

**Finlay Beverages Limited**

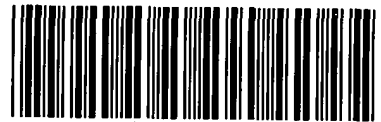
**Annual report and financial statements**

Registered number 00047601

31 December 2016

mb  
23  
mb

THURSDAY



\*A6FFT5NU\*

A10

21/09/2017

#150

COMPANIES HOUSE

mb  
23  
mb

## **Contents**

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the Annual Report and the financial statements	5
Independent auditor's report to the members of Finlay Beverages Limited	6
Profit and Loss Account and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes	11

## Strategic report

The directors present their strategic report for the period ended 31 December 2016.

### Business review

The principal activity of the company is the sourcing, blending, roasting and packing of tea and coffee. The Directors do not envisage any change in the nature of the company's business in the foreseeable future. The business decided to restructure elements of the business which also included tendering notice to some customers. This was done with the long term view of ensuring the business moves back into profitability.

The company's key financial and other performance indicators during the year were as follows:

	2016	2015	Change
	£'000	£'000	%
Turnover	39,448	38,088	3.6
Gross profit /(loss)	612	2,865	-78.6
Total operating loss	(7,565)	(827)	-814.8
Shareholders' funds	2,514	9,017	-72.1
Average number of employees	178	177	0.6
Gross profit/(loss) as % of turnover	1.6	7.5	-5.9
Operating loss as % of turnover	-19.2	-2.2	-17.0
Return on capital employed %	-251.2	-9.2	-242.0

The company's performance during the year while disappointing was the result of necessary steps required to be taken to turn the company around. While turnover increased by 3.6%, gross profit was down 78.6% and operating loss increased by 17.0% due to the business restructuring costs of £3,901,000 and withdrew from listings with some customers.

### FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

The principle risks facing the company are credit risk, liquidity risk and foreign currency risk. The way in which these risks are managed is summarised below.

#### Credit Risk

The company aims to limit undue counterparty exposure by ensuring proper procedures are followed before starting to trade with a new customer and material ongoing exposure is monitored at business unit and group level.

#### Liquidity Risk

Investments in fixed assets and working capital are carefully controlled, with authorisation limits operating at different levels up to board level and with the rates of return and cash payback periods applied as part of a defined investment appraisal process. The group also manages liquidity risk via revolving credit facilities and cash-pooling.

#### Foreign Currency Risk

Subject to strict controls, the company undertakes limited trading in financial instruments in order to mitigate currency risks arising during the normal course of business.

## **Strategic report (*continued*)**

### **Future Developments**

The company has begun the year positively following the significant restructuring at the end of 2016 and has been very successful in recent tenders. The directors look forward with optimism in the future.

By order of the board

A handwritten signature in black ink, appearing to read 'Darren Edwards', with a stylized, flowing script.

**Darren Edwards**  
*Director*

3<sup>rd</sup> August 2017

## **Directors' report**

The directors submit their annual report and financial statements for the period ended 31 December 2016.

### **Results and Dividends**

The profit and loss account for the period shows a loss on ordinary activities after taxation of £6,503,000 (2015: £1,028,000 loss). No interim dividend was declared leaving a retained loss of £6,503,000 to be transferred to reserves.

### **Future Developments**

The directors aim to maintain the management policies which have resulted in the successful development of the company in recent years.

### **Supplier Payment Days**

It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between each company and its suppliers, provided that all trading terms and conditions have been met. The average creditor days were 9 (2015: 23).

### **Going Concern**

The company has been provided with a confirmation of support from its parent James Finlay Limited. Further details on going concern are provided in note 1 to the financial statements in the basis of preparation.

### **Directors**

The directors during the period ended 31 December 2016 were as follows:

A Hogg

G R Chambers

N R Willsher

I P F Bryson

D J Edwards

J M Rutherford

### **Disclosure of information to Auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## **Directors' report (*continued*)**

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year.

By order of the Board,



James Finlay Limited

Secretary

South Elmsall

3<sup>rd</sup> August 2017

## **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Finlay Beverages Limited**

We have audited the financial statements of Finlay Beverages Limited for the year ended 31 December 2016 on pages 8 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.



## Independent auditor's report to the members of Finlay Beverages Limited (continued)

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Malcolm C Harding*

Malcolm Harding (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

3<sup>rd</sup> August 2017

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2016*

	<i>Note</i>	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
<b>Turnover</b>	2	<b>39,448</b>	<b>38,088</b>
Cost of sales		<b>(38,836)</b>	<b>(35,223)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>612</b>	<b>2,865</b>
Distribution costs		<b>(1,063)</b>	<b>(763)</b>
Administrative expenses – normal		<b>(3,153)</b>	<b>(2,883)</b>
Administrative expenses – exceptional restructuring costs		<b>(3,901)</b>	<b>-</b>
		<hr/>	<hr/>
		<b>(7,505)</b>	<b>(781)</b>
Other operating income	3	<b>(60)</b>	<b>(46)</b>
		<hr/>	<hr/>
<b>Operating loss</b>	4	<b>(7,565)</b>	<b>(827)</b>
Interest payable and similar charges	7	<b>(339)</b>	<b>(350)</b>
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		<b>(7,904)</b>	<b>(1,177)</b>
Tax on loss on ordinary activities	8	<b>1,401</b>	<b>149</b>
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(6,503)</b>	<b>(1,028)</b>
		<hr/> <hr/>	<hr/> <hr/>

There are no items of other comprehensive income other than those stated above. The results for the current and previous year derive entirely from continuing operations.

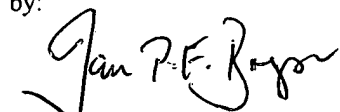
The accompanying notes are an integral part of the financial statements.

**Balance Sheet**  
*at 31 December 2016*

	Note	2016 £000	£000	2015 £000	£000
<b>Fixed assets</b>					
Tangible assets	9	6,875		8,805	
			<u>6,875</u>		<u>8,805</u>
<b>Current assets</b>					
Stocks	11	7,170		6,350	
Debtors (including £332k due after more than one year (2015: £68k))	12	13,510		11,143	
Financial assets	10	125		185	
Cash at bank and in hand		-		3,751	
				<u>6,350</u>	
<b>Creditors:</b>					
Creditors amounts falling due within one year	13	(24,520)		(21,041)	
Overdraft		(506)		-	
				<u>(21,041)</u>	
<b>Net current (liabilities)/assets</b>			<u>(4,221)</u>		<u>388</u>
<b>Total assets less current liabilities</b>			<u>2,654</u>		<u>9,193</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(76)		(176)	
<b>Provisions for liabilities</b>					
Deferred tax liability	16	(64)		-	
			<u>(140)</u>		<u>(176)</u>
<b>Net assets</b>			<u>2,514</u>		<u>9,017</u>
<b>Capital and reserves</b>					
Called up share capital	18	2,925		2,925	
Revaluation reserve		168		168	
Profit and loss account		(579)		5,924	
			<u>2,514</u>		<u>9,017</u>
<b>Shareholders' funds</b>			<u>2,514</u>		<u>9,017</u>

The accompanying notes are an integral part of the financial statements.

These financial statements were approved by the board of directors on 3<sup>rd</sup> August 2017 and were signed on its behalf by:



**I Bryson**  
Director

Company registered number:00047601

## Statement of Changes in Equity

	Called up Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
Balance at 01 January 2015	2,925	168	6,952	10,045
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	(1,028)	(1,028)
Total comprehensive income for the period	-	-	(1,028)	(1,028)
<b>Transactions with owners, recorded directly in equity</b>				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2015	2,925	168	5,924	9,017
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	(6,503)	(6,503)
Total comprehensive income for the period	-	-	(6,503)	(6,503)
<b>Transactions with owners, recorded directly in equity</b>				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>2,925</b>	<b>168</b>	<b>(579)</b>	<b>2,514</b>

The accompanying notes are an integral part of the financial statements.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

Finlay Beverages Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Fair value or revaluation as deemed cost – At 1 January 2015, fair value has been used as deemed cost for properties previously measured at fair value.
- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 January 2015.

The Company's ultimate parent undertaking, John Swire & Sons Limited includes the Company in its consolidated financial statements. The consolidated financial statements of John Swire & Sons Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from John Swire & Sons Limited, 59 Buckingham Gate, London, SW1E 6AJ.

## Notes (continued)

### 1 Accounting policies (continued)

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, the reclassification of items in the financial statements (see note 22);
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of John Swire & Sons Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the profit or loss or as available-for-sale.

#### 1.2 Going concern

Having reviewed forecast profits and cash flows and having received a letter of support from its parent James Finlay Limited, the Directors have a reasonable expectation that the company has sufficient resources to continue to trade for the foreseeable future. On this basis the Directors have adopted the going concern basis of preparation in preparing these financial statements.

As the Company is a wholly owned subsidiary of John Swire & Sons Limited, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of John Swire & Sons Limited, within which this Company is included, can be obtained from the address given in note 1.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### 1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Trade and other creditors* Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Derivative financial instruments and hedging

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

#### 1.7 Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses.

Certain items of tangible fixed assets that had been revalued to fair value on or prior to 1 January 2015, the date of transition to FRS 101, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- plant and equipment 4 to 14 years
- fixtures and fittings 3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### 1.8 Intangible assets, goodwill and negative goodwill

##### *Research and development*

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Development expenditure is recognised in the profit and loss account as an expense as incurred.

##### *Other intangible assets*

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

#### 1.9 Stocks

Stocks are stated at the lower of standard cost and net realisable value. Cost is based on the standard cost principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Impairment excluding stocks and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Financial instruments are measured at cost less impairment. Impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.11 Employee benefits

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Defined benefit plans*

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is James Finlay Ltd (the Group). The Company then recognises a cost equal to its contribution payable for the period.

##### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.13 Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its goods sold. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates VAT and other sales taxes or duty. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the timing of which is dependent on the delivery terms of trade used.

#### 1.14 Expenses

##### *Operating lease payments*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.14 Expenses (continued)

*Interest receivable and Interest payable* – Interest payable and similar charges include interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

#### 1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 1.16 Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to remaining assets and liabilities on pro rata basis, except that no loss is allocated to stocks, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Company's accounting policies. Tangible fixed assets once classified as held for sale or distribution are not amortised or depreciated.

In accordance with IFRS 5, the above policy is effective from 1 January 2015; no reclassifications are made in prior periods.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation has been discontinued from the start of the comparative period.

#### 1.17 Accounting estimates and judgements

Management does not consider there to be any significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, in the preparation of the financial statements.

## Notes (continued)

### 2 Turnover

	2016 £000	2015 £000
Sale of goods	39,448	38,088
Total turnover	39,448	38,088
	2016 £000	2015 £000
<b>By activity</b>		
Beverage Packing	39,448	38,088
	39,448	38,088
<b>By geographical market</b>		
United Kingdom	39,448	38,088
	39,448	38,088

## Notes (continued)

### 3 Other operating income

	2016 £000	2015 £000
Fair value adjustments for forward foreign exchange contracts not qualifying as hedges	(60)	(55)
Net gain on disposal of tangible fixed assets	-	9
	<u>(60)</u>	<u>(46)</u>

### 4 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

	2016 £000	2015 £000
Depreciation – owned	1,054	989
Depreciation – leased	90	88
Impairment – owned	1,349	-
Impairment – leased	24	-
Operating lease rentals - land and buildings	227	276
Operating lease rentals – plant and machinery	112	194
	<u>          </u>	<u>          </u>

*Auditor's remuneration:*

	2016 £000	2015 £000
Audit of these financial statements	27	27
	<u>          </u>	<u>          </u>

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Management	4	4
Administration	14	14
Sales	7	5
Production	153	154
	<hr/>	<hr/>
	178	177
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	4,812	4,443
Social security costs	442	407
Retirement and pension benefits	1,034	1,010
	<hr/>	<hr/>
	6,288	5,860
	<hr/>	<hr/>

### 6 Directors' remuneration

	2016	2015
	£000	£000
Directors' emoluments	394	387
Discretionary or performance-related bonuses	65	62
	<hr/>	<hr/>
	459	449
	<hr/>	<hr/>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £144k (2015:£135k). They are a member of a personal pension scheme.

## Notes (continued)

### 7 Interest payable and similar charges

	2016 £000	2015 £000
Short-term loans and bank overdrafts	(57)	(57)
Obligations under finance leases	(10)	(15)
Amounts payable to Group undertakings	(272)	(278)
	<hr/>	<hr/>
Total other interest payable and similar charges	(339)	(350)
	<hr/>	<hr/>

### 8 Taxation

#### Recognised in the profit and loss account

	2016 £000	£000	2015 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	(925)		(185)	
Adjustments in respect of prior periods	-		(204)	
	<hr/>		<hr/>	
Total current tax		(925)		(389)
<i>Deferred tax (see note 16)</i>				
Origination and reversal of temporary differences	(449)		13	
Reduction in tax rate	-		23	
Change in recognised deductible temporary differences	-		-	
Over/(under) provisions in prior years	-		204	
Write-down of deferred tax asset	(27)		-	
	<hr/>		<hr/>	
Total deferred tax		(476)		240
		<hr/>		<hr/>
Tax on Loss on ordinary activities		(1,401)		(149)
		<hr/>		<hr/>



**Notes** (continued)

**8 Taxation** (continued)

**Reconciliation of effective tax rate**

	2016 £000	2015 £000
Loss for the year	(6,503)	(1,028)
Total tax credit	(1,401)	(149)
Loss excluding taxation	(7,904)	(1,177)
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	(1,581)	(238)
Effect of change in tax rates on deferred tax	-	23
Other prior year adjustments	178	66
Non-deductible expenses	121	-
Temporary differences not recognised	(92)	-
Deferred tax assets written off	(27)	-
Total tax expense	(1,401)	(149)

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017, 2018 and 2019 to 17% (effective from 1 April 2020) were substantively enacted on 16 March 2016. This will reduce the company's future current tax charge accordingly.

## Notes (continued)

### 9 Tangible fixed assets

	<b>Land and buildings £000</b>	<b>Plant and Equipment, Fixtures &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost</b>			
Capitalised Balance at 1 January 2016	7,157	39,767	46,924
Capital In Progress Balance at 1 January 2016	-	594	594
Capital In Progress for the year	-	211	211
Capitalised In Progress for the year	-	376	376
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	7,157	40,948	48,105
	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>			
Balance at 1 January 2016	2,516	36,197	38,713
Depreciation charge for the year	153	991	1,144
Impairment loss	-	1,373	1,373
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	2,669	38,561	41,230
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 1 January 2016	4,641	4,164	8,805
	<hr/>	<hr/>	<hr/>
At 31 December 2016	4,488	2,387	6,875
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 9 Tangible fixed assets (continued)

#### Leased plant and machinery

At year end the net carrying amount of leased plant and machinery was £176k (2015: £270k).

#### Land and Buildings

The net book value of land and buildings comprises:

	2016 £000	2015 £000
Freehold	4,488	4,641
	<u>4,448</u>	<u>4,641</u>

### 10 Current asset investments and other financial assets

	2016 £000	2015 £000
<b>Other financial assets</b>		
Derivatives	125	185
	<u>125</u>	<u>185</u>

## Notes (continued)

### 11 Stocks

	2016	2015
	£000	£000
Raw materials and consumables	5,417	4,438
Work in progress	217	171
Finished goods	1,536	1,741
	<u>7,170</u>	<u>6,350</u>

### 12 Debtors

	2016	2015
	£000	£000
Trade debtors	9,003	8,043
Amounts owed by group undertakings	1,819	1,627
Other debtors	263	481
Prepayments	445	477
Deferred taxation asset (see note 16)	666	126
Group relief due from other group companies	1,314	389
	<u>13,510</u>	<u>11,143</u>

Trade debtors		
Due within one year	8,671	7,975
Due after more than one year	332	68
	<u>9,003</u>	<u>8,043</u>

**Notes** *(continued)*

**13 Creditors: amounts falling due within one year**

	2016 £000	2015 £000
Obligations under finance leases (see note 15)	100	100
Invoice financing (see note 15)	5,358	4,785
Trade creditors	1,613	1,102
Amounts owed to group undertakings	14,638	13,241
Accruals and deferred income	2,811	1,813
	<u>24,520</u>	<u>21,041</u>

**14 Creditors: amounts falling after more than one year**

	2016 £000	2015 £000
Obligations under finance leases (see note 15)	76	176
	<u>76</u>	<u>176</u>

## Notes (continued)

### 15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 £000	2015 £000
<b>Creditors falling due more than one year</b>		
Finance lease liabilities	76	176
	<u>76</u>	<u>176</u>
<b>Creditors falling due within less than one year</b>		
Finance lease liabilities	100	100
	<u>100</u>	<u>100</u>

#### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2016 £000	Carrying amount 2016 £000	Face value 2015 £000	Carrying amount 2015 £000
Finance lease liabilities	GBP	4	2018	176	176	276	276
				<u>176</u>	<u>176</u>	<u>276</u>	<u>276</u>

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2016 £000	Interest 2016 £000	Principal 2016 £000	Minimum lease payments 2015 £000	Interest 2015 £000	Principal 2015 £000
Less than one year	100	6	94	100	11	89
Between one and five years	76	2	74	176	8	168
	<u>176</u>	<u>8</u>	<u>168</u>	<u>276</u>	<u>19</u>	<u>257</u>

## Notes (continued)

### 16 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Tangible fixed assets	(27)	(27)	-	-	(27)	(27)
PPE and Intangible assets	(416)	(122)	-	-	(416)	(122)
Derivatives	-	55	63	-	63	55
Provisions	(223)	(33)	-	-	(223)	(33)
Other	-	1	1	-	1	1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax (assets) / liabilities	(666)	(126)	64	-	(602)	(126)
Net of tax liabilities/(assets)	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax (assets) / liabilities	(666)	(126)	64	-	(602)	(126)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

#### Movement in deferred tax during the year

	1 January 2016 £000	Recognised in income £000	Recognised in equity £000	31 December 2016 £000
Tangible fixed assets	(27)	-	-	(27)
PPE and Intangible assets	(122)	(294)	-	(416)
Derivatives	55	8	-	63
Provisions	(33)	(190)	-	(223)
Other	1	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
	(126)	(476)	-	(602)
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 16 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the prior year

	1 January 2015 £000	Recognised in income £000	Recognised in equity £000	31 December 2015 £000
Tangible fixed assets	(27)	-	-	(27)
PPE and Intangible assets	(338)	216	-	(122)
Derivatives	48	7	-	55
Provisions	(50)	17	-	(33)
Other	1	-	-	1
	<u>(366)</u>	<u>240</u>	<u>-</u>	<u>(126)</u>

### 17 Employee benefits

#### Defined Benefit Scheme

The James Finlay Group operates a defined benefit pension scheme in respect of its employees in the UK. The defined benefit scheme is wholly funded. The Company participates in this defined benefit plan. This defined benefit plan is a multi-employer plan and is run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities. In accordance with IAS 19 the Company accounts for its contribution to the plan as if it were a defined contribution plan.

As at 31 December 2016 there is an overall surplus of £2,369,000 (2015: deficit of £4,669,000) in this pension plan. This is reflected in the consolidated accounts of James Finlay Limited for the year ended 31 December 2016.

The latest full actuarial valuation of the Finlay's Pension Fund was as at 31 December 2012 and this has been adjusted by Hymans Robertson, a qualified independent actuary, to reflect the position at the 31 December 2016.

The pension cost for this scheme represents contributions payable by the Company to the scheme and the costs amounted to £749,000 in the year (2015: £706,000). No contributions were prepaid or accrued as at 31 December 2016 (2015: nil prepaid).

#### Defined Contribution Scheme

The company operates a defined contribution scheme for qualifying employees, which was set up on 1 February 2010. The assets of the Scheme are held in administered funds separate from the finances of the Group.

The total cost charged to income of £285,000 (2015: £304,000) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan. As of 31 December 2016, contributions in respect of the current reporting period that had not been paid over to the scheme amounted to nil.



## Notes (continued)

### 18 Capital and reserves

#### Share capital

In thousands of shares	Ordinary shares 2016	
On issue at 1 January	2,925	2,925
Issued for cash	-	-
	<hr/>	<hr/>
On issue at 31 December	2,925	2,925
	<hr/>	<hr/>
	2016	2015
	£000	£000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	2,925	2,925
	<hr/>	<hr/>
	2,925	2,925
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

After the balance sheet date dividends of £0 per qualifying ordinary share (2015:£0) were proposed by the directors.

At the balance sheet date cumulative preference dividends of £0 were not recognised (2015:£0).

#### Revaluation reserve

Where property, plant and equipment is revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve. Revaluation reserve was £168,000 (2015: £168,000).

## Notes (continued)

### 19 Financial instruments

#### 19 (a) Fair values of financial instruments

	Derivative financial asset	
	2016	2015
	£000	£000
Opening Balance	185	240
Total gains or losses - in profit or loss	(60)	(55)
Closing Balance	125	185
*Gains or losses for the period included in profit or loss for assets still held as at 31 December 2016		

#### 19 (b) Credit risk

##### Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2016 £000	Impairment 2016 £000	Gross 2015 £000	Impairment 2015 £000
Under 3 months	333	-	7,417	-
Between 3-6 months	7,584	-	145	-
Between 6-12 months	754	-	413	-
Over 12 months	332	-	68	-
	9,003	-	8,043	-

#### 19 (c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2016					2015				
	Carrying amount £000	Contractual cash flows £000	Interest £000	£000	£000	Carrying amount £000	Contractual cash flows £000	Interest £000	£000	£000
<b>Non-derivative financial liabilities</b>										
Amounts due to immediate holding company	10,000	(10,000)	(10,000)			10,000	(10,000)	(10,000)	-	
Accruals and other payables	3,305	(3,305)	(3,305)			1,813	(1,813)	(1,813)	-	
Invoice financing	5,358	(5,358)	(5,358)			4,785	(4,785)	(4,785)	-	
Trade and other creditors	1,426	(1,426)	(1,426)			1,102	(1,102)	(1,102)	-	
<b>Derivative financial liabilities</b>										
Forward exchange contracts used for hedging:										
Outflow	125	(125)	(125)			185	(185)	(185)	-	
Inflow										
	20,214	(20,214)	(20,214)			17,885	(17,885)	(17,885)	-	

## Notes (continued)

### 19 Financial instruments (continued)

#### 19(d) Market risk – Foreign currency risk

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts

#### 31 December 2016

	Sterling £000	Euro £000	US Dollar £000	Total £000
Cash and cash equivalents	2,719	(962)	(2,263)	(506)
Trade debtors	9,003	-	-	9,003
Trade creditors	(1,642)	50	(21)	(1,613)
Borrowings	(176)	-	-	(176)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance sheet exposure	9,904	(912)	(2,284)	6,708
	<hr/>	<hr/>	<hr/>	<hr/>

#### 31 December 2015

	Sterling £000	Euro £000	US Dollar £000	Total £000
Cash and cash equivalents	3,305	(53)	499	3,751
Trade debtors	7,945	98	-	8,043
Trade creditors	(1,192)	(17)	107	(1,102)
Borrowings	(276)	-	-	(276)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance sheet exposure	9,782	28	606	10,416
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
Less than one year	<b>329</b>	323
Between one and five years	<b>958</b>	1,064
More than five years	<b>907</b>	1,134
	<b>2,194</b>	2,521

During the year £339k was recognised as an expense in the profit and loss account in respect of operating leases (2015: £470k).

### 21 Subsidiaries

<i>Full Company Name</i>	<i>Class of share</i>	<i>Percentage owned by the Company</i>	<i>Items to Note</i>
Registered office: Swire House, 59 Buckingham Gate, London, SW1E 6AJ			
Finlay Coffee Limited	Ordinary	100%	Previously The New London Tea Company Limited

The Company has guaranteed the liabilities of Finlay Coffee Limited (CRN: 8264857) as exempt from audit under section 479A of the Companies Act 2006."

### 22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of The James Finlay Group. The Company's ultimate parent company John Swire & Sons Limited is incorporated in England.

The largest group in which the results of the Company are consolidated is that headed by John Swire & Sons Limited is incorporated in England. The smallest group in which they are consolidated is that headed by James Finlay Limited incorporated in Scotland. The consolidated financial statements of these groups are available to the public and may be obtained from John Swire & Sons Limited, 59 Buckingham Gate, London, SW1E 6AJ.