Prior year adjustment	-	(767)
Restated balance at 31 March 2010	<u>7,620</u>	<u>(24,814)</u>
Loss for the year	-	(7,778)
Deferred taxation	-	36
Transfer	<u>(127)</u>	<u>127</u>
At 31 March 2011	<u>7,493</u>	<u>(32,429)</u>

The transfer represents the excess depreciation charge as a result of past revaluations

Deferred taxation relates to amounts recognised directly into equity as a result of revaluations of non-current assets

Notes to the financial statements

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 £799,912 (2010 £821,564)

The present value of the finance leases at the balance sheet date is as follows:

	2011 £'000	2010 £'000
Within one year	167	374
From one to five years	-	167
	<u>167</u>	<u>541</u>

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

	2011 £'000	2010 £'000
Within one year	171	404
From one to five years	-	171
Present value	<u>171</u>	<u>575</u>
Future finance charges	<u>(4)</u>	<u>(34)</u>
Future minimum finance lease payments	<u>167</u>	<u>541</u>

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

20 Operating lease commitments

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

	Plant and equipment		Motor vehicles	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Payments falling due				
Within one year	76	81	55	68
Within one to five years	162	44	62	80
More than five years	3	-	-	-
	<u>241</u>	<u>125</u>	<u>117</u>	<u>148</u>

The company has a number of leasing arrangements in relation to motor vehicles and plant and equipment which are used in connection with both manufacturing and administrative activities

Notes to the financial statements

21 Other commitments

	2011 £'000	2010 £'000
Contracts placed for future expenditure regarding tea contracts	<u>6,070</u>	<u>7,666</u>

22 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 categorised as follows

	2011 £'000	Restated 2010 £'000	2009 £'000
Financial assets			
Fair value through profit or loss			
Derivative financial instrument	-	-	725
Loans and receivables			
Cash and cash equivalents	879	672	1,908
Trade receivables	7,041	7,831	6,448
Other receivables	862	774	63
	<u>8,782</u>	<u>9,277</u>	<u>8,419</u>
	<u>8,782</u>	<u>9,277</u>	<u>9,144</u>
Financial liabilities			
Fair value through profit or loss			
Derivative financial instrument	2,581	1,833	1,529
Other - amortised cost			
Trade payables	9,274	8,308	7,599
Other payables and accruals - current	4,974	5,946	8,600
Other payables and accruals - non current	750	750	750
Bank overdraft	4,998	5,007	4,992
Bank loan - current	201	148	571
Bank loan - non current	5,239	5,075	5,125
Loans from related parties - current	11,847	6,158	21,125
Loans from related parties - non current	55,816	55,930	37,325
	<u>93,099</u>	<u>87,322</u>	<u>87,616</u>
	<u>95,680</u>	<u>89,155</u>	<u>96,760</u>

Notes to the financial statements

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

The following table presents financial liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of the inputs used in measuring the fair value of the financial asset and liability. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identifiable assets or liabilities,
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices), and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level within which the financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

31 March 2011	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Liabilities				
Derivative financial instrument	-	2,581	-	2,581

Derivative financial instruments: financial liabilities carried at fair value through profit or loss. This is a cross currency interest rate swap that was taken out by Typhoo Tea Limited to reduce the level of interest payments in relation to a number of Swiss Franc loans. The amount above represents the carrying value after changes in fair value which is wholly attributable to variations in interest rates and currency rates. The fair value change recognised has not been affected by changes in credit risk.

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.

Notes to the financial statements

23 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. There were none in place at the year end. Typhoo Tea Limited have also fixed the exchange rate on the currency loan through a cross currency interest rate swap to mitigate fluctuations in foreign exchange rates by agreement with Apeejay London Limited. 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

23 Foreign currency sensitivity (continued)

Nominal amounts	US\$ £'000	€ £'000	CHF £'000	2011		2010	
				Other £'000	US\$ £'000	€ £'000	CHF £'000
Financial assets	102	142	-	47	22	41	3
Financial liabilities	(1,829)	(577)	(81)	-	(2,072)	(288)	(45)
Short term exposure	(1,727)	(435)	(81)	47	(2,050)	(247)	(42)

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

During the prior year the exchange rate on the Swiss Franc (CHF) loan was fixed resulting in nil exposure

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 2011 (2010 + / - 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

23 Foreign currency sensitivity (continued)

	US\$ £'000	€ £'000	CHF £'000	2011 Other £'000	US\$ £'000	€ £'000	CHF £'000	2010 Other £'000
Short term exposure								
Financial assets								
+ 10%	9	13	-	4	2	4	-	5
- 10%	(11)	(16)	-	(5)	(3)	(5)	-	(6)
+ 20%	17	24	-	8	4	7	-	9
- 20%	(26)	(36)	-	12	(6)	(10)	(1)	(13)
Financial liabilities								
+ 10%	166	52	7	-	188	26	4	-
- 10%	(203)	(64)	(9)	-	(230)	(31)	(5)	-
+ 20%	305	96	14	-	345	48	7	-
- 20%	457	(144)	(20)	-	(518)	(71)	(11)	-

Notes to the financial statements

23 Foreign currency sensitivity (continued)

In addition to the above, Typhoo Tea Limited also has a Swiss Franc loan, which management have taken out a cross currency interest rate swap against in order to reduce the level of interest payment. From 2008 the foreign exchange rate was fixed therefore there is no exposure to currency rate movements.

	2011 £'000	2010 £'000
Financial Liabilities		
Derivative financial instrument - CHF - GBP exchange rate 2.00	5,129	5,129
Long term exposure	<u>5,129</u>	<u>5,129</u>

24 Interest rate sensitivity

Typhoo Tea Limited's policy is to minimise interest rate cash flow risk exposures on long term financing. At 31 March 2011 Typhoo Tea Limited was exposed to changes in market interest rates through its bank and related party 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 +0.5% and -0.5% (2010 +/-0.5%), 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.

	2011 £'000 +0.5%	2011 £'000 -0.5%	2010 £'000 +2%	2010 £'000 -2%
Net result for the year	<u>(359)</u>	<u>359</u>	<u>(341)</u>	<u>341</u>
Equity	<u>359</u>	<u>(359)</u>	<u>341</u>	<u>(341)</u>

Notes to the financial statements

25 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:

	2011 £'000	2010 £'000
Classes of financial assets - carrying amounts		
Trade and other receivables (excluding VAT)	8,153	9,995
Cash and cash equivalents	879	672
Derivative financial instrument	-	-
	<u>9,032</u>	<u>10,667</u>

Typhoo Tea Limited continuously monitors 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. The concentrations of these risks are set out below:

	2011 %	2010 %
Percentage of receivables relating to top 5 customers	60	66

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 of 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.

Notes to the financial statements

25 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 as reviewed annually at the balance sheet date is as follows:

	2011 £'000	2010 £'000
Not more than 3 months	178	179
More than 3 months but not more than 6 months	24	29
More than 6 months but not more than 12 months	1	75
More than 12 months	2	(24)
	<u>205</u>	<u>259</u>

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 receivable balance.

26 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 2011 Typhoo Tea Limited's liabilities have contractual maturities which are summarised below:

31 March 2011	Within 6 months £'000	Current 6 to 12 months £'000	1 to 5 years £'000	Non-current later than 5 years £'000
Bank loans	112	152	2,648	3,988
Loans from related parties	11,312	2,011	20,905	52,586
Finance lease obligations	163	8	-	-
Trade payables	9,274	-	-	-
Other short term financial liabilities	9,973	-	-	-
Other financial liabilities	-	-	-	750
Derivatives	-	-	2,581	-
	<u>30,834</u>	<u>2,171</u>	<u>26,134</u>	<u>57,324</u>

Notes to the financial statements

26 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 2010	Within 6 months £'000	Current 6 - 12 months £'000	1 to 5 years £'000	Non-current later than 5 years £'000
Bank loans	97	97	2,086	4,741
Loans from related parties	4,527	3,661	22,686	53,675
Finance lease obligations	215	189	171	-
Trade payables	8,308	-	-	-
Other short term financial liabilities	10,953	-	-	-
Other financial liabilities	-	-	-	750
Derivatives	-	-	1,833	-
	<u>24,100</u>	<u>3,947</u>	<u>26,776</u>	<u>59,166</u>

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

27 Related party transactions

The following transactions took place in the period

Company name	Relationship	Nature of transaction	Value in period to 31.3.2011 £'000	Amount due (from)/to at 31.3.2011 £'000	Value in period to 31.3.2010 £'000	Amount due to at 31.3.2010 £'000
Apeejay London Limited	Fellow subsidiary	Cost recharge	2	2	5	-
Apeejay London Limited	Fellow subsidiary	Loan advance	-	5,129	-	5,129
Teaco Finance Sàrl	Fellow subsidiary	Loan advance/ (capital repayment)	-	37,638	(2,484)	37,638
Teaco Finance Sàrl	Fellow subsidiary	Interest on loan	1,191	231	1,098	231
Apeejay Tea Limited	Fellow subsidiary	Tea purchases	3,424	694	2,851	718
Apeejay Tea Limited	Fellow subsidiary	Cost recharge	(1)	(2)	-	-
Apeejay Tea Panama	Fellow subsidiary	Loan advance	3,442	23,642	4,850	20,200
Apeejay Tea Panama	Fellow subsidiary	Interest on loan	967	1,488	723	1,245
Global Tea Commodities Limited	Related party	Tea purchases	1,312	2,505	5,614	4,447
Global Tea Commodities Limited	Related party	Cost recharge	-	(4)	-	-
Global Tea Commodities Limited	Related party	Loan advance	515	515	-	-
Global Tea Kenya	Related party	Tea purchases	3,372	223	-	-
Gold Crown Foods (EPZ) Ltd	Related Party	Contract packing	4,257	657	2,987	726
Mombasa						
Gold Crown Foods (EPZ) Ltd	Related Party	Sale of engineering inventory	(222)	(1,277)	1,055	1,055
Mombasa						
Apeejay Surrendra Group (India)	Parent	Recharge of expenses	(5)	(5)	-	-
Limited						

Global Tea Commodities Limited and Gold Crown Foods (EPZ) Limited are related by virtue of common control.

The loan with Teaco Finance Sàrl is set up on an arm's length basis. The loan from related party is subject to an intermediary arrangement. The loan originates from ICI 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.

Notes to the financial statements

27 Related party transactions (continued)

The interest is payable on the loan from Teaco Finance Sàrl is LIBOR plus 3%.

The loan from Apeejay Tea Panama Limited are loans as detailed in note 14, interest is payable at LIBOR plus 7%.

The loan from Apeejay London Limited is a Swiss Franc loan for which the cross currency interest rate swap has been taken out to mitigate the effects of interest payments which are at LIBOR plus 4%

28 Ultimate controlling entity

The directors of Typhoo Tea Limited, a company incorporated in England and Wales, 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.

29 Analysis of balances of cash and cash equivalents

	2011 £'000	2010 £'000
Bank balances	879	672
Overdraft	(4,998)	(5,007)
	<u>(4,119)</u>	<u>(4,335)</u>

30 Prior year adjustment

In previous years, the acquired goodwill was allocated between the Typhoo and Own Label CGUs in error. The goodwill is wholly attributable to the Typhoo CGU and has been corrected in the current year with restatement of the prior year comparatives. There has been no change to the total goodwill balance nor any change to the conclusion of prior period impairment reviews and as a result no change to any line items within the financial statements.

An adjustment has been processed in respect of certain loans to ensure they are carried at amortised cost in accordance with IAS 39. This has resulted in an increase in the loss for the year ended 31 March 2010 and a reduction in shareholder's equity of £767k as at 31 March 2010 as presented in the Statement of changes in shareholder's equity. These were not carried at amortised cost in the previous year, and so this adjustment corrects this error.

No adjustment was required for periods prior to 31 March 2010