

Financial Statements Typhoo Tea Limited

For the year ended 31 March 2018



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
M D McBrien
M Tapal
A Ghosh
T Vyner CBE, HON FRCP
A A Gloor
I Hamid
A D Woodhouse

Bankers
AXIS Bank UK Limited
4th Floor
Kings House
36-37 King Street
London
EC2V 8BB

Barclays Bank PLC
21 Hanover Square
Mayfair
London
W1S 1JW

Company information

Solicitors

Brabners LLP
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 2018.

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 2018 is set out below. Other than as stated all directors served throughout the year.

K Paul – Chairman
N Ahmed - Vice Chairman
P Paul
M D McBrien
M Tapal
S Saha (resigned 14 December 2018)
A Ghosh
T Vyner CBE, HON FRCP
A A Gloor
I Hamid
A D Woodhouse

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 (IFRS) as adopted by the European Union. 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 and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS's, as adopted by the European Union, 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

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the company's auditors is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is 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.

Directors' Report requirements covered in the Strategic Report

The Directors' Report requirements around key risks and uncertainties and financial risk management are covered in the Strategic Report.

Political Donations

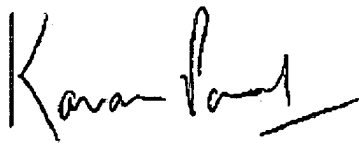
There are have been no political donations within the year.

Report of the directors

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed by the members in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'Karan Paul', with a horizontal line extending from the end of the signature.

Karan Paul
Director

2nd April 2019

Strategic report

Business review

The Board of Directors of Typhoo Tea Limited have recognised the year to 31 March 2018 as one of the most challenging trading periods for the business in recent history.

The cost of key raw materials rose to a record high due to events beyond the control of the business. The average market price per kg of raw material peaked at \$2.97 during the trading period (*March 2017: \$2.54*). It should be noted that average tea prices have now stabilised and are back at levels below the average at March 2017. Due to commercial reasons, the increase in raw material cost was not passed on to customers impacting gross profit significantly.

Furthermore, uncertainty over the outcome of Brexit drove significant adverse currency movements. Again, the adverse impact following the decision to leave Brexit has somewhat stabilised and the company has put measures in place to mitigate the risk around volatility in foreign exchange.

In addition to these two significant adverse events, the company also pursued a strategy which involved growth in Sales through capturing additional market share, targeting the private label sector of the market. This strategy had a substitution effect within the business, growing lower margin private label sales at the expense of higher margin branded product.

Selling, distribution and marketing costs have increased to £10.2m (*2017: £7.7m*) due to significant investment in re-branding of the Heath & Heather range and a more conservative approach to the treatment of costs relating to trade spend/advertising campaigns. Administrative expenses also increased to £7.4m (*2017: £5.9m*). This is primarily driven by the decision to open a London office plus an increase in Legal and Consultancy fees.

In addition to the losses resulting from the challenging trading environment, under IAS36, the Directors are also required to carry out an impairment review on the value of the brands and trademarks owned by the company. The assumptions forming part of the review are detailed in note 7, the result of which is an impairment in value across 3 brands of £5m.

All of these circumstances, coupled with a very challenging pricing environment, have resulted in the company recording a loss of £20,035,000 for the 12 months to 31 March 2018.

The Board of Directors has begun to implement significant measures to improve the operational and financial performance of the business. These measures include but are not limited to:

- Re-assessment of key pricing strategies across the portfolio of the brands;
- Recruitment in certain key areas to enhance the capabilities and the effectiveness of the Company; and
- Investment in new equipment and processes to improve the efficiency of the UK facility.

The impact of these measures will be a benefit to the business over the coming years, however the Board recognises that the challenging environment will continue over the next 6 - 12 months until the uncertainty around Brexit is resolved and the improvement measures begin to take effect.

As an organisation, we will continue working towards improvements in quality and meeting the demands of our customers, whilst striving towards a cost competitive operational performance.

Strategic report

The Company remains focused on ethically, sustainably, traceably 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.

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. We value the commitment of our employees and recognise that engaged employees are a powerful source of competitive advantage.

Future strategy

Typhoo Tea Limited has recognised the 12 months to 31 March 2018 as being some of the most challenging seen in recent times however the Board of Directors remains confident that the commitment to quality, value and customer service will deliver the improved financial performance required.

Typhoo will continue to drive operational and financial improvement through:

- Reviews of portfolio pricing.
- Increased focus on delivering improved service levels to build strong relationships with our customer base.
- Re-focus on driving the Typhoo brand and in growing the Heath & Heather brand.
- New capital investment in equipment to improve efficiency and in IT systems to improve financial and operational information.

To ensure delivery of these improvement areas, the business has undergone a significant change in Management Leadership in key positions following the completion of the year to 31 March 2018 and the Board have confidence in the team they have employed to deliver this plan.

The Directors are confident that the business plan developed for the future of the business is the right one and that the continued support of the shareholders will allow the company to recover from the year to 31 March 2018 and go from strength to strength.

We would also like to thank our employees, customers, suppliers, and banking institutions for the continued support during a very difficult 12 month period.

Going concern

These financial statements have been prepared under the going concern principle. The forecasts prepared by the Directors for the period to March 2021 indicate that the measures taken by the Board and the market conditions will deliver a return to profitability in the year to March 2020.

The loans are due for final repayment in 2020 and 2021. The Directors note that there was a breach of covenants (Maximum Debt and Debt Service Cover) on the loan facility in the year which has the effect of making the facilities repayable on demand. The Directors have sought assurance from Axis Bank that this will not lead to a recall of facilities. Axis Bank have provided verbal assurance that they do not intend to recall the facilities at the current time. Further Apeejay Tea (Panama) Inc, a related party of Typhoo have signed a letter of support agreeing to provide all required financial support for Typhoo to remain a going concern for 12 months from the signing of these accounts. 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. In addition to this, there are assurances given to the main lender to the business by one of the shareholders which underpin the security of the ongoing bank support both to working capital and short term borrowings.

Strategic report

The continued support of the shareholders and future investment planned from one of the existing shareholders further strengthens the Board of Directors' belief that the return to profitability is in the near term and that it is appropriate to prepare these statements on a going concern basis.

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 for the foreseeable future and, as a result of raw material purchases being principally denominated in foreign currency and 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 are impacted by the current economic climate.

The company has entered into open book pricing discussions with key customers to mitigate the risk of adverse raw tea cost increases and have changed some purchases to Sterling to mitigate foreign exchange risk.

Financial risk management objectives and policies

Typhoo 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 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

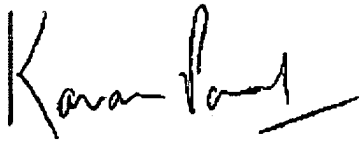
The company's borrowing facilities are managed by the use of floating rates of interest. Interest rates and cash flow forecasts are monitored regularly by the directors with a view to converting some borrowing to fixed rate if necessary.

Strategic report

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

A handwritten signature in black ink, appearing to read 'Karan Paul', with a horizontal line extending from the end of the signature.

Karan Paul
Director

2nd April 2019



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

Opinion

We have audited the financial statements of Typhoo Tea Limited (the 'company') for the year ended 31 March 2018 which comprise the Principal accounting policies, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Balance sheet, the Cashflow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of the 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.



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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company's 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.

Responsibilities of directors for the financial statements

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



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

Use of our report

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.

Grant Thornton UK LLP

Jennifer Woods ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool

3 April 2019

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.

The financial statements are prepared in £ Sterling, the company's functional currency, and prepared in round thousands.

Going concern

These financial statements have been prepared under the going concern principle. The forecasts prepared by the Directors for the period to March 2021 indicate that the measures taken by the Board and the market conditions will deliver a return to profitability in the year to March 2020.

The loans are due for final repayment in 2020 and 2021. The Directors note that there was a breach of covenants (Maximum Debt and Debt Service Cover) on the loan facility in the year which has the effect of making the facilities repa. The Directors have sought assurance from Axis Bank that this will not lead to a recall of facilities. Axis Bank have provided verbal assurance that they do not intend to recall the facilities at the current time. Further Apeejay Tea (Panama) Inc, a related party of Typhoo have signed a letter of support agreeing to provide all required financial support for Typhoo to remain a going concern for 12 months from the signing of these accounts. 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. In addition to this, there are assurances given to the main lender to the business by one of the shareholders which underpin the security of the ongoing bank support both to working capital and short term borrowings.

The continued support of the shareholders and future investment planned from one of the existing shareholders further strengthens the Board of Directors' belief that the return to profitability is in the near term and that it is appropriate to prepare these statements on a going concern basis.

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.

Principal accounting policies

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. Promotional trade spend relates to merchandising funds, pricing allowances and product placement (investing in various arrangements with retailers).

Borrowing costs

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

Operating expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the services or as incurred.

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 profit or 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.

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

Principal accounting policies

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 (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly, and the write-down 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 over 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.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost.

Freehold land is not depreciated. Freehold land and buildings are carried at fair value, based on a combination of total usable space (sq ft), market value of similar recently sold in the local area and, an allowance for significant remedial work evidenced by external quotations. IMAs (tea bag machines) are subsequently carried at fair value, based on director's 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 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.

Principal accounting policies

Property, plant and equipment (continued)

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).

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.

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 unit's 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.

Principal accounting policies

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.

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.

Principal accounting policies

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.

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.

Principal accounting policies

Financial assets (continued)

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.

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.
- "Share premium" represents amounts paid for share capital in excess of their nominal value.
- "Revaluation reserve" represents the surplus resulting from carrying assets at their fair value.
- "Retained (losses)/earnings" represents retained losses/profits.

Principal accounting policies

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.

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	: Note 6	critical judgement & estimation uncertainty
Other intangibles	: Note 7	critical judgement & estimation uncertainty
Property, plant & equipment	: Note 8	critical judgement & estimation uncertainty
Deferred tax assets and liabilities	: Note 15	critical judgement & estimation uncertainty

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. CGUs have been assessed 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 five years (with year five rolled out in perpetuity) 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 over the valuation of IMAs, the machinery used to bag and box the tea, and the property. The IMAs are valued using management's expert judgement as a result of many years of experience in the industry backed up by indicative costings for new IMAs provided by the manufacturer. The valuation of properties is based on rental and sales value per square foot in the area that the building is located. Freehold land and buildings are carried at fair value, based on a combination of total usable space (sq ft), market value of similar property recently sold in the local area and, an allowance for significant remedial work evidenced by external quotations.

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

Principal accounting policies

Critical judgements and key sources of estimation uncertainty (continued)

The company establishes tax provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience with previous tax audits and interpretations of tax regulations. Management estimation is required to determine the amount of deferred tax assets or liabilities to be recognised based upon the likely future timing and level of taxable profits, together with an assessment of the effect of future tax planning strategies.

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 2018 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.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 "Financial Instruments: Recognition and Measurement" and affects the recognition, measurement, presentation and disclosure of financial instruments. Notably, the standard introduces new rules for initial classification of financial instruments and introduces an expected loss model for impairment of financial assets that replaces the incurred loss model contained in IAS 39.

Typhoo Tea hold relatively few financial instruments, namely trade receivables, trade payables, borrowings and cash. It holds no derivative financial instruments and does not apply hedge accounting. Management has performed a detailed assessment of all financial instruments held by the company and believe that there will be no change to the amortised cost basis under which they are currently held.

With regard to impairment of financial assets the company is exposed to credit risk on only trade and other receivable financial assets and so plans to adopt the simplified model of recognising lifetime expected losses. Management does not expect IFRS 9 to have a material impact on the results of the company.

IFRS 15 Revenue from Contract with Customers

IFRS 15 "Revenue from Contracts with Customers" (effective for the year beginning 1 April 2018) provides a single, principles-based, five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods, services and construction contracts currently included in IAS 11 "Construction Contracts" and IAS 18 "Revenue". The directors have undertaken an assessment of the impact of IFRS 15. Sales are recognised upon the date of delivery which is when the transfer of the risks and rewards associated with the goods takes place. Contracts for specified volumes are not used, rather over arching agreements are signed where by the price per unit is agreed for a period of time. The Directors do not anticipate there being a material impact on revenue recognition as a result of the adotion of IFRS 15, however the Directors are continuing to finalise their detailed assessment.

Principal accounting policies

IFRS 16 Leases

IFRS 16 “Leases” will replace IAS 17 “Leases” and sets out the principles for the recognition, measurement, presentation and disclosure of leases and will be effective for the company from 1 April 2019. Typhoo Tea Limited has reviewed all its lease contracts in the year. The company holds only leases classified as operating leases under the current standard, and acts only as a lessee, not a lessor. Under IFRS 16 the main difference for the company will be that all leases that the company holds as a lessee will be recognised as an asset on the balance sheet, with a corresponding lease liability.

On the income statement the company will recognise an amortisation charge and an interest charge instead of a straight-line operating cost. This changes the timing of cost recognition on the lease, resulting in extra cost in early years of the lease, and reduced cost towards the end of the lease. Had Typhoo Tea Limited adopted IFRS 16 on 1 April 2017 the cumulative impact on unexpired leases would have been immaterial.

Statement of comprehensive income

	Note	2018 £'000	2017 £'000
Revenue		70,208	71,077
Cost of sales		<u>(64,835)</u>	<u>(53,813)</u>
Gross profit		5,373	17,264
Selling, distribution and marketing costs		(10,207)	(7,707)
Administration costs excluding impairment		(7,377)	(5,852)
Impairment loss		(5,000)	-
Total administration costs		<u>(12,377)</u>	<u>(5,852)</u>
Operating (loss)/profit	1	(17,211)	3,705
Finance costs	2	<u>(2,824)</u>	<u>(3,485)</u>
(Loss)/profit before tax		(20,035)	220
Taxation	5	-	(55)
(Loss)/profit for the year		<u>(20,035)</u>	<u>165</u>
Other comprehensive income for the year			
Taxation	5	-	55
Total comprehensive income		<u>(20,035)</u>	<u>220</u>

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

Statement of changes in shareholders' equity

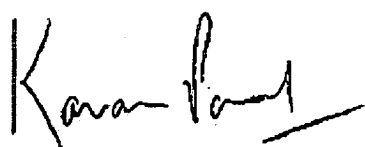
	Share capital £'000	Share Premium £'000	Retained earnings £'000	Revaluation reserve £'000	Total Shareholders' equity £'000
Balance at 31 March 2016	<u>43,820</u>	<u>-</u>	<u>(31,402)</u>	<u>5,658</u>	<u>18,076</u>
Transactions with owners					
Shares issued	4,007	18,037	-	-	22,044
Capital reduction	(31,989)	-	31,989	-	-
Total transactions with owners	<u>(27,982)</u>	<u>18,037</u>	<u>31,989</u>	<u>-</u>	<u>22,044</u>
Other comprehensive income					
Profit for the year ended 31 March 2017	-	-	165	-	165
Transfer of increased depreciation on revaluation	-	-	7	(7)	-
Deferred taxation on revaluation	-	-	55	-	55
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>227</u>	<u>(7)</u>	<u>220</u>
Total transactions in the year	<u>(27,982)</u>	<u>18,037</u>	<u>32,216</u>	<u>(7)</u>	<u>22,264</u>
Balance at 31 March 2017	<u>15,838</u>	<u>18,037</u>	<u>814</u>	<u>5,651</u>	<u>40,340</u>
Transactions with owners					
Shares issued	2,832	5,986	-	-	8,818
Capital reduction	-	-	-	-	-
Total transactions with owners	<u>2,832</u>	<u>5,986</u>	<u>-</u>	<u>-</u>	<u>8,818</u>
Other comprehensive income					
Loss for the year ended 31 March 2018	-	-	(20,035)	-	(20,035)
Transfer of increased depreciation on revaluation	-	-	97	(97)	-
Deferred taxation on revaluation	-	-	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(19,938)</u>	<u>(97)</u>	<u>(20,035)</u>
Total transactions in the year	<u>2,832</u>	<u>5,986</u>	<u>(19,938)</u>	<u>(97)</u>	<u>(11,217)</u>
Balance at 31 March 2018	<u>18,670</u>	<u>24,023</u>	<u>(19,124)</u>	<u>5,554</u>	<u>29,123</u>

The notes on pages 29 - 49 form part of these financial statements.

Balance sheet

	Note	2018 £'000	2017 £'000
Assets			
Non-current			
Goodwill	6	6,595	6,595
Intangible assets	7	52,923	57,923
Property, plant and equipment	8	17,147	17,939
Investments	9	-	-
Other receivables	11	168	450
Deferred tax asset	15	7,410	7,755
		<u>84,243</u>	<u>90,662</u>
Current assets			
Inventories	10	14,015	12,883
Trade and other receivables due within one year	11	26,917	25,673
Cash and cash equivalents	27	266	1,062
		<u>41,198</u>	<u>39,618</u>
Total assets		<u>125,441</u>	<u>130,280</u>
Equity and liabilities			
Equity			
Share capital	17	18,670	15,838
Revaluation reserve		5,554	5,651
Retained (losses)/earnings		(19,124)	814
Share premium		24,023	18,037
Total equity		<u>29,123</u>	<u>40,340</u>
Current liabilities			
Trade and other payables	12	22,230	18,966
Other financial liabilities	12	64,518	50,689
Total current liabilities	12	<u>86,748</u>	<u>69,655</u>
Non-current liabilities			
Other financial liabilities	13	3,360	13,730
Deferred tax liability	15	6,210	6,555
Total liabilities		<u>96,318</u>	<u>89,940</u>
Total equity and liabilities		<u>125,441</u>	<u>130,280</u>

These financial statements were approved by the directors and authorised for issue on 2nd April 2019, and signed on their behalf by:



Karan Paul
Director

The notes on pages 29 - 49 form part of these financial statements.

Cash flow statement

	£'000	2018 £'000	£'000	2017 £'000
Operating activities				
(Loss)/profit before tax		(20,035)		220
Depreciation	1,469		1,398	
Impairment loss	5,000		-	
Amortisation of issue costs	171		199	
Change in inventories	(1,132)		882	
Change in trade and other receivables	(1,134)		(725)	
Change in trade and other payables	3,399		(23,250)	
Non-cash adjustment	-		(13)	
Interest payable	2,660		3,203	
Net cash used in operating activities		(9,602)		(18,085)
Investing activities				
Additions to property, plant and equipment	(677)		(1,438)	
Net cash used in investing activities		(677)		(1,438)
Financing activities				
Loan receipts	19,853		9,540	
Repayment of loans	(11,310)		(19,808)	
Interest paid	(2,794)		(3,398)	
Proceeds from share issue	4,000		20,199	
Capitalisation of related party loans	-		12,044	
Net cash from financing activities		9,749		18,577
Cash and cash equivalents, beginning of year		(19,312)		(18,366)
Net decrease in cash and cash equivalents		(530)		(946)
Cash and cash equivalents, end of year		(19,842)		(19,312)

The notes on pages 29 - 49 form part of these financial statements.

Notes to the financial statements

1 Operating (loss)/profit

The following items have been included in arriving at operating (loss)/profit:

	2018 £'000	2017 £'000
Repairs and renewals	687	533
Auditor's remuneration		
Fees payable to the company's auditor in respect of the audit	50	47
Fees payable to the company's auditor in respect of the tax services provided	5	6
Fees payable to the company's auditor in respect of other services provided	41	-
Depreciation of property, plant and equipment:	1,469	1,397
Other operating lease rentals payable		
Plant and machinery	198	122
Motor vehicles	82	8
Exchange (gains)/losses	(79)	420

2 Finance costs

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

	2018 £'000	2017 £'000
Interest expense on bank borrowings at amortised cost	1,178	2,225
Amortisation of issue costs of other loan	171	199
Interest expense on related party loans at amortised cost	1,307	784
Other interest payable	85	194
Total interest expense for financial liabilities	2,741	3,402
Bank charges	83	83
Total finance costs	2,824	3,485

Notes to the financial statements

3 Employee remuneration

Expense recognised for employee benefits is analysed below:

	2018 £'000	2017 £'000
Wages and salaries	9,112	8,070
Social security costs	909	792
Pensions - defined contributions plans	1,217	1,125
Total	11,238	9,987

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

	2018	2017
By activity		
4 weekly paid	233	219
Monthly paid	75	68
	308	287

The liability recognised for pensions and other employee remuneration in the balance sheet is £260,432 (2017: £183,308). 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 and Directors remuneration

Key management personnel comprise the CEO, directors and heads of departments.

Key management personnel remuneration includes the following:

	Directors 2018 £'000	KMP 2018 £'000	2017 £'000
Short term employee benefits			
Emoluments	202	508	610
Social security costs	28	70	84
Post-employment benefits			
Defined contribution pension schemes	15	45	60
Total	245	623	754

The emoluments of the directors of Typhoo Tea Limited are included within the above. The highest paid director received emoluments of £195,090 (2017: £158,086).

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 19% (2017: 20%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

	2018 £'000	2017 £'000
Current tax expense	-	-
Deferred tax credit resulting from the origination and reversal of temporary differences	-	(55)
Total tax charge	<u>-</u>	<u>(55)</u>
Total tax:		
Result for the year before tax	<u>(20,035)</u>	<u>220</u>
Expected tax charge at tax rate of 19% (2017: 20%)	(3,807)	44
Adjustment for non-deductible expenses and short term timing differences	1,112	15
Capital depreciation in excess of allowances	120	136
Deferred tax asset not recognised	2,575	(195)
Amounts recognised directly into equity	-	(55)
Actual 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

	2018 £'000	2017 £'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:

	2018 £'000	2017 £'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 2.06% (2007: 3%) based on UK long term average growth rates. Future cash flows are based on detailed 5 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 five years cash flows.

As at 31 March 2018 the pre-tax rate used to discount the forecasted cash flows was 10.4% (2017: 8.4%).

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 2017 and 31 March 2018	600	65	57,858	58,523
Amortisation				
As at 31 March 2016	600	-	-	600
Charge for the year	-	-	-	-
As at 31 March 2017	600	-	-	600
Charge for the year (impairment loss)	-	-	(5,000)	(5,000)
At 31 March 2018	600	-	(5,000)	(5,600)
Net book value at 31 March 2018	-	65	52,858	52,923
Net book value at 31 March 2017	-	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/Trademark £'000
Typhoo	33,339
Glengettie	2,172
Ridgways	469
Heath & Heather	5,629
London Fruit & Herb	6,250
Lift	753
Melroses	330
Freshbrew	507
Red Mountain	3,409
	52,858

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:

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 five year plan is their best estimate of future cashflows, it is envisaged that the cashflows projected will be achieved. However, the Directors accept that based on past performance and the issues that have been documented in the Strategic report that a budget achievement of 65 - 70% would be the most realistic level of performance. Sensitivity analysis has been completed and based on the other assumptions discussed above this leads to an impairment of £5m across Glengettie, LIFT and Melrose. A further reduction in achieved forecast to 50% would lead to additional impairment of approximately £5m. Likewise an achievement of 90% or above would reverse the current impairment.

Growth rates Growth rates after the detailed five year plan are assumed to be 2.06% (3% in 2017) based on UK long term average growth rates as published by the Office for National Statistics. This rate has been set by taking the average rates over the last five years, as this is in line with the length of the detailed plans and provides a fairly stable period over which to measure growth when looking back over the full history of this statistic. It is noted that at this rate of growth there are impairments in three of brands (Glengettie, LIFT and Melrose). Were the rates to be dropped by a further 0.8% to the all time growth rate average we would expect to see impairment across the majority of Brands. However, following a review Directors are comfortable assuming that rates are unlikely to fall to that level and thus not have a material impact on the cash flows these rates are applied to.

Discount rates Discount rates are estimated based on weighted average cost of capital applicable to the company. The discount rate used in the calculations is 10.4% (2017: 8.4%). The directors consider based on past experience that an increase or decrease of 1/1.5% is possible but unlikely. Assuming all other assumptions remain the same this could increase the impairment level by up to approximately £9m, to £14m, at this level it would be anticipated that all brands will be impaired to some degree. Alternatively, at the other boundary the impairment would be reversed and all brands would have an element of headroom.

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 2016	6,351	777	20,514	5,639	33,281
Additions	35	-	1,403	-	1,438
As at 31 March 2017	6,386	777	21,917	5,639	34,719
Additions	-	-	677	-	677
31 March 2018	6,386	777	22,594	5,639	35,396
Accumulated depreciation					
Depreciation as at 31 March 2016	1,071	351	12,545	1,416	15,383
Charge for the year	115	43	1,239	-	1,397
Depreciation as at 31 March 2017	1,186	394	13,784	1,416	16,780
Charge for the year	115	43	497	814	1,469
Depreciation as at 31 March 2018	1,301	437	14,281	2,230	18,249
Net book value at 31 March 2018	5,085	340	8,313	3,409	17,147
Net book value at 31 March 2017	5,200	383	8,133	4,223	17,939
Net book value at 31 March 2016	5,232	426	7,969	4,223	17,898

Notes to the financial statements

8 Property, plant and equipment (continued)

Freehold land and buildings are carried at fair value, based on a combination of total usable space (sq ft), market value of similar recently sold in the local area and an allowance for significant remedial work evidenced by external quotations.

IMA machines are carried at fair value based on management's expert judgement as a result of many years of experience in the industry backed up by indicative costings for new IMAs provided by the manufacturer of these machines.

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	-	(627)	-
Net book value	1,170	1,393	1,022

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

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

	2018 £'000	2017 £'000
Raw materials and consumables	5,726	4,904
Work in progress	478	553
Finished goods	7,811	7,425
	<u>14,015</u>	<u>12,882</u>

The above carrying amounts include write downs of £408,919 (2017: £368,918).

Inventory recognised in cost of sales in the year is £60,276,000 (2017: £46,988,000).

11 Trade and other receivables

	2018 £'000	2017 £'000
Current assets		
Trade receivables	9,282	9,481
Amounts owed by related parties	14,239	11,954
VAT	273	571
Other receivables	-	471
Prepayments and accrued income	3,123	3,196
	<u>26,917</u>	<u>25,673</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.

	2018 £'000	2017 £'000
Non-current assets		
Other receivables	168	450
Deferred tax asset (see note 15)	7,410	7,755
	<u>7,578</u>	<u>8,205</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 (2017: £Nil) has been recorded.

An analysis of receivables past due but not impaired is at note 23.

Notes to the financial statements

12 Trade and other payables

	2018 £'000	2017 £'000
Trade and other payables		
Trade payables	7,786	8,180
Other tax and social security payments	375	185
Amounts due to related parties	8,814	6,140
Other payables and accruals	5,255	4,461
	<u>22,230</u>	<u>18,966</u>
Other financial liabilities		
Bank overdraft	20,108	20,374
Bank loan	10,370	11,310
Related party loans	34,040	19,005
	<u>64,518</u>	<u>50,689</u>
	<u>86,748</u>	<u>69,655</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

	2018 £'000	2017 £'000
Bank loan	-	10,370
Related party loans	3,360	3,360
	<u>3,360</u>	<u>13,730</u>

The bank loan 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 interest payable on the bank loans is at LIBOR plus 3.75%. Management consider that this is a reasonable approximation of the effective interest rate.

The company has failed one of the covenants in relation to the loan with AXIS Bank UK Limited in the year. As a result, the remaining £10,370,000 of this loan has been classed as a current liability.

	2018 £'000	2017 £'000
Deferred tax liability (see note 15)	<u>6,210</u>	<u>6,555</u>

Notes to the financial statements

14 Financial liabilities - borrowings

	2018 £'000	2017 £'000
Current		
Bank overdraft	20,108	20,374
Bank loan	10,370	11,310
Related party loan	34,040	19,005
	<u>64,518</u>	<u>50,689</u>
Non-current		
Loan from related party	3,360	3,360
Bank loan	-	10,370
	<u>3,360</u>	<u>13,730</u>

During the financial year 2018, the company breached the minimum debt service coverage ratio loan covenant in respect of the AXIS Bank loan and as a result the loan of £10,370,000 became repayable on demand.

The result of this technical breach of the loan agreement, (for which no pre-emptive waiver has been issued by AXIS Bank during the financial year) is that the accounting standards require the £10,370,000 to be classified as short term, given it could be recalled. However, the Directors note that AXIS Bank have given verbal confirmations that the loan will not be recalled as a result of this breach. Further, at the time of signing (approximately 12 months after the Balance Sheet date) no recall has been made by AXIS Bank. In addition a guarantee from the related parties is in place in favour of AXIS Bank.

The bank loans 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:

	2018 £'000	2017 £'000
In one year	10,370	11,310
In one to two years	-	-
In two years to five years	-	10,370
	<u>10,370</u>	<u>21,680</u>

Interest is payable on the bank loan at LIBOR plus 3.75%.

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

	2018 £'000	2017 £'000
In one year	34,040	19,005
In one to two years	-	-
In two to five years	3,360	3,360
	<u>37,400</u>	<u>22,365</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)

Financial instruments

As referred to in the Strategic report on page 9 - 10, 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:

	2018 £'000	Movements in year £'000	2017 £'000
Tax asset by type of temporary differences:			
Total tax losses available – gross	<u>13,833</u>	<u>2,970</u>	<u>10,863</u>
Deferred tax asset recognised	<u>7,410</u>	<u>345</u>	<u>7,755</u>
Tax liabilities by type of temporary differences:			
Property, plant and equipment	<u>1,634</u>	<u>66</u>	<u>1,568</u>
Intangible assets	<u>4,576</u>	<u>279</u>	<u>4,987</u>
Deferred tax liability recognised	<u>6,210</u>	<u>345</u>	<u>6,555</u>
Net asset	<u>1,200</u>	<u>-</u>	<u>1,200</u>

Within the property, plant and equipment deferred tax liability there is £94,000 (2017: £940,000) that has been recognised directly in equity. The movement of £Nil (2017: £55,000) 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. The amount recognised represents the Directors assessment of future taxable profits. The unrecognised deferred tax asset is £5.7m.

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 £0.27 ordinary equity shareholders are eligible to receive dividends and the repayment of capital but do not have any voting rights.

18 £0.01 ordinary shares were issued at par in April 2017 and 64 £0.01 ordinary shares were issued at par in December 2017.

1,192,567 Type 1 preference shares were issued in April 2017 and 916,692 were issued in December 2017. These shares were issued at a premium of (£0.57 and £0.32 respectively) to their nominal value of £0.27 with the consideration in excess of the nominal value included within the share premium reserve.

10,114,956 Type 2 preference shares have been issued in the year. These shares were issued at a premium of (£1.25 and £0.79 respectively) to their nominal value of £0.27 with the consideration in excess of the nominal value included within the share premium reserve.

Type 1 and Type 2 preference shareholders are eligible to receive discretionary dividends but there is no entitlement to the repayment of capital and the shares do not carry 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.

Issued share capital	2018		2017	
	No	£	No	£
Ordinary shares of £0.01 (2017: £0.01) each	1,082	11	1,000	10
Ordinary shares of £0.27 (2017: £0.27) each	43,820,000	11,831,400	43,820,000	11,831,400
Type 1 preference shares of £0.27 (2017: £0.27)	15,214,377	4,107,882	8,915,000	2,407,050
Type 2 preference shares of £0.27 (2017: £0.27)	10,114,956	2,731,038	5,926,949	1,600,276
		<u>18,670,331</u>		<u>15,838,736</u>

Notes to the financial statements

18 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
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Payments falling due:				
Within one year	318	111	77	80
between one to five years	302	178	102	101
	<u>620</u>	<u>289</u>	<u>179</u>	<u>181</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.

19 Other commitments

	2018	2017
	£'000	£'000
Contracts placed for future expenditure regarding tea contracts	<u>8,697</u>	<u>10,862</u>

20 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.

	2018	2017
	£'000	£'000
Financial assets that are carried at amortised cost		
Loans and receivables – amortised cost		
Cash and cash equivalents	266	1,062
Trade receivables	9,282	9,481
Amounts owed by related parties	14,239	11,954
Other receivables	168	471
	<u>23,955</u>	<u>22,968</u>
Financial liabilities that are carried at amortised cost		
Other - amortised cost		
Trade payables	7,786	8,180
Other payables and accruals – current	5,255	4,463
Bank overdraft	20,108	20,374
Bank loan – current	10,370	11,310
Bank loan - non current	-	10,370
Loans from related parties – current	34,040	25,145
Loans from related parties - non current	3,360	3,360
	<u>80,919</u>	<u>83,202</u>

Notes to the financial statements

21 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.

Nominal amounts	2018			2017		
	US\$ £'000	€ £'000	Other £'000	US\$ £'000	€ £'000	Other £'000
Financial assets	327	537	74	262	322	53
Financial liabilities	(325)	(22)	-	(2,320)	(1,350)	-
Short term exposure	2	515	74	(2,058)	(1,028)	53

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

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

It assumes a +/- 10% and 20% change of the exchange rates for the year ended 31 March 2018 (2017: +/- 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.

	2018			2017		
	US\$ £'000	€ £'000	Other £'000	US\$ £'000	€ £'000	Other £'000
Short term exposure						
Financial assets						
+ 10%	29	49	7	29	24	5
- 10%	(37)	(60)	(8)	(36)	(29)	(6)
+ 20%	54	89	12	54	44	9
- 20%	(82)	(134)	(18)	(80)	(65)	(13)
Financial liabilities						
+ 10%	30	2	-	123	211	-
- 10%	(36)	(2)	-	(150)	(258)	-
+ 20%	54	4	-	225	387	-
- 20%	(81)	(5)	-	(338)	(560)	-

Notes to the financial statements

21 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.

	2018 £'000	2017 £'000
Financial Liabilities		
Swiss Franc loan - CHF - GBP exchange rate 2.00	5,129	5,129
Long term exposure	5,129	5,129

22 Interest rate sensitivity

Typhoo Tea Limited's policy is to minimise interest rate cash flow risk exposures on long term financing. At 31 March 2018 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% (2017: +/- 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.

	2018 £'000 +0.5%	2018 £'000 -0.5%	2017 £'000 +0.5%	2017 £'000 -0.5%
Net result for the year	(247)	247	(229)	229
Equity	247	(247)	229	(229)

Notes to the financial statements

23 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:

	2018 £'000	2017 £'000
Classes of financial assets - carrying amounts		
Trade and other receivables (excluding VAT)	12,828	9,952
Cash and cash equivalents	266	1,062
	<u>13,094</u>	<u>11,014</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:

	2018 %	2017 %
Percentage of receivables relating to top 5 customers	30	31

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:

	2018 £'000	2017 £'000
Not more than 3 months	3,160	3,497
More than 3 months but not more than 6 months	227	35
More than 6 months but not more than 12 months	511	1
More than 12 months	17	-
	<u>3,915</u>	<u>3,533</u>

Notes to the financial statements

24 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 2018 Typhoo Tea Limited's liabilities have contractual maturities which are summarised below:

31 March 2018		Current		Non-current
	Within 6	6 to 12	1 to 5	later than
	Months	months	years	5 years
	£'000	£'000	£'000	£'000
Bank loans	10,370	-	-	-
Loans from related parties	34,040	-	3,360	-
Trade payables	7,786	-	-	-
Other short term financial liabilities	34,552	-	-	-
	<u>86,748</u>	<u>-</u>	<u>3,360</u>	<u>-</u>

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

31 March 2017		Current		Non-current
	Within 6	6 to 12	1 to 5	later than
	months	months	years	5 years
	£'000	£'000	£'000	£'000
Bank loans	11,592	209	11,361	-
Loans from related parties	19,433	121	5,675	-
Trade payables	8,180	-	-	-
Other short term financial liabilities	30,988	-	-	-
	<u>70,193</u>	<u>330</u>	<u>17,036</u>	<u>-</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

25 Related party transactions

The following transactions took place in the period:

Company name	Relationship	Nature of transaction	Value in period to 31.3.2018 £'000	Amount due (from)/to at 31.3.2018 £'000	Value in period to 31.3.2017 £'000	Amount due (from)/to at 31.3.2017 £'000
Apeejay London Limited	Related party	Advance	-	(5,129)	-	(1,769)
Apeejay London Limited	Related party	Loan advance	-	1,769	-	5,129
Apeejay London Limited	Related party	Interest on loan	14	38	(19)	(65)
Apeejay London Limited	Related party	Room hire	(103)	(15)	29	29
Apeejay Tea Limited	Related party	Tea purchases	(1,888)	(4,441)	1,592	2,551
Apeejay Tea Limited	Related party	Cost recharge	-	72	(5)	(18)
Apeejay Tea Limited	Related party	Tea purchases (USD)	(978)	(976)	(2)	(2)
Apeejay Tea Panama Limited	Related party	Debt to Equity cap.	-	-	(8,141)	18,969
Apeejay Tea Panama Limited	Related party	Loan	(13,267)	(32,236)	-	-
Apeejay Tea Panama Limited	Related party	Interest on loan	154	(1,489)	(344)	1,643
Apeejay Typhoo Tea Pvt Ltd	Related party	Charges	-	18	5	(18)
Global Tea & Commodities Limited	Related party	Tea purchases	(83)	1,837	(4,447)	(1,754)
Global Tea & Commodities Limited	Related party	Cost recharge	-	28	(2)	(28)
Global Tea & Commodities Limited	Related party	Loan advance	(1,768)	(1,804)	-	36
Global Tea & Commodities Limited	Related party	Interest	(114)	(50)	-	164
Global Tea & Commodities Limited	Related party	Overider	-	(228)	118	(228)
Global Tea Kenya	Related party	Tea purchases	1,305	(1,799)	6,510	(3,104)
Global Tea Commodities (Malawi)	Related party	Tea Purchases	(198)	(351)	221	154
Gold Crown Food (EPZ) Limited	Related party	Contract packing	1,401	1,597	-	-
Gold Crown Foods (EPZ) Limited Mombasa	Related Party	Contract packing	19	(149)	3,143	(28)
Gold Crown Foods (EPZ) Limited Mombasa	Related party	Sale of engineering Inventory	815	2,701	680	(1,886)
Gold Crown Foods (EPZ) Limited Mombasa	Related party	Overider	-	7,013	(6,445)	(7,013)
Gold Crown Speciality Foods Limited	Related party	Tea purchases	(948)	(1,082)	-	-
Apeejay Surrendra Group (India) Limited	Parent	Recharge of expenses	16	24	-	(8)
				<u>(34,652)</u>		<u>12,782</u>

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

Notes to the financial statements

25 Related party transactions (continued)

The loan from Apeejay Tea Panama Limited are loans as detailed in note 14, interest is payable at 4.25%, 4% and 1.5% (2017: 1.5%).

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

26 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.

27 Analysis of balances of cash and cash equivalents

	2018 £'000	2017 £'000
Bank balances	266	1,062
Overdraft	(20,108)	(20,374)
	<u>(18,842)</u>	<u>(19,312)</u>

28 Post balance sheet events

No post balance sheet events have occurred.