Company Number: 3835716

Tata Global Beverages Group Limited

Annual report and financial statements

Year ended 31 March 2017

Contents

The directors present their strategic report on the group for the year ended 31 March 2017.

Principal activities

The principal activities of the Group are mainly the processing, marketing and distribution of tea, coffee and related products. The Group operates mainly in the UK and has subsidiaries in the US, Canada, Australia, Russia and Poland as well as joint ventures in South Africa and Bangladesh.

The company acts as an intermediate holding company and expects to continue to act in this capacity in the future.

Review of the business

The Group achieved revenue of £269,745k (2016: £237,991k) and the reported profit for the financial year was £6,736k (2016: Loss of £32,856k).

The improvement in revenue can largely be explained by favourable currency translation of overseas subsidiaries revenue as a result of weaker sterling, the change in Empirical LLC accounting to a subsidiary from a joint venture, pursuant to changes in the operating agreement from the middle of year, with underlying revenues in most markets broadly flat in comparison to prior year despite structural decline in everyday black tea category combined with increased competitor intensity. The current year reports an operating gain in comparison to operating loss in the prior year mainly due to lower non-recurring expenses in current year.

At the year end the net assets totalled £529,479k (2016: £498,140k) The Group has reported a net cash (including borrowings) position of £36,320k (2016: £18,459k).

The market performance of the Group's principal subsidiaries remains satisfactory given the continuation of challenging market conditions. The Group has a UK market share in value terms of 17.6% (2016: 16.6%). Within UK, Tetley market share has improved across all tea categories – in particular in speciality and green tea where we have launched new 'Supers' products, supported by TV advertising which has seen the whole 'Supers' range gain significant traction at retail and with customers. In Canada, the Group's second largest market, leadership was maintained with a share of 31.0% (2016: 31.4%). Market performance in the Group's other markets was satisfactory.

The operating environment globally remains challenging with category decline in black tea, macroeconomic challenges, changes in consumer behaviour and high competitive intensity. The Group continues to constantly strive to meet these challenges with a focus on investment behind brands, category expansion, innovation and cost rationalisation. However, there are various pockets of opportunity such as growing the green tea / herbal category and a growing premium category which the company is pursuing.

On 30 March 2017, the UK Government gave a formal notice of its intention to leave the EU. This notice has triggered Article 50 and the process of negotiating the UK's exit, which is likely to last at least two years. Whilst it is impossible to predict the impact on the UK economy in the coming years there will be a resulting period of uncertainty for the UK economy, with increased volatility expected in financial markets, as the detailed political and legal issues are worked out. Depreciation of sterling and fall in gilt yields which was experienced can have financial impact on the operations of the Group. The Group's Management are constantly reviewing mitigations like pricing strategy, hedging etc to minimize the adverse fall out.

In particular, during the year the Group ran brand campaigns in the key markets of UK, Canada, France and Middle East and successfully launched new products - specifically extended our functional fruit, green and black teas in UK (Tetley Supers) for which Tetley Super black was recognised as product of the year and a new line of speciality teas (Tetley Ayurvedic balance) was launched in Canada.

During the year, the Group recognized a non-cash Goodwill impairment loss totalling £2,400k (2016: £29,121k) relating to its branded businesses in Australia. While the Group is actively pursuing various growth opportunities in Australia, an accounting impairment has been recognised due to underperformance as compared to plan, explained by category de-growth and competitive intensity.

The Group has interests in tea and coffee branded products and is seeking to expand these interests through investments in key brands and product innovation. The Group has defined its commitment to sustainability in the 'Natural Beverages Policy', and aspires to be the consumer's first choice in sustainable beverage production and consumption. The sustainability pillars of the Group are Climate Change, Water Management, Sustainable Sourcing, Waste Management and

Community Development. The Group intends to use 100% sustainably sourced tea for the Tetley brand by the end of 2017. The ultimate parent company Tata Global Beverages Limited is ranked in the 'A-list' of Climate Disclosure Leadership Index (CDLI India 2016) that measures the carbon footprint of all its beverage production units globally. It has a four pronged climate change strategy focused on sustainable agriculture for climate change adaptation, sustainable forestry for climate change mitigation, energy efficiency and renewable energy. The Group recognizes that the right to water is an international human right. The Group supports the right to water for everyone "to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic uses." Tetley blends in Europe, Middle East & Africa (EMEA) and Canada, America & Australia (CAA) are now fully Rainforest Alliance certified. The Group is committed to optimize consumer packaging, make efficient use of resources and reduce environmental impact without compromising product quality and safety. The Eaglescliffe factory in the UK is a zero waste to landfill unit, and the goal is to replicate this in all production facilties.

The Group respects and adheres to the Tata Group philosophy of giving back to the community, and acknowledges the role played by communities in the growth of its business. The Group focuses on women empowerment, skills, education, health and nutrition for the development of the communities it operates in. The Group, Tata Global Beverages Limited and Tata Trusts have contributed $1 million to Smile Train, an international children's charity, for providing cleft repair surgery and comprehensive cleft care to 4000 children this year. The Group also collaborates with various Tata Companies in activities and programs for volunteering and affirmative action.

Principal risks and uncertainties

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

Raw tea pricing – raw tea is the Group's single largest cost. Climatic conditions in the different countries from which raw tea is sourced can lead to fluctuations in price. However, these raw teas are blended before packing which allows some flexibility to manage these fluctuations by substitution. Historically the Group has been successful in passing on significant increases in input prices to the market.

Currency movements – foreign exchange risk in relation to export revenues and import costs is managed by Group Treasury using forward exchange contracts and options. The directors' report gives further consideration to risks arising from currency movements.

Dependence on dry black tea products - Much of the Group's current sales are from dry black tea products in markets that are in slow decline. Management's strategy is to develop the business in growing product categories other than black tea and to expand into new geographies.

On behalf of the board

M Thakrar
Director
26 May 2017

The directors present their Report and the audited consolidated financial statements of the company for the year ended 31 March 2017.

General Information

Tata Global Beverages Group Limited is a private company incorporated and domiciled in the UK and its registered office is 325 -327 Oldfield Lane North, Greenford, Middlesex, UK, UB6 0AZ.

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

Future developments

The Group's activities and future prospects have been reviewed and the Group plans to continue trading within the tea and related beverage market in the near term even as it evaluates other growth opportunities for the medium term. The Group is looking to maximise the value of its portfolio of brands and to increase its presence in the wider beverage space.

Dividends

The directors do not recommend the payment of a dividend (2016: £6,000k).

Health, safety and the environment

The Group operates in compliance with all relevant environmental and health and safety legislation and has worldwide policies and ISO14001 accreditation for its UK based facilities.

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

Disabled persons

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

Research and development expenditure

The Group is committed to growth through new product development and geographical expansion. A focused programme of research and product development is in place to meet that strategic need, building on successes, entering new and developing markets, and creating new, differentiated products that will enable the Group to penetrate new markets. The Group spent £483k (2016: £429k) on research and development.

Charitable and political contributions

The Group believes in adding value to the communities that help make its business a success and is proud of its commitment in this area. It contributes time, skills and money through a range of partnerships with charities and non-government organisations. It chooses partners with a relevance to its business.

The Group made financial contributions of £560k (2016: £55k) to a range of causes in the countries where it operates, the biggest recipient being Smile Train UK registered charity.

There were no political donations during the year (2016: nil)

Treasury policy and financial risk management

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

Treasury policy is in place designed to manage the main financial risks faced by the Group in relation to funding and hedging. The policy dictates that borrowings and investments are with board approved counterparties and are limited to specific instruments. It also dictates that the exposure to any one counterparty or type of instrument be within specified limits and that Group exposure to interest rate and exchange rate movements is managed according to set parameters.

The treasury function enters into derivative transactions, principally forward currency contracts and options. Interest rate swaps are also available as a tool for treasury to utilise. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's underlying business operations.

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

Liquidity risk

The Group ensures that there is adequate financing available to fund growth and has adequate capacity to comfortably meet its expected peak funding requirements. The Group considers that its cash reserves are sufficient for this purpose, but also has local third party borrowing arrangements in place. Should the overall structure change the Group is confident that debt can be raised from the market on attractive terms.

Interest rate risk

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

Foreign currency exchange rates risk

Foreign exchange risk is divided into transaction risk which arises from income and expenses denominated in foreign currencies and translation risk, which arises from equity investments and related profit or loss denominated in foreign currencies.

a) Transaction risk - The Group's transaction risk consists mainly of a deficit in US dollars for purchasing tea and a surplus in Canadian dollars arising from its Canadian operations.

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

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

b) Translation risk - The Group has an exposure on its US dollar denominated deposits which it has been managing through the use of forward contracts. The currency mix in which cash assets are held is subject to review and approval by the Board.

   The currency impact on the Group's net investment in overseas subsidiaries, joint ventures and joint arrangements is calculated from the shareholders' equity and accumulated profit of foreign subsidiaries and associated companies in the consolidated balance sheet.

   In accordance with the Treasury policy, this net currency position is reviewed periodically.

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

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

Supplier payments

The Group agrees payment terms with its suppliers when it places purchase orders for the supply of goods and services. Tea commodity purchases are subject to industry-wide purchase contracts. The Group expects to meet these payment terms provided it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The trade creditor days for the Group were 32 days (2016: 36). This is an arithmetical calculation and does not necessarily reflect our practice, nor the experience of any individual creditor.

Employee involvement

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

Directors and their interests

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

L Krishna Kumar
A Misra
H Bhat
D Pandole (resigned 23 December 2016)
S Shah (appointed 27 July 2016)
M Thakrar
N Holland

Details of directors' emoluments are given in note 10 of the financial statements.

The company secretary, who is not a director is M Bailey.

Directors' indemnities

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

Going concern

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

Statement of disclosure of information to auditors

In accordance with IFRS, the directors report that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group 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 IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively.
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will cease to hold office resulting from mandatory rotation requirement of the ultimate parent company, Tata Global Beverages Limited. Following a formal tender process the directors have agreed to appoint Deloitte LLP after PricewaterhouseCoopers resign as auditors and the resolution concerning their appointment will be proposed at the Annual General Meeting.

On behalf of the board

M Thakrar
Director
26 May 2017

Report on the group financial statements

Our opinion

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

- give a true and fair view of the state of the group's affairs as at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Consolidated balance sheet as at 31 March 2017;
- the Consolidated Income statement and Consolidated Statement of comprehensive income for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the Consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Greg Briggs

Greg Briggs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
26 May 2017

Tata Global Beverages Group Limited

Consolidated Income Statement for the year ended 31 March 2017

(All amounts in £ thousands unless otherwise stated)

	Note	**2017**	2016
Revenue	5	**269,745**	237,991
Operating profit / (loss) before goodwill impairment, exceptional items and other losses	6	**1,031**	(3,513)
Goodwill impairment	15	**(2,400)**	(29,121)
Gain on acquistion of subsidiary	32	**6,363**	-
Loss on remeasurement of asset held for sale to fair value	6	**(880)**	-
Exceptional items	7	**(891)**	(4,603)
Other losses - net	8	**(2,883)**	(183)
Operating profit / (loss)	6	**340**	(37,420)
Available-for-sale financial asset impairment		**(2,628)**	-
Finance income	11	**6,518**	6,933
Finance costs	11	**(1,758)**	(1,735)
Finance income - net	11	**4,760**	5,198
Share of profit of investments in joint ventures accounted for using the equity method	16	**1,633**	2,238
Profit / (loss) before income tax		**4,105**	(29,984)
Income tax income / (expense)	12	**2,631**	(2,872)
Profit / (loss) for the year		**6,736**	(32,856)
Profit / (loss) attributable to:			
- Owners of the parent		**7,329**	(29,079)
- Non-controlling interests		**(593)**	(3,777)

The notes on pages 16 to 66 are an integral part of these consolidated financial statements.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company profit and loss account. The loss for the parent company for the year was £5,278k (2016: profit of £6,101k).

(All amounts in £ thousands unless otherwise stated)

	Note	2017	2016
Profit / (loss) for the year		**6,736**	(32,856)
Other comprehensive income / (loss):			
Items that will not subsquently be reclassified to profit or loss			
Remeasurement losses on defined benefit pension schemes	27	**6,500**	(4,300)
Deferred tax on defined benefit pension schemes	19	**(2,175)**	320
Current tax on pension contributions to defined benefit pension schemes		**560**	540
Remeasurement gains on other post retirement schemes	27	**121**	22
		5,006	(3,418)
Items that may be subsequently reclassified to profit or loss			
Gains / (losses) in the year in respect of cashflow hedges		**951**	(2,854)
Deferred tax in respect of cashflow hedges accounted for in the hedging reserve		**(49)**	405
Exchange differences on translation of foreign operations		**5,536**	(3,215)
Exchange differences on translation of foreign joint ventures		**2,331**	(6)
		8,769	(5,670)
Other comprehensive income / (loss) for the year, net of tax		**13,775**	(9,088)
Total comprehensive income / (loss) for the year		**20,511**	(41,944)
Attributable to:			
- Owners of the parent		**23,112**	(37,917)
- Non-controlling interests		**(2,601)**	(4,027)

The notes on pages 16 to 66 are an integral part of these consolidated financial statements.

Tata Global Beverages Group Limited

Consolidated balance sheet as at 31 March 2017

(All amounts in £ thousands unless otherwise stated)

	Note	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	14	**14,314**	14,772
Intangible assets	15	**301,881**	265,737
Deferred income tax assets, net	19	**2,474**	4,265
Investments	16	**8,469**	15,800
Available-for-sale financial assets	18	**-**	2,628
Trade and other receivables	21	**100,152**	99,724
		427,290	402,926
Current assets			
Inventories	22	**44,876**	44,607
Trade and other receivables	21	**89,442**	108,725
Current income tax asset - net		**1,650**	788
Cash and cash equivalents (excluding bank overdrafts)	23	**62,815**	37,712
Derivative financial instruments	20	**337**	197
		199,120	192,029
Assets held for sale	29	**2,976**	-
Total assets		**629,386**	594,955
Equity and liabilities			
Equity and liabilities attributable to owners of the parent			
Share capital	24	**235,075**	235,075
Hedging reserve		**160**	(742)
Foreign currency translation reserve		**(4,513)**	(13,327)
Retained earnings		**292,095**	279,760
		522,817	500,766
Non-controlling interests		**6,662**	(2,626)
Total equity		**529,479**	498,140
Non-current liabilities			
Borrowings	26	**-**	43
Post employment benefits	27	**11,720**	21,065
Provisions	28	**655**	892
		12,375	22,000
Current liabilities			
Trade and other payables	25	**58,778**	54,356
Borrowings	26	**26,495**	19,210
Derivative financial instruments	20	**257**	608
Provisions	28	**522**	641
		86,052	74,815
Liabilities held for sale	29	**1,480**	-
Total liabilities		**99,907**	96,815
Total equity and liabilities		**629,386**	594,955

The notes on pages 16 to 66 are an integral part of these consolidated financial statements. The financial statements on pages 11 to 66 were authorised for issue by the board of directors on 19 May 2017 and were signed on its behalf.

M Thakrar

Director, 26 May 2017

Tata Global Beverages Group Limited

Consolidated statement of changes in equity for the year ended 31 March 2017

(All amounts in £ thousands unless otherwise stated)

		Attributable to equity holders of the company						
	Notes	Share capital	Retained earnings	Hedging Reserve	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
Balance at 1 April 2015		235,075	318,257	1,707	(10,356)	544,683	1,401	546,084
Loss for the year		-	(29,079)	-	-	(29,079)	(3,777)	(32,856)
Other comprehensive loss for the year		-	(3,418)	(2,449)	(2,971)	(8,838)	(250)	(9,088)
Total comprehensive loss for the year		-	(32,497)	(2,449)	(2,971)	(37,917)	(4,027)	(41,944)
Dividends	13	-	(6,000)	-	-	(6,000)	-	(6,000)
Balance at 31 March 2016		235,075	279,760	(742)	(13,327)	500,766	(2,626)	498,140
Balance at 1 April 2016		**235,075**	**279,760**	**(742)**	**(13,327)**	**500,766**	**(2,626)**	**498,140**
Profit/(loss) for the year		**-**	**7,329**	**-**	**-**	**7,329**	**(593)**	**6,736**
Other comprehensive income / (loss) for the year		**-**	**5,006**	**902**	**8,814**	**14,722**	**(947)**	**13,775**
Total comprehensive income / (loss) for the year		**-**	**12,335**	**902**	**8,814**	**22,051**	**(1,540)**	**20,511**
Dividends		**-**	**-**	**-**	**-**	**-**	**(1,061)**	**(1,061)**
Acquisition of controlling interest in Empirical LLC	**32**	**-**	**-**	**-**	**-**	**-**	**11,889**	**11,889**
Balance at 31 March 2017		**235,075**	**292,095**	**160**	**(4,513)**	**522,817**	**6,662**	**529,479**

Tata Global Beverages Group Limited

Consolidated statement of cashflows for the year ended 31 March 2017

(All amounts in £ thousands unless otherwise stated)

	Note	2017	2016
Cashflows used in operating activities			
Profit / (Loss) before tax		4,105	(29,984)
Adjustment for share of profit from joint ventures	16	(1,633)	(2,238)
Adjustment for net finance income	11	(4,760)	(5,198)
Adjustment for available-for-sale investment impairment	18	2,628	-
Operating loss		340	(37,420)
Adjustments for:			
-Depreciation	14	2,453	2,407
-Amortisation	15	1,797	1,154
-Goodwill impairment charge	15	2,400	29,121
-Loss on remeasurement of asset held for sale to fair value		880	-
-Gain on acquistion of subsidiary		(6,363)	-
-Loss on disposal of property, plant and equipment		12	23
-Post employment benefits	27	(3,514)	(3,500)
-Provisions - net movement		(340)	574
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
-Inventories		5,768	(3,277)
-Increase in trade and other receivables (*1)		(5,977)	(6,660)
-Decrease in trade and other payables (*2)		(3,713)	(988)
-Derivatives		412	(2,698)
Income tax paid		(2,251)	(3,174)
Net cashflows generated from operating activities		(8,096)	(24,438)
Cashflows from investing activities			
Cash injection into exisiting joint ventures	16	-	(1,009)
Purchases of property, plant and equipment	14	(2,747)	(3,201)
Proceeds from sale of property, plant and equipment		30	87
Purchases of intangible assets	15	(535)	(847)
Proceeds from sale of intangible assets		45	-
Interest received		5,064	5,869
Loans given to related parties		108	(5,179)
Loan repayments from other corporations		25,870	7,535
Dividends from joint ventures	16	1,285	2,125
Net cashflows generated from investing activities		29,120	5,380
Cashflows from financing activities			
Dividends paid	13	-	(6,000)
Interest paid		(1,058)	(883)
Increase in borrowings		1,758	-
Decrease in borrowings		-	(1,251)
Dividends paid to non-controlling interests		(1,061)	-
Net cash used in financing activities		(361)	(8,134)
Net increase / (decrease) in cash and cash equivalents		20,663	(27,192)
Cash and cash equivalents at beginning of year		22,356	49,969
Cash acquired during the year		1,238	-
Cash transferred to asset held for disposal		(151)	-
Exchange gains / (losses) on cash and cash equivalents		62	(421)
Cash and cash equivalents at end of year	23	44,168	22,356

(*1) excludes loans given to related parties and other tata corporations

(*2) excludes loans from related parties

1 General Information

Tata Global Beverages Group Limited ("the company") and its subsidiaries and joint ventures (together, "the group") are a global beverage business engaged in processing, marketing and distribution of tea, coffee and related products. The Group operates in the UK and has subsidiaries in the US, Canada, Australia, Russia, Poland and the Czech Republic as well as joint ventures in South Africa, Pakistan and Bangladesh.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, unless otherwise stated.

The consolidated and company financial statements and the related notes are presented in British Pounds (GBP). Unless indicated otherwise, amounts are expressed in thousands of British Pounds (GBP) and rounded to the nearest thousand.

The consolidated and company financial statements for the group for the year ended 31 March 2017 were approved by the company's board of directors on the 26 May 2017.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Going Concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as set out on page 3 and the Group's principal risks and uncertainties as set out on page 4. Based on the Group's balance sheet showing a net asset position of £529,479k at 31 March 2017 and the forecasts and projections, taking account of reasonably possible changes in trading performance, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations adopted by the group

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2016 have had a material impact on the group or parent company.

(b) New standards, amendments and interpretations not yet adopted by the group

- IFRS 15, 'Revenue from contracts with customers'
- IFRS 16, 'Leases'
- IFRS 9, 'Financial instruments'
- IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value
- IFRIC 22, Foreign currency transactions and advance consideration
- Amendments to IAS 7, Statement of cash flows disclosure initiative
- Amendments to IAS 12, 'Income taxes', 'Recognition of deferred tax assets for unrealised losses'
- Amendments to IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard

The Group is currently assessing the impact of these standards and amendments on its results and financial position.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Fully consolidated means recognition of all assets and liabilities and items in the income statement in full. Thereafter the portion of net profit and equity is segregated between the company (group's share) and non-controlling stake holders.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at fair value.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the business combination is accounted for using provisional amounts. Adjustments to provisional amounts, and the recognition of newly identified asset and liabilities, must be made within the 'measurement period' where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date. The measurement period cannot exceed one year from the acquisition date and no adjustments are permitted after one year except to correct an error in accordance with IAS 8.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in the income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated if there is a profit on ultimate sale of goods. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Joint Ventures

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method wherein only the share of profit/loss and equity are recognised.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated if there is a profit on ultimate sale of goods. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in British Pounds (GBP), which is the group's presentation currency and rounded off to the nearest thousand.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cashflow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs.' All other foreign exchange gains and losses are presented in the income statement within operating profit.

Translation differences on non-monetary financial assets and liabilities are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each statement of profit and loss are translated at monthly exchange rates and
(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

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

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

Depreciation is allocated to the operating loss in the income statement.

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

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amount and are recognised within operating profit in the income statement.

Intangible assets

(a) Goodwill

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

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

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

(b) Brands

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

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

Brands with indefinite useful lives are also tested for impairment annually either individually or, if the intangible asset does not generate cash flows that are largely independent of those from other assets or groups of assets, as part of the cash-generating unit to which it belongs. Such intangibles are not amortised. The useful life of a brand with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Brands with finite useful lives have been ascribed an useful life of 3 to 30 years

(c) Computer software

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

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

(d) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship. The useful lives of customer relationships are based on the historic churn rates with estimated useful lives of 7 to 15 years.

(e) Trademarks and Licenses

Trademarks and Licenses acquired in a business combination are recognised at fair value at the acquisition date. The licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives of 10 years 11 months to 20 years.

Impairment of non-financial assets – intangible assets (b) – (e)

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sales transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell.

Financial assets

Classification

The group classifies its financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives and are not held for trading. Following an irrevocable election on initial recognition changes in fair value are presented in other comprehensive income rather than profit or loss. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 21 and 23).

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Dividend income from available-for-sale financial assets is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments in unlisted companies, fair value is assessed based on recent transactions entered into with third parties, put or call options negotiated with third parties or external appraisals. When it is not possible to determine a reliable estimate of fair value, the investments are held at acquisition cost.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Derivative financial instruments and hedging activities

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. Movements on the hedging reserve in other comprehensive income are shown within the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

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

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method if the time value of money is significant.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Transaction costs generally include fees, commission, payment to advisors, levies by regulatory etc. incurred to avail the borrowing. For certain types of credit facilities the lender may charge a fee for an unused credit line for undisbursed loan. A 'commitment fee' is generally specified as a fixed percentage of the undisbursed loan amount. Such costs form a part of finance charges.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. The tax, accordingly is also recognised in other comprehensive income or directly in equity, respectively.

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

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

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

In relation to the brought forward US tax losses, the Company has recognised deferred tax asset to the extent of deferred tax liability. The balance deferred tax asset has not been recognised in the absence of reasonable certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized

Employee benefits

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Obligations for contributions are recognised as an expense in the income statement as they fall due. The group has no legal or constructive obligations to pay further contributions once the contributions have been paid.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and taking into account various actuarial assumptions such as employee benefit increases, mortality rates, discount rates and inflation rates. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

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

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

(b) Other post-employment obligations

Some group companies provide post-retirement healthcare and life assurance benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and on the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Provisions

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

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

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Office.

Revenue recognition

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

Sales of goods

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

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

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Research and development

Such expenditure is generally written off to income statement as incurred. Certain development costs (computer software) are recognized under intangible assets provided the criteria outlined in the intangible assets accounting policy are met.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long- term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the year in which the dividends are approved by the company's shareholders.

Exceptional items

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

3 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

Foreign exchange risk:

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the pound sterling.

Foreign exchange risk is divided into transaction risk which arises from income and expenses denominated in foreign currencies and translation risk, which arises from recognition of foreign currency assets and liabilities and consolidation of foreign currency subsidiaries into GBP.

i) Transaction risk - The Group's transaction risk consists mainly of a deficit in US dollars for purchasing tea and a surplus in Canadian dollars arising from its Canadian operations.

The Group hedges its transaction exposures with a combination of forward contracts and options. Group Treasury monitors exposures through cashflow forecasts up to three months forward. The maximum period for which transaction exposures may be hedged under Group policy is 12 months, with specific board approval.

(All amounts in £ thousands unless otherwise stated)

ii) Translation risk - The Group has an exposure on its US dollar denominated deposits and loans which it has been managing through the use of forward contracts. The currency mix in which cash assets are held is subject to review and approval by the Board.

The currency impact on the Group's net investment in overseas subsidiaries, joint ventures and joint arrangements is calculated from the shareholders' equity and accumulated profit of foreign subsidiaries and associated companies in the consolidated balance sheet.

In accordance with the Treasury policy, this net currency position is reviewed periodically.

At 31 March 2017 if the US dollar had weakened/strengthened by 10% against GBP with all other variables held constant the recalculated post-tax loss for the year would have been £188k (2016: £40k) lower/higher owing to unhedged trade payables. Other components of equity would have been £1562k (2016: £914k) higher/ lower largely as a result of movement in fair value of derivatives designated as cashflow hedges for future USD tea purchases.

Price risk:

Price risk arises from transactions for securing supply of commodity and not being able to recover cost from the market. Commodity cost is the group's single largest cost which accounts for 25% of the turnover. Mismatch in demand and supply, adverse weather conditions, storage of production of the desired quantity of the required commodity, market expectations etc. can all lead to fluctuations in prices.

The group manages these fluctuations by actively managing the sourcing of tea, distribution of the source of supply, private purchases and also finding alternate blending strategies without impacting the quality of blend. Market dynamics, various market intelligence reports and the ability of the regions to negotiate such price increases with the customers impact the timing of such price increases, to pass on these commodity cost increases.

In the year to 31 March 2017 if tea prices had increased by 5%, operating profit would have been £2,393k lower.

Interest rate risk:

The group's interest rate risk largely arises from cash deposits and loans given to related parties and other corporates partially offset by bank and finance lease borrowings taken, the majority of which have been issued at a variable rate over LIBOR.

Given the current low interest rate risk environment and low levels of group debt the risks are weighted towards the upside.

		Impact of 2.5% movement in interest rates	
	Total	+ movement	- movement
Amounts owed by related parties	104,443	2,611	(2,611)
Loans given to tata corporations	29,346	734	(734)
Cash and cash equivalents	62,815	1,570	(1,570)
Borrowings	(26,495)	(662)	662

(b) Credit risk

On a case by case basis each local entity is responsible for managing and analysing the credit risk for each if their new clients before standard payment and delivery terms are offered to them. The quantum of the exposure to the risks associated with each customer/ unit is governed by the Board approved Schedule of authority (SOA); any exceptions to SOA needs to secure approval from the executive management team and or the Board.

Depending on the country of operation and the customer, the group has a risk reduction policy which covers its debt through a debtor insurance policy. In such cases the insurance provider sets the individual credit limit and jointly monitors the credit risk of the customer.

(All amounts in £ thousands unless otherwise stated)

For items within cash or cash equivalents, derivative financial instruments and deposits with banks, financial institutions or corporates, the board of directors specify companies or financial institutions/banks with whom transactions are eligible.

An analysis of the international long-term credit ratings of counterparties where cash and cash equivalents (including overdrafts) are held is as follows:

	2017	2016
AA-	1,053	22
BBB+	1,052	880
BBB-	41,622	20,768
BB-	176	541
Not rated	265	145
	44,168	22,356

All non-trade exposures have prescribed limits either specified by the board, whilst all trade exposure limits are governed by the security taken, the credit quality of the customers taking into account the financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. All transactions with counterparties are settled in cash.

There has been no breach of these limits during the year and based on current internal standards the management does not expect any losses from non performance by these counter parties.

The group has a large number of trade receivables, with the largest 5 receivables at 31 March 17 only comprising of 33.7% (2016: 30.5%) of the total trade receivables.

(c) Liquidity risk

Cash flow forecasting is performed by the operating entities of the group. Group finance consolidates rolling forecasts of the group's future liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining adequate headroom on its undrawn borrowing facilities at all times so that the group does not breach limits or covenants (where applicable) on any of its facilities. Such forecasting takes into consideration the group's future financing plans, compliance with covenants and internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.

Surplus cash held by operating units over and above the balances required for meeting the working capital requirements is managed by group treasury through a multi-party, multi-currency notional cash pool held with HSBC Bank Plc, London. Group treasury manages liquidity requirements within the terms of the approved Treasury policy.

(All amounts in £ thousands unless otherwise stated)

The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2017:	**Less than 1 year**	**Between 1 and 3 years**	**Over 3 years**
Borrowings (including bank overdraft)	26,495	-	-
Finance lease liabilities	-	-	-
Trading and net settled derivative financial instruments	257	-	-
Trade and other payables	58,778	-	-

At 31 March 2016:	Less than 1 year	Between 1 and 3 years	Over 3 years
Borrowings (including bank overdraft)	19,107	-	-
Finance lease liabilities	103	50	-
Trading and net settled derivative financial instruments	608	-	-
Trade and other payables	54,356	-	-

Capital Management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to enhance long-term shareholder value, by investing in the business so as to improve the return on investment (by increasing profits available for dividends) and by managing the capital gearing ratio (mixture of equity and debt).

The group manages, and makes adjustments to, its capital structure in light of the prevailing risks and economic conditions affecting its business activities. This may involve adjusting the rate of dividends, the issue of new shares and reviewing the level and type of debt. The Group manages its borrowings by appraising the mix of fixed and floating rate borrowings and the mix of long-term and short-term borrowings. The Group is primarily financed by ordinary shares and retained profits; external borrowings in the current and comparative year were not significant. There were no changes to the Group's approach to capital management during the year.

The capital structure of the Group is presented below.

	2017	2016
Cash and cash equivalents	**62,815**	37,712
Borrowings	**(26,495)**	(19,253)
Net cash	**36,320**	18,459
Equity	**529,479**	498,140

Fair value estimates

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (for example price) or indirectly (that is, derived from prices).
- **Level 3** - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(All amounts in £ thousands unless otherwise stated)

At 31 March 2017 the group had the following instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging - foreign exchange contracts	-	337	-	337
	-	337	-	337
Liabilities				
Derivatives used for hedging - foreign exchange contracts	-	254	-	254
Derivatives classifed as held for sale - foreign exchange options	-	3	-	3
	-	257	-	257

At 31 March 2016 the group had the following instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	-	-	2,628	2,628
Derivatives used for hedging - foreign exchange contracts	-	197	-	197
	-	197	2,628	2,825
Liabilities				
Derivatives used for hedging - foreign exchange contracts	-	608	-	608
Derivatives classified as held for sale - foreign exchange options	-	-	-	-
	-	608	-	608

Level 1 – The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represents actual regularly occurring market transactions on an arm's length basis. The group has no financial instruments classified as level 1.

Level 2 - The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of the forward foreign exchange contracts is determined using forward exchange rates at the date of the statement of financial position, with the resulting value discounted accordingly as relevant.

Level 3 – The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data. For unquoted investments, fair value is assessed based on recent transactions entered into with third parties, put or call options negotiated with third parties or external appraisals. Where it is not possible to determine a reliable estimate of fair value, the investments are held at acquisition cost.

The carrying value of all other financial instruments equates to fair value.

The following table presents the changes in level 3 instruments over the year:

	2017	2016
At 1 April	**2,628**	2,628
Losses recognised in profit or loss	**(2,628)**	-
At 31 March	**-**	2,628

4 Critical accounting estimates and assumptions

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

The group makes certain estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Goodwill and intangible assets

The Group records all intangible assets acquired as part of a business combination at fair value. Goodwill is assigned an indefinite useful life whilst intangible assets are assigned an indefinite or definite useful life. Goodwill and intangible assets assigned an indefinite useful life are as a minimum subject to annual tests of impairment in line with the accounting policy stated in note 2.

Determining whether impairment is needed requires an estimation of the recoverable amount through value in use of the cash generating units to which the goodwill or intangible asset has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and use a suitable discount rate in order to calculate present value. Details of key estimate, sensitivities and key assumptions are discussed in note 15.

(b) Depreciation and amortisation

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

(c) Taxation

The group is subject to taxes in numerous jurisdictions. Significant judgement is required in determining worldwide provisions for taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

(d) Employee benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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

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

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are unlisted and not traded in an active market is determined at fair value assessed based on recent transactions entered into with third party or based on valuation done by external appraisers. Where it is not possible to determine a reliable estimate of fair value, the investments are held at acquisition cost.

(f) Carrying value of brand support accruals

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

(All amounts in £ thousands unless otherwise stated)

5 Revenue

The principal operations of the Group mainly are the processing, marketing and distribution of tea and coffee products.

The Group's revenue by destination split by market is as follows:

	2017	2016
United Kingdom	118,524	116,874
North America	69,591	45,912
Europe	59,621	52,599
Rest of the World	22,009	22,606
Total	**269,745**	237,991

The Group's revenue split by category is as follows:

	2017	2016
Tea	237,927	210,713
Coffee	31,818	27,278
Total	**269,745**	237,991

6 Operating profit / (loss)

Further analysis of the Group's income statement is provided as follows:

	2017	2016
Revenue	**269,745**	237,991
Cost of sales	**(184,310)**	(161,626)
Gross profit	**85,435**	76,365
Selling and distribution expenses	**(40,103)**	(38,823)
Administration expenses	**(44,301)**	(41,055)
Operating profit / (loss) before goodwill impairment, exceptional items and other losses	**1,031**	(3,513)

The operating profit / (loss) is stated after charging:

	2017	2016
Depreciation (note 14)	**2,453**	2,407
Brands amortisation (note 15)	**120**	41
Trademarks and licenses amortisation (note 15)	**275**	158
Customer contracts amortisation (note 15)	**473**	100
Computer software amortisation (note 15)	**929**	855
Loss on remeasurement of asset held for sale to fair value	**880**	-
Goodwill impairment	**2,400**	29,121
Operating lease payments	**2,893**	2,833
Research and development costs	**483**	429

(All amounts in £ thousands unless otherwise stated)

During the year the Group (including its overseas subsidiaries) obtained the following services from the company's auditor and its associates:

	2017	2016
Fees payable to company auditors for the audit of parent company and consolidated financial statements	**425**	408
Fees payable to the company's auditors and its associates for other services:		
The audit of company's subsidiaries pursuant to legislation	**450**	399
Tax compliance and advisory services	**358**	1,025
	1,233	1,832

The Company's audit fee was £nil (2016: £nil); fees for non-audit services were £nil (2016: £nil). The Group's fees for non-audit services principally relate to advice on taxation and acquisitions. The Company's fees for audit services in the year were borne by Tata Global Beverages Services Limited.

7 Exceptional items

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

An analysis of the amount presented as exceptional items within operating profit is given below.

	2017	2016
Diminution in the value of inventory in Australia	-	(1,063)
Administration expenses:		
Group restructuring programme (*)	**(891)**	(1,900)
Settlement of legal claims	-	(259)
Acquisition related expenditure	-	(1,381)
Total exceptional items	**(891)**	(4,603)

(*) Includes costs for re-organisation of UK business and associated redundancy costs (£950k) and income relating to the settlement of contractor exit fees at a lower amount during the year than provided for at prior year end (£59k).

8 Other losses - net

	2017	2016
Net foreign exchange losses	**(2,883)**	(183)
Total	**(2,883)**	(183)

This includes fair value adjustments on cashflow hedges, with offset available on the underlying transactions recorded in other elements of the income statement.

(All amounts in £ thousands unless otherwise stated)

9 Employees

The average monthly number of persons (including executive directors) employed by the Group during the year was:

	2017 Number	2016 Number
(i) By activity:		
Manufacturing	**501**	509
Sales and distribution	**205**	197
Administration	**187**	185
	893	891
(ii) By geographical segment:		
United Kingdom	**461**	454
USA	**15**	2
Rest of the World	**417**	435
	893	891

Employee costs (including directors' remuneration) charged to the Group profit and loss account were as follows:

	2017	2016
Wages and salaries	**32,868**	29,829
Social security costs	**2,743**	2,621
Other pension costs	**1,675**	1,471
Total	**37,286**	33,921

10 Directors' emoluments

The emoluments of the Directors were as follows:

	2017	2016
Salaries	**553**	521
Defined contribution pension scheme	**51**	50
Benefits in kind	**44**	37
Aggregate directors' emoluments	**648**	608

Emoluments of the highest paid director were £330,906 (2016: £343,954). The accrued pension was nil (2016: nil).

The number of directors who are members of:

	2017	2016
The closed defined benefit scheme	**1**	1
The defined contribution pension scheme	**2**	2

N. Holland and M. Thakrar are remunerated directly by the group for their services. L. Krishna Kumar and A. Misra were only partly remunerated directly for their services to the group with the remainder of their remuneration and that of H. Bhat being paid by the ultimate parent company group for their services to the wider group, with no specific re-allocation made to the group.

S. Shah, a non-executive director appointed during the year was paid £16k in fees.

(All amounts in £ thousands unless otherwise stated)

11 Finance income and costs

	2017	2016
Interest income on:		
- short-term bank deposits	633	442
- loans to related parties	4,563	4,162
- loans to Tata corporations	1,322	2,329
Finance income	6,518	6,933
Interest expense:		
- Bank borrowings	(1,122)	(799)
- Finance lease liabilities	(12)	(17)
Net finance cost relating to defined benefit plan (Note 27)	(717)	(817)
Net foreign exchange gains / (losses) on financing activities	93	(102)
Total finance costs	(1,758)	(1,735)
Net finance income	4,760	5,198

12 Income tax expense

	2017	2016
Current tax		
UK corporation tax charge for the year	3,248	1,399
Adjustments in respect of prior years	(938)	236
	2,310	1,635
Overseas corporation tax charge for the year	307	728
Adjustments in respect of prior years	-	-
	307	728
Total current tax charge	2,617	2,363
Deferred tax		
Origination and reversal of temporary differences	(4,875)	379
Adjustments in respect of prior years	(340)	130
Impact of change in tax rate	(33)	-
Total deferred tax (credit)/charge	(5,248)	509
Total tax (credit)/charge	(2,631)	2,872
Statement of comprehensive income		
Current tax in respect of contribution to defined benefit pension plans	(560)	(540)
Deferred tax on remeasurements of defined benefit pension plans	1,860	(320)
Impact of change in tax rate	315	-
Deferred tax in respect of cashflow hedges accounted for in the hedging reserve	49	(405)
Total tax charge / (credit) to statement of comprehensive income	1,664	(1,265)

UK corporation tax is calculated at 20 per cent (2016: 20%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

(All amounts in £ thousands unless otherwise stated)

	2017	2016
Profit / (loss) before tax	**4,105**	(29,984)
Tax at the UK corporation tax rate of 20% (2016: 20%)	**821**	(5,997)
Tax effect of expenses that are not tax deductible		
- Impairment of investments and goodwill	**1,005**	5,801
- Other non deductible expenses	**208**	229
Non taxable income	**(1,273)**	-
Effect of different tax rates of subsidiaries in overseas jurisdictions	**100**	205
Effect of joint venture results reported net of tax	**(325)**	(447)
Effect of current year tax losses not recognised for deferred tax	**2,342**	2,252
Recognition of previously unrecognised tax losses	**(4,936)**	-
Effect of other timing difference not recognsied for deferred tax	**-**	255
Adjustments in respect of prior years	**(938)**	366
Overseas withholding tax suffered on dividends and management fees	**365**	208
Total tax (credit)/charge	**(2,631)**	2,872

The weighted average applicable tax rate was -64% (2016: -10%).

Factors that may affect future tax

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13 Dividends

	2017	2016
Equity - Ordinary		
Interim paid 2017: Nil (2016: 2.55p) per £1 share	-	6,000

(All amounts in £ thousands unless otherwise stated)

14 Property, plant and equipment

	Land and buildings	Plant and Equipment	Capital work in progress	Total
Cost				
At 1 April 2015	6,587	59,053	278	**65,918**
Additions	10	1,015	2,176	**3,201**
Transfers	3	1,045	(1,048)	**-**
Disposals	(19)	(3,891)	-	**(3,910)**
Currency adjustments	141	(53)	(9)	**79**
At 31 March 2016	**6,722**	**57,169**	**1,397**	**65,288**
Accumulated depreciation				
At 1 April 2015	1,874	50,006	-	**51,880**
Charge for the year	138	2,269	-	**2,407**
Disposals	(19)	(3,806)	-	**(3,825)**
Currency adjustments	41	13	-	**54**
At 31 March 2016	**2,034**	**48,482**	**-**	**50,516**
Cost				
At 1 April 2016	6,722	57,169	1,397	**65,288**
Additions	46	607	2,094	**2,747**
Acquisitions	-	8	1	**9**
Transfers	-	2,142	(2,142)	**-**
Disposals	(493)	(930)	(20)	**(1,443)**
Transferred to asset held for sale	(1,241)	(1,445)	-	**(2,686)**
Currency adjustments	146	1,880	3	**2,029**
At 31 March 2017	**5,180**	**59,431**	**1,333**	**65,944**
Accumulated depreciation				
At 1 April 2016	2,034	48,482	-	**50,516**
Charge for the year	146	2,307	-	**2,453**
Disposals	-	(911)	-	**(911)**
Acquisitions	-	8	-	**8**
Transferred to asset held for sale	(554)	(1,266)	-	**(1,820)**
Currency adjustments	51	1,333	-	**1,384**
At 31 March 2017	**1,677**	**49,953**	**-**	**51,630**
Net book amount:				
At 31 March 2017	**3,503**	**9,478**	**1,333**	**14,314**
At 31 March 2016	4,688	8,687	1,397	14,772

Land and buildings – net book amount includes freehold property of £3,825k (2016: £4,688k).

The net book value of assets held under finance leases, capitalised and included in property, plant and equipment amounted to Nil (2016: £146k). The depreciation charge on assets held under finance leases was £79k (2016: £170k).

(All amounts in £ thousands unless otherwise stated)

15 Intangible assets

	Goodwill	Brands	Customer Contracts	Trademarks and Licenses	Software	Software work in progress	Total
Cost							
As at 1 April 2015	305,096	6,112	720	1,799	7,592	434	**321,753**
Additions	-	-	-	-	24	823	**847**
Disposals	-	-	-	-	(574)	-	**(574)**
Transfer from WIP	-	-	-	-	597	(597)	**-**
Currency adjustments	(2,018)	171	27	69	18	-	**(1,733)**
At 31 March 2016	**303,078**	**6,283**	**747**	**1,868**	**7,657**	**660**	**320,293**
Accumulated amortisation and impairment							
At 1 April 2015	19,922	40	96	153	4,908	-	**25,119**
Charge for the year	-	41	100	158	855	-	**1,154**
Disposals	-	-	-	-	(570)	-	**(570)**
Impairment	24,033	5,088	-	-	-	-	**29,121**
Currency adjustments	(316)	5	13	20	10	-	**(268)**
At 31 March 2016	**43,639**	**5,174**	**209**	**331**	**5,203**	**-**	**54,556**
Cost							
As at 1 April 2016	303,078	6,283	747	1,868	7,657	660	**320,293**
Additions	15,218	386	12,352	849	100	434	**29,339**
Disposals	-	-	-	-	(49)	-	**(49)**
Transfer from WIP	-	-	-	-	749	(749)	**-**
Currency adjustments	9,750	467	577	310	79	-	**11,183**
At 31 March 2017	**328,046**	**7,136**	**13,676**	**3,027**	**8,536**	**345**	**360,766**
Accumulated amortisation and impairment							
At 1 April 2016	43,639	5,174	209	331	5,203	-	**54,556**
Charge for the year	-	120	473	275	929	-	**1,797**
Disposals	-	-	-	-	(24)	-	**(24)**
Impairment	2,400	-	-	-	-	-	**2,400**
Currency adjustments	(11)	15	38	62	52	-	**156**
At 31 March 2017	**46,028**	**5,309**	**720**	**668**	**6,160**	**-**	**58,885**
Net book amount:							
At 31 March 2017	**282,018**	**1,827**	**12,956**	**2,359**	**2,376**	**345**	**301,881**
At 31 March 2016	259,439	1,109	538	1,537	2,454	660	265,737

Brands

Brands consists of the 'Map' coffee brand principally sold in Australia recognised as part of acquisition of Earth Rules Pty Ltd completed in May 2014 (carrying value of £1,321k and allocated useful life of 30 years) and the purchase during year of 'Tetley Harris' corporate trade name, principally used in USA and recognised as part of acquisition of Empirical LLC.

The 'Tetley Harris' corporate trade name has been ascribed a useful life of 3 years recognising the expiry of the operating agreement between Empirical LLC's owners in 2020 and the likelihood that Empirical LLC will cease doing business under that brand beyond that date. The carrying value at 31 March 2017 was £334k.

Customer contracts

Customer contracts consist of customer relationships recognised as part of Earth Rules Pty Ltd acquisition (carrying value of £538k and allocated useful life of 7 years) and Empirical LLC acquisition (carrying value of £12,391k and allocated useful life of 15 years).

Trademarks and Licenses

Licenses represent agreements acquired as part of the Earth Rules Pty Ltd acquisition which provide the long-term right to license coffee machines and coffee capsules until 31 March 2025 (carrying value of £1,566k and allocated useful life of 10 years and 11 months) and product trademarks acquired as part of Empirical LLC acquisition (carrying value of £827k and useful lives of 20 years).

Software

Software is capitalised at cost. These intangible assets have been assessed as having finite lives and are amortised using the straight-line method over a period of 3 to 5 years. As at 31 March 2017 these intangible assets have a remaining useful life of up to 5 years. Software work in progress is not amortised until brought into use.

Goodwill

Goodwill represents the excess of the fair value of investments held by the group in its subsidiaries over the fair values of the underlying net assets at the dates of acquisition. The carrying value of the goodwill is subject to an annual impairment review as explained below.

Goodwill recognised during the year relates to the Empirical LLC acquisition. Please refer to note 32 for further details.

Impairment tests for goodwill and intangible assets (excluding software)

Management reviews the carrying value of goodwill and intangible assets annually to determine whether there has been any impairment. This involves making an assessment of the value of goodwill and intangible assets for each cash generating unit (CGU) and comparing it to the carrying value. If the assessed value is lower than the carrying value, then an impairment charge is recognised to reduce the carrying value to this amount.

Management reviews the business performance based on the geography and type of business. It has identified Canada, US, UK, Rest of Europe and Australia as the main geographies. Goodwill is monitored by the management at the operating segment level.

(All amounts in £ thousands unless otherwise stated)

The following is a summary of the goodwill and intangible assets allocation for each operating segment.

2016	Opening	Addition	Amortisation	Impairment	Foreign exchange	Closing
GB	183,639	-	-	-	-	183,639
US	15,732	-	-	(11,200)	(1,264)	3,268
Canada	60,785	-	-	-	16	60,801
Australia	14,595	-	(299)	-	(332)	13,964
Poland	5,501	-	-	(5,969)	468	-
Russia	7,683	-	-	(6,835)	(848)	-
Czech Republic	4,630	-	-	(5,117)	487	-
Other Europe	951	-	-	-	-	951
	293,516	-	(299)	(29,121)	(1,473)	262,623

2017	Opening	Addition	Amortisation	Impairment	Foreign exchange	Closing
GB	**183,639**	**-**	**-**	**-**	**-**	**183,639**
US	**3,268**	**28,805**	**(430)**	**-**	**1,506**	**33,149**
Canada	**60,801**	**-**	**-**	**-**	**7,262**	**68,063**
Australia	**13,964**	**-**	**(438)**	**(2,400)**	**2,232**	**13,358**
Poland	**-**	**-**	**-**	**-**	**-**	**-**
Russia	**-**	**-**	**-**	**-**	**-**	**-**
Czech Republic	**-**	**-**	**-**	**-**	**-**	**-**
Other Europe	**951**	**-**	**-**	**-**	**-**	**951**
	262,623	**28,805**	**(868)**	**(2,400)**	**11,000**	**299,160**

Value in use i.e. the enterprise value for each CGU is calculated using cash flow projections over a period of 4 years, with amounts based medium term strategic plans approved by the board. Any major variations to strategic plan based on past experience are incorporated in the calculations. Cashflows beyond the 4 year period are extrapolated using a long term growth rate.

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

Other key assumptions applied in determining value in use are:

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

(All amounts in £ thousands unless otherwise stated)

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

	Pre-tax discount rate	Long-term growth rate
GB	7.0%	2.0%
US	9.3%	2.0%
Canada	8.1%	2.0%
Australia	9.2%	2.0%
Other Europe	6.6%	2.0%

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

Impairment charges

During the year, the Group recognized an impairment loss totalling £2,400k relating to its branded businesses in Australia. While the Group is actively pursuing various growth opportunities in Australia, an impairment has been recognised due to underperformance as compared to plan, explained by category de-growth and competitive intensity,

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

16 Investment in joint ventures

The joint ventures in which the group has an interest are listed in note 31. An analysis of the group's investments in joint ventures is as follows:

	Year ended 31 March	
	2017	2016
Movements during		
1 April	**15,800**	14,684
Additions	**-**	1,009
Disposals	**(10,010)**	-
Share of profit	**1,633**	2,238
Dividends received	**(1,285)**	(2,125)
Currency differences	**2,331**	(6)
31 March	**8,469**	15,800

The disposal of £10,010k during the year relates to a change in control in the group's investment in Empirical LLC from 1 October 2016 resulting in a change in accounting of the group's interest from a joint venture to a subsidiary. Please refer to note 32 for details of the acquisition.

(All amounts in £ thousands unless otherwise stated)

Income statement and balance sheet information for joint ventures aggregating 100% of the results of each investment, is as follows:

	Year ended 31 March	
	2017	2016
Revenue	**94,843**	94,470
Profit after tax	**3,116**	4,002

	2017	2016
Non-current assets	**3,529**	3,140
Current assets	**21,932**	22,889
Total assets	**25,461**	26,029
Non-current liabilities	**(12,999)**	(12,321)
Current liabilities	**(284)**	(1,536)
Total liabilities	**(13,283)**	(13,857)
Net assets	**12,178**	12,172

The joint ventures have no significant contingent liabilities to which the Group is exposed, and the Group has no significant contingent liabilities in relation to its interest in the joint ventures and associates.

The Group has no outstanding capital commitments with respect to joint ventures. The risks associated with the Group's interest in joint ventures are the same as those identified for the Group.

Outstanding balances with joint ventures and associates are shown in note 33.

17 Financial Instruments

Set out below is a comparison by category of the carrying values and fair values of all the Group's financial assets and financial liabilities as at 31 March 2017 and 31 March 2016. None of the financial assets and liabilities has been reclassified during the year.

		2017			
Carrying amount and fair value	**Note**	**Loans and receivables**	**Derivatives used for hedging**	**Available-for-sale financial assets**	**Total**
Assets per balance sheet					
Available-for-sale financial assets	18	-	-	-	-
Derivative financial instruments	20	-	337	-	337
Trade and other receivables excluding pre-payments	21	189,594	-	-	189,594
Cash and cash equivalents	23	62,815	-	-	62,815
Total		252,409	337	-	252,746

Carrying amount and fair value		**Derivatives used for hedging**	**Derivatives not used for hedging**	**Other liabilities at amortised cost**	**Total**
Liabilities as per balance sheet					
Borrowings (ex finance lease liabilities)	26	-	-	26,495	26,495
Finance lease liabilities	26	-	-	-	-
Trading and net settled derivative financial instruments	20	254	3	-	257
Trade and other payables	25	-	-	58,778	58,778
Total		254	3	85,273	85,530

(All amounts in £ thousands unless otherwise stated)

Carrying amount and fair value		2016 Loans and receivables	Derivatives used for hedging	Available-for-sale financial assets	Total
Assets per balance sheet					
Available-for-sale financial assets	18	-	-	2,628	2,628
Derivative financial instruments	20	-	197	-	197
Trade and other receivables excluding pre-payments	21	208,449	-	-	208,449
Cash and cash equivalents	23	37,712	-	-	37,712
Total		246,161	197	2,628	248,986

Carrying amount and fair value		Derivatives used for hedging	Derivatives used for hedging	Other liabilities at amortised cost	Total
Liabilities as per balance sheet					
Borrowings (ex finance lease liabilities)	26	-	-	19,107	19,107
Finance lease liabilities	26	-	-	146	146
Trading and net settled derivative financial instruments	20	608	-	-	608
Trade and other payables	25	-	-	54,356	54,356
Total		608	-	73,609	74,217

18 Available-for-sale financial assets

	2017	2016
At 1 April	**2,628**	2,628
Impairment	**(2,628)**	-
At 31 March	**-**	2,628

The available-for-sale financial asset comprises of unlisted equity shares and an impairment loss of £2,628k was taken during the year, reflecting a decline in fair value with performance during the year and its' future outlook having fallen behind management expectations. The impairment loss was separately disclosed in the income statement.

For equity investments in unlisted companies, fair value is assessed based on recent transactions entered into with third parties, put or call options negotiated with third parties or external appraisals. Where it is not possible to determine a reliable estimate of fair value, the investments are held at acquisition cost.

The fair values are within level 3 of the fair value hierarchy (see note 3).

(All amounts in £ thousands unless otherwise stated)

19 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2017	2016
Deferred tax assets		
Deferred tax asset - to be recovered after 12 months	2,012	3,463
Deferred tax asset - to be recovered within 12 months	464	802
	2,476	4,265
Deferred tax liabilities		
Deferred tax liability - to be paid after 12 months	(2)	-
Deferred tax liability - to be paid within 12 months	-	-
	(2)	-
Deferred tax assets/(liabilities) - net	2,474	4,265

The movement in deferred income tax assets and liabilities during the year is as follows:

	Retirement benefit obligation	Provisions	Tax losses and other timing differences	Brand	Property, plant and equipment	Other	Derivatives used for hedging	Total
At 1 April 2015	3,640	161	1,267	(121)	(522)	(4)	(396)	4,025
Income statement charge / (credit)	-	(35)	(208)	(40)	(111)	(115)	-	(509)
Tax charge/(credit) relating to components of other comprehensive income	320	-	-	-	-	-	405	725
Exchange differences	-	-	-	-	-	24	-	24
At 31 March 2016	3,960	126	1,059	(161)	(633)	(95)	9	4,265
At 1 April 2016	3,960	126	1,059	(161)	(633)	(95)	9	4,265
Income statement charge / (credit)	-	5	4,541	840	(138)	-	-	5,248
Tax charged/(credited) directly goodwill	-	-	(4,754)	-	-	-	-	(4,754)
Tax charge/(credit) relating to components of other comprehensive income	(2,175)	-	-	-	-	-	(49)	(2,224)
Tax charged/(credited) directly to equity	-	-	-	-	-	-	-	-
Exchange differences	-	-	(61)	-	-	-	-	(61)
At 31 March 2017	1,785	131	785	679	(771)	(95)	(40)	2,474

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same authority.

Unrecognised tax items

The Group has tax losses which arose in the USA of £9,804,000 (2016: £13,280,000) that are available for up to 20 years, tax losses in a number of Eastern European countries of £4,192,000 (2016: 4,164,000) that are available for up to 5 and 10 years and tax losses in Australia of £4,032,000 (2016: £2,905,000) that are available indefinitely. These losses are available for offset against future taxable profits of the companies in which the losses arose. However, as these losses relate to subsidiaries that have a history of losses, deferred tax assets have not been recognised as these losses may not be used to offset taxable profits elsewhere in the Group.

At 31 March 2017, there was no recognised deferred tax liability (2016: £Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture. The Group has determined that undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future, as:

- The Group has an agreement with its subsidiaries that the profits of the subsidiaries will not be distributed until it obtains the consent of the Group. The parent company does not foresee giving such a consent at the reporting date, and
- The joint venture of the Group cannot distribute its profits until it obtains the consent from all venture partners. The parent company does not foresee giving such a consent at the reporting date

The temporary differences associated with investments in subsidiaries and joint venture, for which a deferred tax liability has not been recognised, aggregate to £335,000 (2016: £545,000).

20 Derivative financial instruments

	2017		2016	
	Asset	**Liability**	Asset	Liability
Forward foreign exchange contracts - cash flow hedges	**337**	**96**	197	304
Forward foreign exchange contracts - fair value hedges	**-**	**158**	-	304
Foreign exchange options - held for trading	**-**	**3**	-	-
Total - current	**337**	**257**	197	608

Forward foreign exchange contracts

The group had the following forward foreign exchange contracts and swaps outstanding at year end:

	2017 Amount to buy/(sell) (000s of currency)	2016 Amount to buy/(sell) (000s of currency)
USD	**(69,900)**	(130,734)
AUD	**(13,550)**	(13,300)
EUR	**6**	(740)
CZK	**(78,000)**	(64,890)
CAD	**(7,000)**	(29,000)
PLN	**(19,500)**	(16,000)
RUB	**(130,150)**	(94,420)
KWD	**-**	(37)
NZD	**110**	-

All currencies are bought/sold against GBP.

The USD forward foreign exchange contracts and swaps reflect USD 25,000k (2016: USD 10,866k) purchased in respect of tea buying commitments and intercompany loan offset by USD 94,900k (2016: USD 141,600k) of forward sales in respect of its US dollar denominated cash and receivables.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 March 2017 are recycled to the statement of profit and loss in the period or periods during which the hedged forecast transaction affects the statement of profit and loss. This is generally within 12 months of the end of the reporting period unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case it is recognised is over the estimated useful lives of the related assets.

(All amounts in £ thousands unless otherwise stated)

Foreign exchange options

The Group also enters into foreign exchange option contracts with the intention to reduce foreign exchange risk of expected purchases denominated in USD. These option contracts are measured at fair value through profit and loss. The group has committed to purchase between USD12,000k to USD 36,000k over the period of the option contracts up until their expiry in September 2018, with the amount purchased dependent on the prevailing FX rate at the specified option contract strike dates.

Gross financial liabilities

Under the shareholders' agreement between the group and the European Bank for Reconstruction and Development ("EBRD"), EBRD has invested during 2009 in a 35% stake in the subsidiary, Kahutara Holdings Limited.

Under the shareholders' agreement, the group has the option, without the consent of EBRD to purchase the remaining 35% shareholding as from August 2018 on an agreed formula. Similarly EBRD has the right, without the consent of the group, to sell to the group the remaining 35% stake in the particular subsidiary as from August 2017 as on an agreed formula. The agreed formula is estimated by management to approximate the fair value of the shares to be acquired through these options. As a result, the values of these derivatives are estimated by the management not to be significant and are shown at nil carrying amounts as at 31 March 2017 (2016: nil).

21 Trade and other receivables

	2017	2016
Trade receivables	**46,881**	38,831
Less: Provision for impairment of trade receivables	**(357)**	(153)
Trade receivables - net	**46,524**	38,678
Other receivables	**2,736**	3,025
Other taxation and social security	**2,594**	2,390
Prepayments and accrued income	**3,951**	2,956
Amounts owed by related parties	**104,443**	105,246
Loans to other Tata corporations	**29,346**	56,154
Total	**189,594**	208,449
Less non-current portion:		
Amounts owed by related parties	**(96,146)**	(96,254)
Current portion	**93,448**	112,195

Amounts owed by related parties - current includes a loan to Consolidated Coffee Inc of £7,011k (2016: £6,074k) with interest charged at a margin over LIBOR of 2.5% (2016: margin over LIBOR of 2.5%). The remaining amounts owed by related parties are trading balances which are unsecured, repayable on demand and non-interest bearing. The counter parties are given in note 33.

Amounts owed by related parties – non-current represent a loan to Eight O'clock Coffee Inc (USA) of £24,035k (2016: £20,819k) charged at a margin over LIBOR of 5.0% (2016: margin over LIBOR of 5.0%) and a loan to Tata Global Beverages Capital Limited of £72,111k (2016: £75,435k) charged at a margin over LIBOR of 3.5% (2016: margin over LIBOR of 3.5%).

Consolidated Coffee Inc (USA), Eight O'clock Coffee Inc and Tata Global Beverages Capital Limited are companies under common control of the Group's ultimate parent company (see note 35).

The credit worthiness of trade debtors and the credit terms set are determined in individual regions and countries. There are no particular concentrations of credit risk as the group's customer base is large. Trade receivables are considered a single class of financial assets, and based on the group's experience of collecting receivables and associated defaults there is a low credit risk across regions and countries.

In certain regions adequate insurance cover has been taken on trade receivables to further reduce the risk of default.

(All amounts in £ thousands unless otherwise stated)

The fair values of trade and other receivables, deposits or bank guarantees are not considered to be significantly different from their carrying values, given their generally short period to maturity, with impairment reviews considered on an individual basis rather than when they become overdue.

Ageing of trade receivables	**2017**	2016
Of which:		
Not overdue	**44,127**	34,688
Past due up to 3 months	**2,257**	3,103
Past due more than 6 months	**497**	1,040
	46,881	38,831

As at 31 March 2017 trade receivables of £357k (2016: £153k) were provided for. The ageing of these receivables is as follows.

	2017	2016
Upto 3 months	**97**	63
3 to 6 months	**260**	90
	357	153

Movements on the group provision for impairment of trade receivables are as follows:

	2017	2016
As at 1 April	**153**	201
Provision for impairment	**171**	5
Acquisitions	**32**	-
Receivables written off during the year as uncollectible	**(10)**	(4)
Unused amounts reversed	**(10)**	(47)
Exchange differences	**21**	(2)
At 31 March	**357**	153

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2017	2016
UK Pound	**95,272**	96,787
US Dollars	**72,408**	90,428
Canadian Dollars	**7,414**	5,950
Russian Roubles	**5,222**	4,784
Other currencies	**10,174**	10,500
	190,490	208,449

22 Inventories

	2017	2016
Raw materials and consumables	**21,667**	24,398
Work in progress	**527**	646
Finished goods	**22,682**	19,563
	44,876	44,607

During the year ended 31 March 2017 £480k (2016: £1,906k) was charged to the income statement for slow moving and obsolete inventories.

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £143,068k (2016: 123,025k).

23 Cash and cash equivalents (excluding bank overdrafts)

	2017	2016
Cash at bank and in hand	**21,193**	16,944
Short-term bank deposits	**41,622**	20,768
Cash and cash equivalents	**62,815**	37,712

Cash and cash equivalents include the following for the purposes of the statement of cashflows:

	2017	2016
Cash and cash equivalents	**62,815**	37,712
Bank overdrafts	**(18,647)**	(15,356)
Cash and cash equivalents	**44,168**	22,356

24 Share capital

	Number (thousands)	**Share capital**
Allotted and fully paid:		
Ordinary shares of £1 each		
At 1 April 2016 **and 31 March 2017**	**235,075**	**235,075**

25 Trade and other payables

	2017	2016
Trade payables	**16,271**	16,161
Amounts due to related parties	**10,057**	12,170
Social security and other taxes	**708**	411
Accrued expenses	**29,724**	22,880
Other creditors	**2,018**	2,734
Total	**58,778**	54,356

Amounts due to related parties are trading balances which are unsecured, repayable on demand and non-interest bearing.

26 Borrowings

	2017	2016
Non-current		
Finance lease liabilities	**-**	43
	-	43
Current		
Bank overdrafts	**18,647**	15,356
Bank borrowings	**7,848**	3,751
Finance lease liabilities	**-**	103
	26,495	19,210
Total borrowings	**26,495**	19,253

(All amounts in £ thousands unless otherwise stated)

(a) Bank borrowings and overdrafts

Bank borrowings totalling £7,848k (2016: £3,751k) have various tranches all maturing between 4 April 2017 and 27 September 2017 with interest being charged at the bank internal rate plus a margin of 2.0% (11.95% as at 31 March 2017). The bank borrowings are denominated in Russian Roubles and are secured by a corporate guarantee given by Tata Global Beverages Investments Limited.

A bank overdraft totalling £1,023k (2016: £618k) matures on 30 June 2017 with interest charged at 1 month WIBOR + plus a margin of 1.65%. The overdraft is denominated in Polish Zloty and is secured by a corporate guarantee given by Tata Global Beverages Group Limited.

The remaining bank overdrafts totalling £17,624k (2016: £14,738k) are part of a group cash-pooling arrangement with interest charged at a margin over I.C.E. benchmark administration settlement rate rate +2.0%.

The exposure of the group's bank borrowings and overdraft to interest rate changes and the contractual re-pricing dates at the end of the year are as follows:

	2017	2016
6 months or less	**26,495**	18,489
6-12 months	-	618
1-5 years	-	-
Over 5 years	-	-
	26,495	19,107

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

The group has the following undrawn borrowing facilities:

	2017	2016
Floating rate:		
- Expiring within one year	**13,289**	12,663
- Expiring beyond one year	-	-
Fixed rate:		
- Expiring within one year	-	-
- Expiring beyond one year	-	-
	13,289	12,663

(b) Finance lease liabilities

	2017	2016
Gross finance lease liabilities - minimum lease payments:		
No later than 1 year	-	109
Later than 1 year and no later than 5 years	-	44
Later than 5 years	-	-
	-	153
Future finance charges on finance lease liabilities	-	(7)
Present value of finance lease liabilities	-	146

(All amounts in £ thousands unless otherwise stated)

The present value of finance lease liabilities is as follows:

	2017	2016
No later than 1 year	-	103
Later than 1 year and no later than 5 years	-	43
Later than 5 years	-	-
	-	146

27 Post employment benefits

The table below outlines where the group's post-employment amounts and activity are included in the financial statements.

	2017	2016
Balance sheet obligations for:		
- Defined pension benefits	**10,500**	19,800
- Post employment medical benefits	**682**	690
- Post employment life assurance benefits	**538**	575
Liability in the balance sheet	**11,720**	21,065
Income statement charge:		
- Finance cost on defined pension beneifts	**700**	800
- Post employment life assurance benefits	**17**	17
	717	817
Losses / (gains) recognised in other comprehensive income / (loss):		
- Remeasurements for defined pension benefits	**(6,500)**	4,300
- Remeasurements for post employment life assurance benefits	**(121)**	(22)
	(6,621)	4,278

(a) Defined benefit pension benefits

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

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

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

	2017	2016
Present value of funded obligations	**152,300**	136,400
Fair value of plan assets	**(141,800)**	(116,600)
Liability in the balance sheet	**10,500**	19,800

(All amounts in £ thousands unless otherwise stated)

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

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

	Present value of obligation	Fair value of plan assets	Total
At 1 April 2016	**136,400**	**(116,600)**	**19,800**
Interest expense/(income)	**4,500**	**(3,900)**	**600**
Administrative expenses	**-**	**100**	**100**
	140,900	**(120,400)**	**20,500**
Remeasurements:			
– Return on plan assets, excluding amounts included in interest expense/(income)	**-**	**(23,400)**	**(23,400)**
– Loss from change in demographic assumptions	**(1,700)**	**-**	**(1,700)**
– Fain from change in financial assumptions	**18,800**	**-**	**18,800**
– Experience gains	**(200)**	**-**	**(200)**
– Change in asset ceiling, excluding amounts included in interest expense	**-**	**-**	**-**
	16,900	**(23,400)**	**(6,500)**
Contributions:			
– Employers	**-**	**(3,500)**	**(3,500)**
Payments from plans:			
– Benefit payments	**(5,500)**	**5,500**	**-**
At 31 March 2017	**152,300**	**(141,800)**	**10,500**

(All amounts in £ thousands unless otherwise stated)

The significant actuarial assumptions were as follows:

	2017	2016
	%	%
Discount rate	**2.65**	3.40
Inflation assumptions		
- RPI	**3.15**	2.90
- CPI	**2.25**	2.00
Rate of increase in pensions in payment	**3.45**	3.35
Rate of increase in pensions in deferment	**3.15**	3.00

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

	Executives		**Staff**	
	2017	2016	**2017**	2016
	Years	Years	**Years**	Years
Longevity at age 65 for current pensioners				
Males	**23.3**	23.6	**22.5**	22.7
Females	**25.1**	25.4	**24.3**	24.6
Longevity at age 65 for future pensioners				
Males	**25.1**	25.3	**24.2**	24.5
Females	**26.6**	26.9	**25.8**	26.0

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	**(11,900)**	**13,500**
RPI inflation	0.25%	**2,900**	**(1,500)**

	Increase by 1 year in assumption	Decrease by 1 year in assumption
Age of member in mortality assumption	**(5,200)**	**5,300**

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

(All amounts in £ thousands unless otherwise stated)

Plan assets comprised of:

	2017	2016
Equities	69,500	41,200
LDI	40,600	-
Multi asset credit	19,800	-
Corporate bonds	-	63,200
Property	10,400	10,200
Cash & Insurance policies	1,500	2,000
Total	141,800	116,600

Risks

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

- *Asset volatility*
The Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields in line with the requirements of IAS 19R. If the Scheme assets underperform this yield, it will increase the deficit. The plan holds investments across a range of asset classes which are expected to outperform corporate bonds in the long term but provide volatility and risk in the short term.

- *Changes in bond yields*
A decrease in corporate bond yields will increase plan liabilities. In the event of a reduction in the corporate bond yields there will be an increase in the value of the Scheme's interest rate swaps and derivatives held which reduce exposure to this risk by approximately 50%.

- *Inflation risk*
The Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The hedging strategy in place means through the use of inflation swaps and derivatives the scheme assets hedge approximately 90% of this risk.

- *Life expectancy*
The Scheme's obligation is to provide benefits for the life of the members. An increase in life expectancy will result in an increase in the Scheme's liabilities.

Policy for recognising gains and losses

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

Asset-liability matching strategies used by the Scheme

The scheme implemented a revised investment strategy during the financial year. This consists of a reduction in corporate bonds held to nil, a new 25% allocation to liability-driven investment strategy which involves hedging the fund's exposure to changes in interest rates and inflation through use of liability driven investments (LDI) which typically involves swaps and derivatives and a new 16% exposure to mult-asset credit with the remaining portfolio invested in equitiesand property.

Description of funding arrangements and funding policy that affect future contributions

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

Expected contributions over the next financial year

The group expects to contribute approximately £6,500k to the Scheme in the year ending 31 March 2017.

(All amounts in £ thousands unless otherwise stated)

(b) Post-employment medical benefits

The group operates post-employment medical benefits to former employees in the US and UK. These plans are unfunded and the valuation method is similar to those used for defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs in the US of 5.0% pa and in the UK of 5.4% pa.

The liability recognised in the balance sheet as at 31 March 2017 was £682k (31 March 2016: £690k). The movement in the year can be attributed to benefit payments.

(c) Post-employment life assurance benefits

The group operates post-employment life assurance benefits to former employees in the US. These plans are unfunded and the valuation method is similar to those used for defined benefit pension schemes set out above

The liability recognised in the balance sheet as at 31 March 2017 was £538k (31 March 2016: £575k).

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

	2017			2016		
	Present value of obligation	**Fair Value of plan assets**	**Total**	Present value of obligation	Fair Value of plan assets	Total
At 1 April	**575**	**-**	**575**	584	-	584
Interest expense / (income)	**17**	**-**	**17**	17	-	17
Remeasurements:						
- (Gain) / loss from change in demographic assumptions	**4**	**-**	**4**	6	-	6
- (Gain) / loss from change in financial assumptions	**(15)**	**-**	**(15)**	4	-	4
- Experience (gains) / losses	**(110)**	**-**	**(110)**	(32)	-	(32)
	(121)	**-**	**(121)**	(22)	-	(22)
Exchange differences	**91**	**-**	**91**	18	-	18
Contributions paid - Employers	**-**	**(24)**	**(24)**	-	(22)	(22)
Payments from plans - benefit payments	**(24)**	**24**	**-**	(22)	22	-
At 31 March	**538**	**-**	**538**	575	-	575

Defined contribution pension schemes

The amount recognised as an expense in the consolidated income statement in relation to defined contribution schemes is £1,675k (2016: £1,471k).

(All amounts in £ thousands unless otherwise stated)

28 Provisions for liabilities and charges

	2017	2016
At 1 April	**1,533**	957
Charged / (credited) to the income statement:		
- Additional provisions	**48**	1,044
- Unused amounts reversed	**(83)**	-
Used during the year	**(305)**	(471)
Transferred to disposal group classified as asset held for sale	**(20)**	-
Exchange differences	**4**	3
At 31 March	**1,177**	1,533

Analysis of total provisions:

	2017	2016
Non-current	**655**	892
Current	**522**	641
Total	**1,177**	1,533

The provision relates primarily to the provision for an onerous lease commitment on an office building in the UK. The decrease reflects the rental and related costs made in the current year It is expected that £522k will be used in the following year and the remaining £655k will be utilised in the period to October 2019.

29 Non-current assets held for sale

The assets and liabilities related to Tata Global Beverages Czech Republic a.s. have been presented as held for sale.

(a) Assets of disposal group classified as held for sale

	2017	2016
Property, plant and equipment	**866**	-
Inventories	**1,066**	-
Trade and other receivables	**893**	-
Cash and cash equivalents	**151**	-
	2,976	-

(b) Liabilities of disposal group classified as held for sale

	2017	2016
Trade and other payables	**1,160**	-
Provisions	**320**	-
	1,480	-

In accordance with IFRS 5, the assets and liabilities held for sale were written down to their fair value less costs to sell of £1,496,000, based on estimates.

(All amounts in £ thousands unless otherwise stated)

30 Contingent liabilities

There were contingent liabilities at 31 March 2017 in respect of outstanding letters of credit and guarantees. All of these arrangements have been undertaken in the normal course of trade and are centrally monitored by Group Treasury. Because the value of many of these liabilities is dependent on future market price movements, the directors believe that it is not practicably possible to provide an estimate of the Group's potential liability under such arrangements.

31 Commitments

(a) Capital commitments

Future capital expenditure authorised by the Board and contracted for at 31 March 2017 was £325k (2016: £425k). This amount is not provided for within the Group's financial statements.

(b) Operating lease commitments

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

	2017	2016
No later than 1 year	**1,993**	1,967
Later than 1 year and no later than 5 years	**6,345**	6,498
Later than 5 years	**7,691**	7,506
Total	**16,029**	15,971

(All amounts in £ thousands unless otherwise stated)

32 Acquisitions

Acquisition of Empirical LLC

With effect from 1 October 2016, the Group has, pursuant to amendments in the operating agreement acquired control of its existing 56% shareholding in Empirical LLC a Delaware limited liability company and an entity engaged in the sale of tea and coffee to food service and contract customers primarily within the United States for no cash outflow and with no change in shareholding.

As a result, Empirical LLC is accounted for as a subsidiary undertaking from 1 October 2016. Following the requirements of IFRS 3 'Business Combinations' the Group has re-assessed the fair value of its venture entity and recognised a gain of £6,363k in the income statement. Based on the fair valuation exercise carried out, on establishment of control, Goodwill and other intangible assets have been recognised in the financial statements.

The fair value of the assets and liabilities acquired is shown below:

	Book value	Adjustments	Fair Value
Customer relationships	-	12,352	12,352
Tetley Harris corporate trade name	-	386	386
Product trademark rights	-	849	849
Total intangibles assets	-	13,587	13,587
Inventories	3,039	300	3,339
Trade and other receivables	2,841	-	2,841
Cash and cash equivalents	1,238	-	1,238
Trade and other payables	(4,447)	-	(4,447)
Deferred tax	-	(4,754)	(4,754)
Net identifiable assets acquired	**2,670**	**9,133**	**11,803**

Fair value of consideration transferred	-
Fair value of non-controlling interest	11,889
Fair value of existing interest in the joint venture	15,132
Total purchase consideration	27,021
Less: net identifiable assets acquired as per above	(11,803)
Goodwill	**15,218**

The fair value was ascertained on the basis of an independent valuation, using a combination of Income and Market approach, performed by Duff and Phelps, an US based valuation and corporate finance advisor.

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

Accounting policy choice for non-controlling interests:

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Empirical LLC, the group elected to recognise the non-controlling interests in at its proportionate share of the fair value. See note 2 for the group's accounting policies for business combinations.

(All amounts in £ thousands unless otherwise stated)

Fair value of interest held	15,132
Less: Investment in Joint venture as at 30 September 2016	(10,010)
Add: Cumulative exchange differences recycled from other comprehensive income	1,241
Gain on acquisition recognised in income statement	**6,363**

There was no cash outflow as part of the arrangement and accordingly the Group had a gain on acquisition as reflected above.

The fair value adjustments relate to; the recognition of customer relationships; the recognition the Tetley Harris Corporate trade name rights; the recognition of product trademarks rights (which is the right to use certain product brands owned by both the Group and the non-controlling interest); an adjustment to finished goods inventory to estimated selling price less costs of disposal and the recognition of a deferred tax liability on the recognition of the intangible assets.

The acquired business contributed revenue of £15,850k and operating profit of £2,730k to the Group for the period from 1 October 2016 to 31 March 2017.

Had Empirical LLC been consolidated from 1 April 2016 the income statement would show revenue of £29,260k and operating profit of £4,874k.

(All amounts in £ thousands unless otherwise stated)

33 Related parties

Loans with fellow subsidiaries were disclosed in note 21.

In addition, the Group had the following transactions with fellow subsidiaries and its ultimate parent company Tata Global Beverages Limited.

	2017	2016
Sale of raw materials and finished product		
Tata Global Beverages Limited	2,242	1,948
Purchase of raw materials and finished product		
Tata Global Beverages Limited	(11,151)	(9,587)
Tata Coffee Limited	(4,294)	(2,681)
Services received		
Eight O'clock Coffee Inc	(6,494)	(4,707)
Tata Global Beverages Limited	(4,958)	(4,789)
Services rendered		
Eight O'clock Coffee Inc	1,341	927
Tata Global Beverages Limited	1,927	1,936
Interest received		
Eight O'clock Coffee Inc	1,563	1,257
Tata Global Beverages Capital Limited	3,000	2,905
Services received from Tata Sons and its subsidiaries		
Tata Sons Limited	187	177
Tata Consultancy Services Limited	747	1,112
Tata Limited	2	16
Amounts outstanding (excluding intercompany loans)		
Debtors		
Eight O'clock Coffee Inc	664	2,207
Tata Global Beverages Limited	622	566
Creditors		
Eight O'clock Coffee Inc	(939)	(948)
Tata Global Beverages Capital Limited	(591)	(1,599)
Tata Global Beverages Limited	(5,974)	(5,649)
Tata Coffee Limited	(1,568)	(999)
Tata Sons	-	(6)
Tata Consultancy Services Limited	(17)	(86)

(All amounts in £ thousands unless otherwise stated)

The group had the following transactions with its joint ventures:

	2017	2016
Sale of raw materials and finished product		
Tetley Clover (Private) Limited	-	480
Purchase of raw materials and finished product		
Southern Tea LLC	**17,991**	8,879
Services received		
Joekels Tea Packers (Proprietary) Limited	**(324)**	(220)
Services rendered		
Southern Tea LLC	**34**	55
Amounts outstanding (excluding intercompany loans)		
Debtors		
Empirical Group LLC	-	64
Joekels Tea Packers (Proprietary) Limited	-	13
Creditors		
Southern Tea LLC	**(807)**	(151)
Joekels Tea Packers (Proprietary) Limited	**(160)**	(5)
Tetley Clover (Private) Limited	-	-

(All amounts in £ thousands unless otherwise stated)

34 Subsidiaries and joint ventures

Subsidiaries:

Name of undertaking	Address of the registered office	Nature of business	Proportion of equity and voting rights held indirectly by group	Proportion of equity and voting rights held directly by parent
Tata Global Beverages Services Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Provider of treasury and management services	100%	-
Tata Global Beverages GB Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Manufacturing, marketing and distribution of tea	100%	-
Tata Global Beverages Holdings Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Holding company	-	100%
Tetley USA Inc	155 Chestnut Ridge Road, Montvale, New Jersey 07645, USA	Marketing and distribution of tea	100%	-
Tata Global Beverages U.S Holdings, Inc. (formerly Tetley US Holdings Inc.) Associates.	155 Chestnut Ridge Road, Montvale, New Jersey 07645, USA	Holding company	100%	-
Tata Global Beverages Canada Inc	10 Carlson Street, Etobicoke, Ontario, Canada M9W6L2	Marketing and distribution of tea	100%	-
Tata Global Beverages Australia Pty Ltd	620 Church Street, Richmond, Victoria, Australia 3121	Marketing and distribution of tea	100%	-
Earth Rules Pty Ltd	620 Church Street, Richmond, Victoria, Australia 3121	Marketing and distribution of coffee	100%	-
Tata Global Beverages Overseas Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Dormant	100%	-
Tata Global Beverages Overseas Holding Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Holding company	100%	-
Lyons Tetley Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Dormant	100%	-

(All amounts in £ thousands unless otherwise stated)

Name of undertaking	Address of the registered office	Nature of business	Proportion of equity and voting rights held indirectly by group	Proportion of equity and voting rights held directly by parent
Stansand Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Dormant	100%	-
Stansand (Brokers) Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Dormant	100%	-
Stansand (Africa) Limited	3rd Floor Tea House, Nyerere Abenue P. O. Box 90683-80100 Mombasa, Kenya	Purchase and sale of tea	100%	-
Stansand (Central Africa) Limited	Along Masauko Chipembere Highway-Maselema Area-Limbe, P. O. Box 546, Blantyre, Malawi	Purchase and sale of tea	100%	-
Tata Global Beverages Polska Sp. zo.o.	UL Zolny 33, 02-815 Warszawa, Poland	Marketing and distribution of tea	100%	-
Drassington Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Dormant	100%	-
Empirical Group LLC	155 Chestnut Ridge Road, Montvale, New Jersey 07645, USA	Marketing and distribution of tea	56%	-
Good Earth Corporation	155 Chestnut Ridge Road, Montvale, New Jersey 07645, USA	Holding company	100%	-
Good Earth Teas Inc	155 Chestnut Ridge Road, Montvale, New Jersey 07645, USA	Marketing and distribution of tea	100%	-
Tata Waters LLC	155 Chestnut Ridge Road, Montvale, New Jersey 07645, USA	Marketing and distribution of water	100%	-
Teapigs Limited	1 The Old Pumping Station, Pump Alley, Brentford, Middlesex, TW8 0AP, UK	Marketing and distribution of tea	100%	-

(All amounts in £ thousands unless otherwise stated)

Name of undertaking	Address of the registered office	Nature of business	Proportion of equity and voting rights held indirectly by group	Proportion of equity and voting rights held directly by parent
Teapigs US LLC	195 Chrystie Street, #602E, New York, New York 10002	Marketing and distribution of tea	100%	-
Tata Global Beverages Investments Limited	325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ, UK	Holding company	-	100%
Tata Global Beverages Czech Republic a.s.	Znojemska 687 675 31 Jemnice, Czech Republic	Manufacturing, marketing and distribution of tea	100%	-
Campestres Holdings Limited	Capital Center, 9th Floor, 2-4 Makarios Avenue, 1065 Nicosia, Cyprus	Holding company	100%	-
Kahutara Holdings Limited	Capital Center, 9th Floor, 2-4 Makarios Avenue, 1065 Nicosia, Cyprus	Holding company	65%	-
Suntyco Holding Limited	Capital Center, 9th Floor, 2-4 Makarios Avenue, 1065 Nicosia, Cyprus	Holding company	65%	-
Onomento Company Limited	Capital Center, 9th Floor, 2-4 Makarios Avenue, 1065 Nicosia, Cyprus	Holding company	65%	-
OOO Tea trade LLC	Prospect Mira Street, 69 Building 1, Moscow, 129110, Russian Federation	Marketing and distribution of tea and coffee	65%	-
OOO Sunty LLC	Prospect Mira Street, 69 Building 1, Moscow, 129110, Russian Federation	Holding company	65%	-

All subsidiaries with the exception of TGB Group Limited and TGB Investments Limited are held indirectly by Tata Global Beverages Limited.

All subsidiary undertakings are included in the consolidation.

(All amounts in £ thousands unless otherwise stated)

Joint ventures:

Name of undertaking	Address of the registered office	Nature of business	Proportion of equity and voting rights held indirectly by group
Southern Tea LLC	1267 Cobb Industrial Drive, Marietta, Georgia 30066, USA	Manufacturing and distribution of tea	50%
Tetley ACI (Bangladesh) Limited	245 Tejgaon Industrial Area, Dhaka - 1208, Bangladesh	Manufacturing, marketing and distribution of tea	50%
Tetley Clover (Private) Limited	Lakson Square Building No 2 Sarwar Shaheed Road, Karachi, Pakistan	Manufacturing, marketing and distribution of tea	50%
Joekels Tea Packers (Proprietary) Limited	12 Caversham Road, Pinetown, 3610 Kwazulu Natal, South Africa	Manufacturing, marketing and distribution of tea	51.70%

35 Ultimate parent company

The company's shares are owned by Tata Global Beverages Limited, a company incorporated in India (30.1%) (2016: 30.1%); Tata Tea Extractions Inc, a company incorporated in the USA (10.6%) (2014: 10.6%), Tata Limited, a company incorporated in the UK (0.7%) (2016: 0.7%), Tata Enterprises (Overseas) AG, a company incorporated in Switzerland (10.2%) (2016: 10.6%) and Tata Global Beverages Capital Limited, a company incorporated in the UK (48.4%) (2016: 48.0%). Tata Global Beverages Limited, either directly or through its wholly owned subsidiaries, Tata Tea Extractions Inc and Tata Global Beverages Capital Limited, owns 88.7% (2016: 88.7%) of the Company. The Company's ultimate holding company and controlling party is Tata Global Beverages Limited, a company incorporated in India. The consolidated financial statements of the ultimate holding company are available from the company's website tataglobalbeverages.com or from its registered office at 1 Bishop Lefroy Road, Kolkata, 700 020.

36 Events after the end of the reporting period

There have been no significant events after the end of the reporting period that would require disclosure or an adjustment to the financial statements.

37 Impact of Brexit

On 30 March 2017, the UK Government gave a formal notice of its intention to leave the EU. This notice has triggered Article 50 and the process of negotiating the UK's exit, which is likely to last at least two years. Whilst it is impossible to predict the impact on the UK economy in the coming years there will be a resulting period of uncertainty for the UK economy, with increased volatility expected in financial markets, as the detailed political and legal issues are worked out. Depreciation of sterling and fall in gilt yields which was experienced can have financial impact on the operations of the Group. The Group's Management are constantly reviewing mitigations like pricing strategy, hedging etc. to minimize the adverse fall out.

Report on the company financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Company balance sheet as at 31 March 2017;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Greg Briggs

Greg Briggs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
26 May 2017

Tata Global Beverages Group Limited

Company balance sheet as at 31 March 2017

(All amounts in £ thousands unless otherwise stated)

	Note	Company As at 31 March 2017	2016
Assets			
Non-current assets			
Investments in subsidiaries	5	**773,952**	773,952
		773,952	773,952
Current assets			
Trade and other receivables	6	**22,816**	68,109
Cash and cash equivalents (excluding bank overdrafts)		**8**	28
		22,824	68,137
Total assets		**796,776**	842,089
Equity and liabilities			
Equity and liabilities attributable to owners of the parent			
Called up share capital	7	**235,075**	235,075
Retained earnings		**(4,512)**	766
Total equity		**230,563**	235,841
Non-current liabilities			
Trade and other payables	8	**139,862**	171,462
		139,862	171,462
Current liabilities			
Trade and other payables	8	**426,351**	434,786
		426,351	434,786
Total liabilities		**566,213**	606,248
Total equity and liabilities		**796,776**	842,089

The notes on pages 71 to 74 form part of these Company financial statements. The financial statements on pages 69 to 74 were approved and authorised for issue by the board of directors on 19 May 2017 and signed on its behalf.

M Thakrar
Director
26 May 2017

Tata Global Beverages Group Limited

Company statement of changes in equity for the year ended 31 March 2017

(All amounts in £ thousands unless otherwise stated)

	Attributable to equity holders of the company		
	Share capital	Retained earnings	Total equity
Balance at 1 April 2015	235,075	665	235,740
Profit for the year	-	6,101	6,101
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	6,101	6,101
Dividends	-	(6,000)	(6,000)
Balance at 31 March 2016	235,075	766	235,841
Balance at 1 April 2016	**235,075**	**766**	**235,841**
Profit/(loss) for the year	**-**	**(5,278)**	**(5,278)**
Other comprehensive income for the year	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**(5,278)**	**(5,278)**
Dividends	**-**	**-**	**-**
Balance at 31 March 2017	**235,075**	**(4,512)**	**230,563**

1 General information

Tata Global Beverages Group Limited ("the company") acts as a holding entity with investments in and loans to and from subsidiaries who are engaged in the processing, marketing and distribution of tea, coffee and related products. During the period there were no additions or disposals in the investment held in the subsidiaries.

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

2 Summary of significant accounting policies

Basis of preparation

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by accordance with the Companies Act 2006, as applicable to companies using FRS101.

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

- IFRS 7, 'Financial Instruments: Disclosures',
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities),
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, plant and equipment; paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d), (statement of cash flows),
    - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
    - 16 (statement of compliance with all IFRS),
    - 38A (requirement for minimum of two primary statements, including cash flow statements),
    - 38B-D (additional comparative information),
    - 40A-D (requirements for a third statement of financial position),
    - 111 (cash flow statement information), and
    - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The group financial statements consolidate the financial statements of the company and all its subsidiary undertakings drawn up to 31 March each year. No individual profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

The directors have used the going concern principal on the basis the Company has positive net assets.

Investment in subsidiary undertakings

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

If an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the investment in prior years. A reversal of an impairment loss is recognised immediately in the income statement. See note 10 for the net carrying amount of the investments and associated impairment. The company has elected to use the deemed cost alternative available under FRS 101 where the aggregate deemed cost of the investments are deemed to be the cost as recorded under UK GAAP.

Trade and other receivables

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

Trade and other payables

Trade and other payables are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method. Interest charged is accounted for on an accruals basis through the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Share capital

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividend income is recognised when the company's right to receive payment is established. Final dividends are recorded in the financial statements in the period in which they are approved by the company's shareholders. Interim dividends are recorded in the period in which they are declared.

Taxation

Current tax including UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3 Auditors' remuneration

Overall audit fee for parent company and consolidated financial statements was £425k (2016: £408k). No recharge was made to the company. The Company's fees for audit services in the year were borne by Tata Global Beverages Services Limited. No recharge was made.

4 Profit of the company

The company made a loss of £5,278k in the year (2016: profit of £6,101k).

5 Investment in subsidiaries

The movements in investments held by the company during the year are as follows:

Cost	**2017**	2016
As at 1 April 2016 and 31 March 2017	**773,952**	773,952

There were no additions made during the year.

The list of the subsidiary undertakings of which the company is, either directly or through subsidiary companies, the beneficial owner of the whole of the equity share capital is given in note 33 of the consolidated financial statements.

6 Trade and other receivables

	2017	2016
Other taxation and social security	**-**	-
Amounts owed by related parties	**22,816**	68,109
Total	**22,816**	68,109

Amounts owed by related parties are unsecured, interest free, have no fixed date of repayment and are payable on demand.

7 Share capital

	Number (thousands)	**Share capital**
Allotted and fully paid:		
Ordinary shares of £1 each		
At 1 April 2016 **and 31 March 2017**	**235,075**	**235,075**

(All amounts in £ thousands unless otherwise stated)

8 Trade and other payables

	2017	2016
Trade payables	**11**	137
Amounts due to related parties	**566,202**	606,111
Total	**566,213**	606,248
Less non-current portion:		
Amounts due to related parties	**(139,862)**	(171,462)
Current portion	**426,351**	434,786

Amounts due to related parties – current are unsecured, interest free, have no fixed date of repayment and are payable on demand.

Amounts due to related parties – non-current are unsecured and interest is charged at a margin of 2% + LIBOR (2016: margin of 2% + LIBOR).

9 Dividends paid

	2017	2016
Equity - Ordinary		
Interim paid 2017: Nil(2016: 2.55p) per £1 share	-	6,000

10 Related parties

The company has taken advantage of the exemption under IAS 24 available to a parent company not to disclose transactions with its wholly owned subsidiaries within its financial statements.

11 Contingent liabilities

The company has provided a letters of financial support to Tata Global Beverages Polska Sp. Z o.o. and Tata Global Beverages Czech Republic a.s., both fellow subsidiary undertakings owned by Tata Global Beverages Group Limited. The letters of financial support indicate that the company will provide such financial support as may be required to both Tata Global Beverages Polska Sp. Z o.o and Tata Global Beverages Czech Republic a.s. to meet their obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements of those companies. Tata Global Beverages Polska Sp. Z o.o. made a loss for the financial year of PLN 9,528k and had net liabilities of PLN 27,919k at 31 March 2017. Tata Global Beverages Czech Republic a.s. made a loss for the financial year of of CZK 9,845k and had net liabilities of CZK 18,041k at 31 March 2017.

The company has given a corporate guarantee in respect of a bank overdraft taken by Tata Global Beverages Polska Sp. Z o.o denominated in Polish Zloty totalling £1,023k which matures 30 June 2017.

12 Events after the end of the reporting period

On the 17th May the company received a £17m dividend from its investment in Tata Global Beverages Investments Limited.

On the 18th May the company proposed and approved a £6m dividend payment.