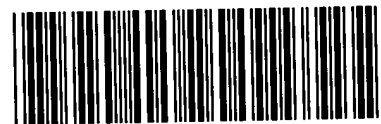


Financial Statements Typhoo Tea Limited

For the year ended 31 March 2016

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COMPANIES HOUSE

Company No 05573418

Company information

| | |
|------------------------------------|--|
| Company registration number | 05573418 |
| 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 F Ahmed M McBrien M Tapal S Saha A Ghosh A K Bhargava T Vyner CBE, HON FRCP |
| Secretary | S Saha |
| Bankers | <p>AXIS Bank UK Limited Corporate Banking Kings House 36-37 King Street London EC2V 8BB</p> <p>Barclays Bank PLC Corporate Banking 8-9 Hanover Square London W1A 4ZW</p> |

Company information

Solicitors

Fox Williams LLP
Ten Dominion Street
London
EC2M 2EE

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 2016.

Principal activity

The Company is primarily engaged in blending, packing, and the sales & marketing of tea and coffee.

Directors

The membership of the board at 31 March 2016 is set out below. Other than as stated all directors served throughout the year.

K Paul - Chairman
N Ahmed - Vice Chairman
P Paul
F Ahmed
M McBrien
M Tapal
S Saha
A Ghosh
A K Bhargava
T Vyner CBE, HON FRCP

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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.

Report of the directors

The directors confirm that so far as each director 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.

Disabled employee policy

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 deployment 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.

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



S Saha
Director
9 November 2016

Strategic report

Business review

The Board of Directors of Typhoo Tea Limited are pleased to present the result and financial position of the Company for the financial year to 31 March 2016 in the annexed financial statements.

The results show that the Company has significantly strengthened its balance sheet, with net worth increasing from £5.7m to £18.07m. This was primarily due to capitalisation of shareholder loans and demonstrates the continued support and confidence of the Company's shareholders. Although due to macroeconomic factor there was a decrease in revenue and gross profit, overheads were well-controlled to achieve an EBITDA of £5.1m (2015 : £6.51m).

The company has performed well in the context of an increasingly challenging retail market and pricing volatility in FMCG sector by:

- Steady growth of the Typhoo brand. The Typhoo brand has continued to be one of the fastest growing brands in the tea category.
- Launch of Typhoo's new brand campaign with our new brand ambassador Nigella Lawson.
- New innovative product development in private label. Typhoo continues to win various industry awards for top quality products and innovation for our key customers.
- Continuous improvement in quality of our products and new product development across all our branded propositions, including across fruit and herbal brands which is a growing market that the company is well placed to exploit further.
- Rebranding of the Heath and Heather brand.
- Further cost reduction by improved supply chain operation.
- The dedicated commitment of our people and support of our group partners.
- Forming strategic, ethical and sustainable partnerships with our key customers and suppliers.

The Company is operating closely with the group partners and units, utilising the complete vertical integration.

We remain focused on ethical, sustainability, traceability and fairly trading throughout the supply chain. We are committed to our corporate social responsibility creating a sustainable business, minimising the impact of our products and operations on the environment.

As an organisation, we continue to work to achieving a low cost operation, at the same time as improving quality and customer service.

We have consistently sought to recruit and retain the best employees in our market place. We are committed to work at connecting with the local community and developing the economic environment. We value the commitment of our employees and recognise that engaged employees are a powerful source of competitive advantage.

Strategic report

Future Strategy

Typhoo is focused on its 'core purpose' of "Delivering consistently our great range of beverages with a commitment to quality, value and service every day".

We are confident that the strategy and business plan for 2016-17 will deliver growth and improvements in operational performance. It should be noted that such improvements will be impacted by the movements in Sterling against in particular the US Dollar. Our approach to mitigating downside risk in this area is set out below under "Key risks and uncertainties".

Key highlights of the future strategy includes:

- Continuation of the strong marketing plan and fantastic TV advertising campaign to support the brand strategy and improve the brand equity.
- New product development to bring further improvement in the tea category for consumers.
- Growing focus on building our brands operating in the fruit and herbal teas sector.

The Directors are confident that this business plan and the confirmed support of their parent group and shareholders (Apeejay Surrendra Group and Global Tea & Commodities Group) will allow the Company to grow stronger in the future.

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

Key risks and uncertainties

The directors confirm that there is an on-going 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. These pressures are expected to continue in the foreseeable future and 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. Clearly all of the above risks have been impacted by the current economic climate. Management do not see this as a standalone risk but a factor increasing volatility in the key risks stated above requiring further focus to the following risk management strategies, as described below.

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.

Strategic report

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. 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 rates on borrowing facilities.

ON BEHALF OF THE BOARD



S Saha
Director

9 November 2016



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 2016 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 4, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of the company's profit 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.



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

Opinion on other matter prescribed by the Companies Act 2006

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

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

Carla Kennaugh
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool

9

November 2016

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. The measurement basis and principal accounting policies of the company are set out below and have been applied consistently throughout the financial statements.

Going concern

These financial statements have been prepared under the going concern principle. Forecasts have been prepared by the directors covering a period of three years to 2019. The directors believe the continued support of the banks and shareholders to be adequate for this basis to be used.

The loans are due for final repayment in 2020 and 2021. During the year £12.4m of Shareholder Loans have been converted to equity reducing the interest burden on the company. The company have met all the repayment and interest payments to date. Committed facilities are in place to meet working capital requirements with sufficient headroom to absorb any reasonably possible changes in forecasted results.

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.

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.

Revenue is measured at the fair value of the consideration received or receivable. 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 (in particular Trade spend) 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. and promotional trade spend. Promotional trade spend relates to merchandising funds, pricing allowances and product placement (investing in various arrangements with retailers).

Principal accounting policies

Borrowing costs

Borrowing costs are expensed to profit and loss 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 statement of comprehensive income.

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 profit and loss.

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: 6 years | 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 will continue in operation indefinitely, with no foreseeable limit to the period over which they are expected to generate net cash inflows.

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. Amortisation is charged to administration costs in the statement of comprehensive income.

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 recognised in other comprehensive income and accumulated in 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 profit and loss, a revaluation increase is recognised in profit and loss 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 profit and loss.

The accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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 (i.e. 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 statement of comprehensive income 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 statement of comprehensive income, 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.

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 statement of comprehensive income. 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 statement of comprehensive income. 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.

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 statement of comprehensive income. Items within this category relate to derivative financial instruments. All other financial liabilities are initially measured at fair value with subsequent measurement recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the statement of comprehensive income. In relation to financial liabilities containing stepped interest costs, these are carried at amortised cost using the effective interest rate method which is recalculated periodically following reassessment of the expected cash flows. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of comprehensive income 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 cash equivalents

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 statement of comprehensive income 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:

| | | | |
|-----------------------------|---|----------|--------------------|
| Sales rebates & discounts | : | Policies | critical judgement |
| Goodwill and impairments | : | Note 6 | critical judgement |
| Intangibles and impairments | : | Note 7 | critical judgement |
| Tangible fixed assets | : | Note 8 | critical judgement |
| Deferred tax | : | Note 15 | critical judgement |

The critical judgement in respect of sales rebates and discounts relate to trade spend. The amounts disclosed are based on management's best estimate of the amounts necessary to meet customer claims and the point at which potential claims become remote and should be derecognised. This is based on data collated from other similar agreements.

The critical judgements in relation to "goodwill and impairments" and "intangibles and impairments" are the identification of cash generating units (CGUs), the allocation of assets to those CGUs, the calculation of Weighted Average Cost of Capital (WACC) and forecasts at Brand level. CGU's, 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 Directors have assessed a WACC based on the gearing of the company and cost of equity and debt in the market for similar companies. This is applied to forecast results for the next 3 years used by management to consider the future strategy of the Company, to produce a net present value of future cash flows for each brand as listed in Note 7.

The critical judgement in relation to "Tangible Fixed Assets" is the valuation of IMA's the machinery used to bag and box the tea. This is based on the expert judgement of management as a result of many years of experience in the industry backed up by indicative costing's for new IMA's provided by the manufacturer.

The critical judgement in relation to "Deferred Tax" is the assertion that the Company will make sufficient profits in the future to make use of the current tax losses.

Standards and interpretations not yet applied by Typhoo Tea Limited

There are currently no new standards and interpretations, which are yet to become mandatory and have not been applied in Typhoo Tea Limited's 31 March 2016 financial statements.

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

There are other standards and interpretations not listed as they are not expected to have a significant impact on the company.

Statement of Comprehensive Income

| | Note | 2016 £'000 | 2015 £'000 |
|--|------|-------------------|-------------------|
| Revenue | | 74,142 | 81,785 |
| Cost of sales | | <u>(55,314)</u> | <u>(58,935)</u> |
| Gross profit | | 18,828 | 22,850 |
| Selling, distribution and marketing costs | | <u>(9,222)</u> | <u>(11,661)</u> |
| Administration costs | | <u>(5,953)</u> | <u>(6,236)</u> |
| Operating profit | 1 | 3,653 | 4,953 |
| Finance costs | 2 | <u>(3,597)</u> | <u>(3,981)</u> |
| Profit before tax | | 56 | 972 |
| Taxation | 5 | <u>174</u> | <u>(177)</u> |
| Profit for the year | 18 | <u>230</u> | <u>795</u> |
| Other comprehensive income for the year | | | |
| Taxation | 5 | <u>(174)</u> | <u>177</u> |
| Total comprehensive income | | <u>56</u> | <u>972</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 2014 | <u>31,510</u> | <u>(32,684)</u> | <u>5,912</u> | <u>4,738</u> |
| Profit for the year ended 31 March 2015 | - | 795 | - | 795 |
| Other comprehensive income | | | | |
| Transfer of increased depreciation on revaluation | - | 127 | (127) | - |
| Deferred taxation on revaluation | - | 177 | - | 177 |
| Total comprehensive income for the year | <u>-</u> | <u>1,099</u> | <u>(127)</u> | <u>972</u> |
| Balance at 31 March 2015 | <u>31,510</u> | <u>(31,585)</u> | <u>5,785</u> | <u>5,710</u> |
| Profit for the year ended 31 March 2016 | - | 230 | - | 230 |
| Shares issued | 12,310 | - | - | 12,310 |
| Other comprehensive income | | | | |
| Transfer of increased depreciation on revaluation | - | 127 | (127) | - |
| Deferred taxation on revaluation | - | (174) | - | (174) |
| Total comprehensive income for the year | <u>12,310</u> | <u>183</u> | <u>(127)</u> | <u>12,366</u> |
| Balance at 31 March 2016 | <u>43,820</u> | <u>(31,402)</u> | <u>5,658</u> | <u>18,076</u> |

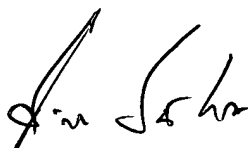
The accompanying accounting policies and notes form an integral part of these financial statements.

Balance sheet

| | Note | 2016 £'000 | 2015 £'000 |
|---|------|----------------|----------------|
| Assets | | | |
| Non-current | | | |
| Goodwill | 6 | 6,595 | 6,595 |
| Intangible assets | 7 | 57,923 | 57,923 |
| Property, plant and equipment | 8 | 17,898 | 17,444 |
| Investments | 9 | - | - |
| Other receivables | 11 | 450 | - |
| Deferred tax asset | 15 | 7,584 | 7,957 |
| | | <u>90,450</u> | <u>89,919</u> |
| Current assets | | | |
| Inventories | 10 | 13,766 | 12,026 |
| Trade and other receivables due within one year | 11 | 19,007 | 16,919 |
| Cash and cash equivalents | 28 | 77 | 266 |
| | | <u>32,850</u> | <u>29,211</u> |
| Total assets | | <u>123,300</u> | <u>119,130</u> |
| Equity | | | |
| Share capital | 17 | 43,820 | 31,510 |
| Revaluation reserve | 18 | 5,658 | 5,785 |
| Retained losses | 18 | (31,402) | (31,585) |
| Total equity | | <u>18,076</u> | <u>5,710</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 14,040 | 12,053 |
| Other financial liabilities | 12 | 49,760 | 55,400 |
| Total current liabilities | 12 | <u>63,800</u> | <u>67,453</u> |
| Non-current liabilities | | | |
| Other financial liabilities | 13 | 35,040 | 39,210 |
| Deferred tax liability | 15 | 6,384 | 6,757 |
| Total liabilities | | <u>105,224</u> | <u>113,420</u> |
| Total equity and liabilities | | <u>123,300</u> | <u>119,130</u> |

These financial statements were approved by the directors and authorised for issue on 9 November 2016, and signed on their behalf by:

S Saha



Director

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

Cash flow statement

| | Note | £'000 | 2016 £'000 | £'000 | 2015 £'000 |
|--|------|---------|-----------------|---------|-----------------|
| Operating activities | | | | | |
| Profit before tax | | | 56 | | 972 |
| Depreciation | 8 | 1,476 | | 1,522 | |
| Amortisation of issue costs | 2 | 136 | | 86 | |
| Change in inventories | 10 | (1,739) | | 188 | |
| Change in trade and other receivables | 11 | (2,674) | | (2,429) | |
| Change in trade and other payables | 12 | 916 | | (257) | |
| Interest payable | 2 | 3,373 | | 3,814 | |
| Net cash from operating activities | | | <u>1,544</u> | | 2,924 |
| Investing activities | | | | | |
| Additions to property, plant and equipment | 8 | (1,930) | | (1,036) | |
| | | | <u>(1,930)</u> | | (1,036) |
| Financing activities | | | | | |
| Repayment of loans | | - | | (677) | |
| Interest paid | 2 | (3,627) | | (3,814) | |
| Bill discounting | | - | | (3,432) | |
| | | | <u>(3,627)</u> | | <u>(7,923)</u> |
| | | | | | (5,063) |
| Cash and cash equivalents, beginning of year | | | (14,353) | | (9,290) |
| Net decrease in cash and cash equivalents | | | <u>(4,013)</u> | | <u>(5,063)</u> |
| Cash and cash equivalents, end of year | 28 | | <u>(18,366)</u> | | <u>(14,353)</u> |

Notes to the financial statements

1 Operating profit

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

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Employee benefits expense | 1,294 | 1,210 |
| Repairs and renewals | 744 | 779 |
| Auditor's remuneration | | |
| Fees payable to the company's auditor in respect of the audit | 45 | 44 |
| Tax services | 6 | 5 |
| Inventories | | |
| Cost of inventories recognised as an expense (included in cost of sales) | 49,768 | 54,982 |
| Depreciation of property, plant and equipment: | | |
| Owned assets | 1,429 | 1,475 |
| Leased assets | 47 | 47 |
| Other operating lease rentals payable | | |
| Plant and machinery | 102 | 102 |
| Motor vehicles | 66 | 82 |
| Exchange (gains)/losses | 108 | (67) |

2 Finance costs and finance income

Finance costs include all interest related income and expenses. The following amounts have been included in the statement of comprehensive income line for the reporting periods presented:

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Interest expense on bank borrowings at amortised cost | 2,239 | 1,473 |
| Amortisation of issue costs of other loan | 136 | 86 |
| Interest expense on related party loans at amortised cost | 955 | 1,754 |
| Other interest payable | 180 | 192 |
| Total interest expense for financial liabilities | 3,510 | 3,505 |
| Bank charges | 87 | 81 |
| Refinancing charges | - | 395 |
| Total finance costs | 3,597 | 3,981 |

Notes to the financial statements

3 Employee remuneration

Expense recognised for employee benefits is analysed below:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Wages and salaries | 8,367 | 8,017 |
| Social security costs | 813 | 780 |
| Pensions - defined contributions plans | 1,131 | 1,033 |
| Total | 10,311 | 9,830 |

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

| | 2016 | 2015 |
|--------------------|------------|------------|
| By activity | | |
| 4 weekly paid | 231 | 212 |
| Monthly paid | 72 | 71 |
| | 303 | 283 |

The liability recognised for pensions and other employee remuneration in the balance sheet is £169,965 (2015 : £131,046). 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:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Short term employee benefits | | |
| Emoluments | 534 | 591 |
| Social security costs | 68 | 68 |
| Post-employment benefits | | |
| Defined contribution pension schemes | 57 | 94 |
| Total | 659 | 753 |
| Amounts in respect of the highest paid director emoluments | 139 | 115 |

The emoluments of the director of Typhoo Tea Limited are included within the above. The highest paid director received emoluments of £139,263 (2015 : £211,279). During the year company pension contributions of £12,480 (2015 : £48,690) 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 20% (2015: 21%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Current tax expense | - | - |
| Deferred tax credit resulting from the origination and reversal of temporary differences | 174 | (177) |
| Total tax charge | <u>174</u> | <u>(177)</u> |
| Current tax: | | |
| Result for the year before tax | <u>56</u> | <u>972</u> |
| Expected tax credit at tax rate of 20% (2015 : 21%) | 11 | 194 |
| Adjustment for non-deductible expenses and short term timing differences | 147 | 154 |
| Capital depreciation in excess of allowances | - | (698) |
| Deferred tax asset not recognised | (158) | 350 |
| 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

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Gross carrying amount at beginning and end of period | <u>6,595</u> | <u>6,595</u> |

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

The bank loan and overdraft are secured on Typhoo Tea Limited's property and assets including goodwill by way of a debenture held by AXIS Bank UK Limited.

Impairment tests for goodwill

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

| | 2016 £'000 | 2015 £'000 |
|--------|---------------|---------------|
| Typhoo | <u>6,595</u> | <u>6,595</u> |

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 3% based on UK long term average growth rates. Future cash flows are based on detailed 3 year forecasts which are then extended into perpetuity at the long term growth rate.

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

As at 31 March 2016 the pre-tax rate used to discount the forecasted cash flows was 6.5% (2015: 13.4%).

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 2014, 31 March 2015 and 31 March 2016 | 600 | 65 | 57,858 | 58,523 |
| Amortisation | | | | |
| As at 31 March 2014 | 600 | - | - | 600 |
| Charge for the year | - | - | - | - |
| As at 31 March 2015 | 600 | - | - | 600 |
| Charge for the year | - | - | - | - |
| At 31 March 2016 | 600 | - | - | 600 |
| Net book value at 31 March 2016 | - | 65 | 57,858 | 57,923 |
| Net book value at 31 March 2015 | - | 65 | 57,858 | 57,923 |

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 shown in the table below. The carrying amounts are set out in the following table. These brands continue to have an indefinite life.

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 |

Notes to the financial statements

7 Other intangible assets (continued)

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 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 6.5% (2015: 13.4%). 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 for each of the CGU's.

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 even a reduction of over 40% in the forecast cashflows would not indicate an impairment.

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 2015 or 2016.

Notes to the financial statements

8 Property, plant and equipment

| | Freehold land and buildings £'000 | Freehold improvements £'000 | Plant and machinery £'000 | IMAs £'000 | Total £'000 |
|--|---|-----------------------------------|---------------------------------|---------------|----------------|
| Cost or valuation | | | | | |
| As at 31 March 2014 | 6,300 | 716 | 17,660 | 5,639 | 30,315 |
| Additions | - | 61 | 975 | - | 1,036 |
| As at 31 March 2015 | 6,300 | 777 | 18,635 | 5,639 | 31,351 |
| Additions | 51 | - | 1,879 | - | 1,930 |
| 31 March 2016 | 6,351 | 777 | 20,514 | 5,639 | 33,281 |
| Accumulated depreciation | | | | | |
| Depreciation as at 31 March 2014 | 840 | 253 | 9,875 | 1,416 | 12,384 |
| Charge for the year | 115 | 50 | 1,358 | - | 1,522 |
| Depreciation as at 31 March 2015 | 955 | 303 | 11,233 | 1,416 | 13,907 |
| Charge for the year | 116 | 48 | 1,312 | - | 1,476 |
| Depreciation as at 31 March 2016 | 1,071 | 351 | 12,545 | 1,416 | 15,383 |
| Net book value at 31 March 2016 | 5,232 | 474 | 7,969 | 4,223 | 17,898 |
| Net book value at 31 March 2015 | 5,345 | 474 | 7,402 | 4,223 | 17,444 |
| Net book value at 31 March 2014 | 5,460 | 463 | 7,785 | 4,223 | 17,931 |

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 2013, guided by an independent external professional valuer, GVA Grimley.

IMA machines are carried at fair value based on periodic valuations. These assets were revalued as at 31 March 2014 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 | - | (526) | (1,022) |
| Net book value | 1,170 | 1,494 | - |

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 £614,313 (2015: £661,547) held under a finance lease. Depreciation of £47,234 (2015: £47,232) 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.

Ridgeways 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

| | 2016 £'000 | 2015 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 5,256 | 4,843 |
| Work in progress | 543 | 661 |
| Finished goods | 7,967 | 6,522 |
| | <u>13,766</u> | <u>12,026</u> |

The above carrying amounts include write downs of £224,868 (2015: £382,027).

11 Trade and other receivables

| | 2016 £'000 | 2015 £'000 |
|---------------------------------|---------------|---------------|
| Trade receivables | 9,488 | 10,969 |
| Amounts owed by related parties | 4,386 | 1,773 |
| VAT | 300 | 473 |
| Other receivables | 1,661 | 2,199 |
| Prepayments and accrued income | 3,172 | 1,504 |
| | <u>19,007</u> | <u>16,919</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.

| | 2016 £'000 | 2015 £'000 |
|----------------------------------|---------------|---------------|
| Non-current assets | | |
| Other receivables | 450 | - |
| Deferred tax asset (see note 15) | 8,293 | 7,957 |
| | <u>8,743</u> | <u>7,957</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 (2015: £Nil) has been recorded.

An analysis of receivables past due but not impaired is at note 24.

Notes to the financial statements

12 Trade and other payables

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Trade and other payables | | |
| Trade payables | 8,400 | 7,073 |
| Other tax and social security payments | 591 | 187 |
| Other payables and accruals | 5,049 | 4,793 |
| | <u>14,040</u> | <u>12,053</u> |
| Other financial liabilities | | |
| Bank overdraft | 18,443 | 14,619 |
| Bank loan | 4,170 | - |
| Related party loans | 27,147 | 40,781 |
| | <u>49,760</u> | <u>55,400</u> |
| | <u>63,800</u> | <u>67,453</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

| | 2016 £'000 | 2015 £'000 |
|-----------------------------|---------------|---------------|
| Other payables and accruals | - | - |
| Bank loan | 31,680 | 35,850 |
| Related party loans | 3,360 | 3,360 |
| | <u>35,040</u> | <u>39,210</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 AXIS Bank UK Limited.

The interest payable on the bank loans is at LIBOR plus 4.00% and 4.25%. Management consider that this is a reasonable approximation of the effective interest rate.

| | 2016 £'000 | 2015 £'000 |
|--------------------------------------|---------------|---------------|
| Deferred tax liability (see note 15) | <u>718</u> | <u>957</u> |

Notes to the financial statements

14 Financial liabilities - borrowings

| | 2016 £'000 | 2015 £'000 |
|-------------------------|---------------|---------------|
| Current | | |
| Bank overdraft | 18,443 | 14,619 |
| Bank loan | 4,170 | - |
| Related party loan | 27,147 | 40,781 |
| | <u>49,760</u> | <u>55,400</u> |
| Non-current | | |
| Loan from related party | 3,360 | 3,360 |
| Bank loan | 31,680 | 35,850 |
| | <u>35,040</u> | <u>39,210</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 AXIS Bank UK Limited.

The bank loan is due for repayment as follows:

| | 2016 £'000 | 2015 £'000 |
|----------------------------|---------------|---------------|
| In one year | 4,170 | - |
| In one to two years | 5,770 | 4,170 |
| In two years to five years | 25,910 | 21,310 |
| In two to five years | - | 10,370 |
| | <u>35,850</u> | <u>35,850</u> |

Interest is payable on the bank loan at LIBOR plus 4.00% or 4.25%.

The loans from related parties are due for repayment as follows:

| | 2016 £'000 | 2015 £'000 |
|----------------------|---------------|---------------|
| In one year | 27,147 | 40,781 |
| In one to two years | 3,360 | - |
| In two to five years | - | 3,360 |
| | <u>30,507</u> | <u>44,141</u> |

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

Notes to the financial statements

14 Financial liabilities - borrowings (continued)

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.

Financial instruments

As referred to in the Strategic report on page 7, the company uses financial instruments, borrowings, 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.

15 Deferred tax assets and liabilities

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

| | 2016 £'000 | Movements in year | 2015 £'000 |
|---|---------------|----------------------|---------------|
| Tax asset by type of temporary differences: | | | |
| Total tax losses available – gross | <u>11,418</u> | <u>(18)</u> | <u>11,436</u> |
| Deferred tax asset recognised | <u>7,584</u> | <u>(373)</u> | <u>7,957</u> |
| Tax liabilities by type of temporary differences: | | | |
| Property, plant and equipment | <u>1,568</u> | <u>(354)</u> | <u>1,922</u> |
| Intangible assets | <u>4,816</u> | <u>(19)</u> | <u>4,835</u> |
| Deferred tax liability recognised | <u>6,384</u> | <u>(373)</u> | <u>6,757</u> |
| Net asset | <u>1,200</u> | <u>-</u> | <u>1,200</u> |

Within the property, plant and equipment deferred tax liability there is £1,041,000 (2015: £1,029,000) that has been recognised directly in equity. The movement of £174,000 (2015: £177,000) has been recognised within the statement of comprehensive income.

The tax losses available are recognised up to the point that they are considered to be recoverable. The directors do not feel it would be appropriate to recognise the full deferred tax asset as it is not probable that sufficient profits will be generated.

Notes to the financial statements

16 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.

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. 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 rates on borrowing facilities.

Notes to the financial statements

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. During the year 12,310,000 £1 shares were issued to cancel the same value of shareholder loans. The shares rank pari passu to the other £1 shares currently in issue.

The below issued amounts are managed as capital along with bank and related party loans as detailed in note 14.

| | 2016 £ | 2015 £ |
|---------------------------------------|-------------------|-------------------|
| 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> |

| | No | 2016 £ | No | 2015 £ |
|---|------------|-------------------|------------|-------------------|
| Issued share capital | | | | |
| 100 ordinary shares 1p each | 100 | 1 | 100 | 1 |
| Ordinary shares of £1 each | 31,510,000 | 31,510,000 | 31,510,000 | 31,510,001 |
| Ordinary shares issued in the year at £1 each | 12,310,000 | <u>12,310,000</u> | - | - |
| | | <u>43,820,000</u> | | <u>31,510,000</u> |

18 Reserves

| | Revaluation reserve £'000 | Retained losses £'000 |
|-----------------------------|---------------------------------|-----------------------------|
| At 31 March 2015 | 5,785 | (31,585) |
| Profit for the year | - | 230 |
| Deferred taxation (note 15) | - | (174) |
| Transfer | (127) | 127 |
| At 31 March 2016 | <u>5,658</u> | <u>(31,402)</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. The movement recognised arises from the change in anticipated long term tax rates year to year.

Notes to the financial statements

19 Operating lease commitments

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

| | Plant and equipment | | Motor vehicles | |
|---------------------------|---------------------|------------|----------------|------------|
| | 31 March | 31 March | 31 March | 31 March |
| | 2016 | 2015 | 2016 | 2015 |
| | £'000 | £'000 | £'000 | £'000 |
| Payments falling due: | | | | |
| Within one year | 70 | 108 | 77 | 71 |
| between one to five years | 59 | 130 | 122 | 86 |
| | <u>129</u> | <u>238</u> | <u>199</u> | <u>157</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.

20 Other commitments

| | 2016 | 2015 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Contracts placed for future expenditure regarding tea contracts | <u>10,269</u> | <u>12,055</u> |

21 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.

| | 2016 | 2015 |
|--|---------------|----------------|
| | £'000 | £'000 |
| Financial assets | | |
| Loans and receivables | | |
| Cash and cash equivalents | 77 | 266 |
| Trade receivables | 9,488 | 10,969 |
| Amounts owed by related parties | 4,386 | 1,773 |
| Other receivables | <u>2,111</u> | <u>2,199</u> |
| | <u>16,062</u> | <u>15,207</u> |
| Other - amortised cost | | |
| Trade payables | 8,400 | 7,072 |
| Other payables and accruals - current | 5,049 | 4,793 |
| Bank overdraft | 18,443 | 14,619 |
| Bank loan - current | 4,170 | - |
| Bank loan - non current | 31,680 | 35,850 |
| Loans from related parties - current | 27,147 | 40,781 |
| Loans from related parties - non current | <u>3,360</u> | <u>3,360</u> |
| | <u>98,249</u> | <u>105,775</u> |

Notes to the financial statements

22 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.

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. 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

22 Foreign currency sensitivity (continued)

| Nominal amounts | US\$ £'000 | € £'000 | CHF £'000 | £ £'000 | US\$ £'000 | € £'000 | CHF £'000 | £ £'000 |
|----------------------------|----------------|--------------|--------------|------------|----------------|--------------|--------------|------------|
| Financial assets | 212 | 463 | - | 90 | 215 | 366 | - | 103 |
| Financial liabilities | (2,384) | (1,185) | - | - | (1,815) | (847) | - | 3 |
| Short term exposure | (2,172) | (722) | - | 90 | (1,600) | (481) | - | 106 |

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 2016 (2015: +/- 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

22 Foreign currency sensitivity (continued)

| | US\$ £'000 | € £'000 | CHF £'000 | 2016 Other £'000 | US\$ £'000 | € £'000 | CHF £'000 | 2015 Other £'000 |
|----------------------------|---------------|------------|--------------|------------------------|---------------|------------|--------------|------------------------|
| Short term exposure | | | | | | | | |
| Financial assets | | | | | | | | |
| + 10% | 20 | 42 | - | 8 | 20 | 33 | - | 9 |
| - 10% | (24) | (51) | - | (10) | (23) | (40) | - | (11) |
| + 20% | 35 | 77 | - | 15 | 36 | 61 | - | 17 |
| - 20% | (53) | (115) | - | (23) | (54) | (91) | - | (26) |
| Financial liabilities | | | | | | | | |
| + 10% | 217 | 108 | - | - | 165 | 77 | - | - |
| - 10% | (265) | (132) | - | - | (202) | (94) | - | - |
| + 20% | 397 | 198 | - | - | 303 | 141 | - | 1 |
| - 20% | (596) | (296) | - | - | (454) | (212) | - | (1) |

Notes to the financial statements

22 Foreign currency sensitivity (continued)

In addition to the above, Typhoo Tea Limited also has a Swiss Franc loan. From 2008 the foreign exchange rate was fixed therefore there is no exposure to currency rate movements.

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Financial Liabilities | | |
| Swiss Franc loan - CHF - GBP exchange rate 2.00 | 5,129 | 5,129 |
| Long term exposure | <u>5,129</u> | <u>5,129</u> |

23 Interest rate sensitivity

Typhoo Tea Limited's policy is to minimise interest rate cash flow risk exposures on long term financing. At 31 March 2016 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% (2015: +/- 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.

| | 2016 £'000 +0.5% | 2016 £'000 -0.5% | 2015 £'000 0% | 2015 £'000 -0.5% |
|-------------------------|------------------------|------------------------|---------------------|------------------------|
| Net result for the year | <u>(341)</u> | <u>341</u> | <u>(401)</u> | <u>422</u> |
| Equity | <u>341</u> | <u>(341)</u> | <u>401</u> | <u>(422)</u> |

Notes to the financial statements

24 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:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Classes of financial assets - carrying amounts | | |
| Trade and other receivables (excluding VAT) | 11,149 | 13,168 |
| Cash and cash equivalents | 77 | 266 |
| | <u>11,226</u> | <u>13,434</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:

| | 2016 % | 2015 % |
|---|-----------|-----------|
| Percentage of receivables relating to top 5 customers | 54 | 58 |

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.

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:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Not more than 3 months | 684 | 922 |
| More than 3 months but not more than 6 months | 80 | 313 |
| More than 6 months but not more than 12 months | 249 | 38 |
| More than 12 months | <u>1,585</u> | <u>1,250</u> |
| | <u>2,598</u> | <u>2,523</u> |

Notes to the financial statements

25 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 2016 Typhoo Tea Limited's liabilities have contractual maturities which are summarised below:

| 31 March 2016 | Within 6 months £'000 | Current 6 to 12 months £'000 | 1 to 5 years £'000 | Non-current later than 5 years £'000 |
|--|--------------------------------------|---|-----------------------------------|---|
| Bank loans | 3,021 | 2,834 | 34,818 | - |
| Loans from related parties | 29,942 | 118 | 5,658 | - |
| Trade payables | 8,400 | - | - | - |
| Other short term financial liabilities | 23,492 | - | - | - |
| | <u>62,855</u> | <u>2,952</u> | <u>40,477</u> | <u>-</u> |

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

| 31 March 2015 | Within 6 months £'000 | Current 6 – 12 months £'000 | 1 to 5 years £'000 | Non-current later than 5 years £'000 |
|--|--------------------------------------|--|-----------------------------------|---|
| Bank loans | 844 | 844 | 30,625 | 11,160 |
| Loans from related parties | 44,027 | 117 | 5,656 | - |
| Trade payables | 7,148 | - | - | - |
| Other short term financial liabilities | 19,413 | - | - | - |
| | <u>71,432</u> | <u>961</u> | <u>36,281</u> | <u>11,160</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

26 Related party transactions

The following transactions took place in the period:

| Company name | Relationship | Nature of transaction | Value in period to 31.3.2015 £'000 | Amount due (from)/to at 31.3.2016 £'000 | Value in period to 31.3.2015 £'000 | Amount due (from)/to at 31.3.2015 £'000 |
|---|-------------------|-----------------------------------|---------------------------------------|--|---------------------------------------|--|
| Apeejay London Limited | Related party | Advance | - | (1,769) | - | (1,769) |
| Apeejay London Limited | Related party | Loan advance | - | 5,129 | - | 5,129 |
| Apeejay London Limited | Related party | Interest on loan | (327) | (46) | (48) | (21) |
| Teaco Finance Sàrl | Fellow subsidiary | Loan advance/ (capital repayment) | - | - | (30,109) | - |
| Teaco Finance Sàrl | Fellow subsidiary | Interest on loan | - | - | (252) | - |
| Apeejay Tea Limited | Related party | Tea purchases | (1,068) | 959 | (81) | 359 |
| Apeejay Tea Limited | Related party | Cost recharge | 5 | (13) | - | (8) |
| Apeejay Tea Panama | Related party | Debt to Equity cap. | (8,000) | 27,110 | - | 35,110 |
| Apeejay Tea Panama | Related party | Interest on loan | 359 | 1,987 | 449 | 2,554 |
| Global Tea Commodities Limited | Related party | Tea purchases | (1,974) | 2,693 | 600 | 882 |
| Global Tea Commodities Limited | Related party | Cost recharge | 2 | (26) | (14) | (24) |
| Global Tea Commodities Limited | Related party | Loan advance | 0 | 36 | - | 4,098 |
| Global Tea Commodities Limited | Related party | Debt to Equity cap. | (4,310) | - | - | - |
| Global Tea Commodities Limited | Related party | Interest | (124) | 164 | (12) | 227 |
| Global Tea Commodities Limited | Related party | Overider | 238 | (346) | - | (108) |
| Global Tea Kenya | Related party | Tea purchases | (3,406) | (3,406) | 889 | 1,406 |
| Global Tea Commodities (Malawi) | Related party | Tea Purchases | (67) | (67) | 2 | 14 |
| Gold Crown Foods (EPZ) Limited Mombasa | Related Party | Contract packing | (13,558) | (3,171) | (926) | 460 |
| Gold Crown Foods (EPZ) Limited Mombasa | Related Party | Sale of engineering inventory | (209) | (2,566) | (561) | (2,523) |
| Gold Crown Foods (EPZ) Limited Mombasa | Related Party | Overider | - | (568) | - | (568) |
| Apeejay Surrendra Group (India) Limited | Parent | Recharge of expenses | - | (8) | - | (7) |
| | | | | <u>26,092</u> | | <u>45,211</u> |

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

Notes to the financial statements

26 Related party transactions (continued)

The loan from Apeejay Tea Panama Limited are loans as detailed in note 14, interest is payable at LIBOR + 1.5% (2015 : LIBOR +8%).

The loan from Apeejay London Limited is a Swiss Franc loan, interest payable at LIBOR plus 4%.

27 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.

28 Analysis of balances of cash and cash equivalents

| | 2016 £'000 | 2015 £'000 |
|---------------|-----------------|-----------------|
| Bank balances | 77 | 266 |
| Overdraft | <u>(18,443)</u> | <u>(14,619)</u> |
| | <u>(18,366)</u> | <u>(14,353)</u> |

Detailed profit and loss account

| | 2016 £ | 2015 £ |
|---|-------------------|-------------------|
| TURNOVER | | |
| Sales | 74,142,000 | 81,785,447 |
| COST OF SALE | | |
| Purchases | 51,072,000 | 54,482,072 |
| Manufacturing | 4,242,000 | 4,453,071 |
| | <u>55,314,000</u> | <u>58,935,143</u> |
| SELLING, DISTRIBUTION AND ADMINISTRATION COSTS | | |
| Agreements and lump sums | 3,820,000 | 6,059,000 |
| Consumer marketing | 1,361,000 | 1,427,000 |
| Selling and marketing | 8,381 | 12,056 |
| Wages and salaries | 2,796,613 | 2,706,488 |
| Other staff costs | 96,531 | 54,909 |
| Training | 7,073 | 13,753 |
| Motor | 168,770 | 183,664 |
| Travel | 211,464 | 227,594 |
| Rent and rates | 180,307 | 178,770 |
| Heat, light and power | - | 251 |
| Other occupation costs | 763,910 | 915,971 |
| Logistics and distribution | 3,759,295 | 3,928,572 |
| Office and general expenses | 139,928 | 141,025 |
| Memberships and subscriptions | 103,622 | 100,508 |
| Professional charges | 155,732 | 288,565 |
| IT and systems | 125,725 | 117,830 |
| Bad debts | 2,000 | - |
| Amortisation | - | 86,007 |
| Currency gains/losses | (1,583) | (66,773) |
| Depreciation | 1,475,558 | 1,522,787 |
| | <u>15,174,326</u> | <u>17,897,977</u> |
| FINANCE COSTS | | |
| Other Finance costs | <u>3,597,000</u> | <u>3,980,405</u> |