Finlay Hull Limited

Annual report and financial statements

Registered number 04950055

31 December 2020

Contents

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

Business review

The principal activity of the company is the decaffeination of tea. The Directors do not envisage any change to the nature of this section of the company's business in the foreseeable future. The business has achieved higher sales volume than the previous year in a highly competitive bespoke market with a current oversupply of production.

The directors can confirm a major investment in 2021 to build a coffee extraction facility on the same site as the existing tea decaffeination plant. With the European cold brew coffee market currently in its infancy, phenomenal growth in the US market over the last decade forecasts similar opportunities within Europe. The Finlay Group is already a major global player in cold brew coffee, with a major share of the US market and a growing share in Asia. The plan in Europe is to emulate the successful model in the US to deliver in the European coffee sector.

Capital expenditure for this investment will take place in 2021 with trade forecast to commence in 2022.

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

	2020 **£'000**	2019 (restated) £'000	Change %
Company turnover	**7,881**	6,597	19%
Gross profit	**365**	80	356%
Total operating profit	**345**	50	590%
Shareholders' deficit	**(1,990)**	(2,230)	11%
Average number of employees	**40**	40	0%
Gross profit as % of turnover	**5%**	1%	
Operating profit as % of turnover	**4%**	1%	
Return on capital employed	**17%**	2%	

Principal risks and uncertainties

The principal risks and uncertainties of the business relate to movement in prices caused by, amongst other factors, extremes in weather conditions, oversupply in the market, inflation, currency movements and the effect of the global Covid-19 pandemic.

Company policy does not permit trading of any derivative financial instruments, e.g. forward contracts.

The main risks arising from the company's basic financial instruments - cash, debtors and creditors - are credit risk, liquidity risk and 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 on-going exposure is monitored.

Liquidity Risk

Investments in fixed assets and working capital are carefully controlled, with authorisation limits operating at different levels up to Group board level and with rates of return and cash payback periods applied as part of a defined investment appraisal process.

Foreign Currency Risk

All products are sold in hard currency which acts as a natural hedge against the devaluation of local currencies.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

The continuing global pandemic of Covid-19 has not resulted in any negative material effect to the financial performance of the business at the date of this report. There has been a surge in demand due to increased consumer purchasing, coupled with our advantageous geographical position with our competitors based outside of the UK. The key risk is a forced closure due to an outbreak of Covid-19 on site amongst employees. To counter this, we have worked closely with the Health and Safety Executive (a UK government agency responsible for the encouragement, regulation and enforcement of workplace health, safety and welfare) and the local authority to ensure we are fully Covid-safe and compliant with their best practice suggestions. We have invested in additional resource, being increased daily anti-bacterial cleaning across site and procurement of appropriate personal protective equipment (PPE) to minimise any risk of infection.

By order of the board

Patrick Keane

P A Keane
Director
23 September 2021

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The company's principal activity is the trading of decaffeinated tea worldwide.

Financial instruments

Company policy does not permit trading of any derivative financial instruments, e.g. forward contracts.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the sections titled Principal activities (see above) and Business review (see Strategic report) respectively.

The Company participates in the James Finlay Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The company has received a letter of support from its parent company James Finlay Limited.

On this basis, and on their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who held office during the year and to the date of this report were as follows:

N R Willsher	(Chairman)	Resigned 30 June 2020
P A Keane	(Managing Director)	
J M Rutherford		

Political contributions

The Company made no political donations or incurred any political expenditure during the year *(2019: £nil)*.

Proposed dividend

The directors declared and paid a dividend of £nil *(2019: £nil)* during the year.

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 they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 1-2.

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.

Directors' report *(continued)*

By order of the board

Patrick Keane

P A Keane
Director
23 September 2021

60 Lime Street, Hull, HU8 7AF

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Hull Limited

Opinion

We have audited the financial statements of Finlay Hull Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Independent auditor's report to the members of Finlay Hull Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect *(continued)*

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to John Swire & Sons Limited's policies and procedures to prevent and detect fraud that apply to this company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud;
- Reading board minutes;
- Considering remuneration incentive schemes and performance targets; and
- Using analytical procedures to identify unusual or unexpected relationships.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, including: the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. In determining the audit procedures, we have taken into account the results of our evaluation and we performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included posted to unusual accounts involving revenue and bank.
- For a sample of revenue transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation, recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further

Independent auditor's report to the members of Finlay Hull Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect *(continued)*

removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3-4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

Independent auditor's report to the members of Finlay Hull Limited *(continued)*

Auditor's responsibilities *(continued)*

material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Phillipa Symington

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

27 September 2021

Statement of Profit and Loss and Other Comprehensive Income
for the year ended 31 December 2020

Continuing operations	Note	2020 £000	2019 (restated) £000
Revenue	2	**7,881**	6,597
Cost of sales		**(7,516)**	(6,517)
Gross profit		**365**	80
Other operating income	3	**-**	3
Administrative expenses	4	**(20)**	(33)
Operating profit		**345**	50
Interest payable and similar charges	7	**(85)**	(102)
Profit/(Loss) on ordinary activities before taxation		**260**	(52)
Tax on (profit)/loss on ordinary activities	8	**(20)**	10
Profit/(Loss) for the financial year		**240**	(42)

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 notes on pages 13 to 24 form part of these financial statements.

Balance Sheet
at 31 December 2020

	Note	2020 £000	2019 £000
Non-current assets			
Tangible assets	9	395	396
Debtors	12	132	73
		527	469
Current assets			
Stock	11	2,119	1,754
Debtors	12	556	715
		2,675	2,469
Current liabilities			
Creditors	13	(657)	(5,122)
Net current assets/(liabilities)		2,018	(2,653)
Long-term liabilities			
Creditors	13	(4,535)	(46)
Net liabilities		(1,990)	(2,230)
Capital and reserves			
Called up share capital	14	-	-
Profit or loss account		(1,990)	(2,230)
Shareholders' deficit		(1,990)	(2,230)

These financial statements were approved by the board of directors on 23 September 2021 and were signed on its behalf by:

Patrick Keane

P A Keane
Director

Company registered number: 04950055

The notes on pages 13 to 24 form part of these financial statements.

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	-	(2,230)	(2,230)
Total comprehensive loss for the year			
Profit for the financial year	-	240	240
Total comprehensive profit for the year	-	240	240
Balance at 31 December 2020	**-**	**(1,990)**	**(1,990)**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	-	(2,188)	(2,188)
Total comprehensive loss for the year			
Loss for the financial year	-	(42)	(42)
Total comprehensive loss for the year	-	(42)	(42)
Balance at 31 December 2019	**-**	**(2,230)**	**(2,230)**

The notes on pages 13 to 24 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Finlay Hull Limited is a company incorporated and domiciled in the UK.

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.

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.

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 and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- 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;
- 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.

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

1.1 Change in accounting policy

Following a Group wide review, the directors of the Company have assessed the classification of Gross profit within the Income Statement. The directors have therefore restated Cost of sales and Administrative expenses for the financial year ended 31 December 2019 for the financial statements to be comparable within the Group. This will improve the presentation of the financial statements by standardising the definition of Gross profit across the Finlay Group, improving the reader's understanding of the business.

See note 20 for further details.

1.2 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: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale, biological assets investment property and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Going concern

Notwithstanding the net liabilities of £1,990k as at 31 December 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and funding from its intermediate parent company, James Finlay Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's intermediate parent company, James Finlay Limited, not seeking repayment of the amounts currently due to the Group, which at 31 December 2020 amounted to £4.5m, and providing additional financial support during that period. James Finlay Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of these amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.4 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 Statement of Financial Position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit and Loss. 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.

1.5 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

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Classification of financial instruments issued by the Company (continued)

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.

1.6 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.

1.7 Tangible fixed assets

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

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 in note 1.15.

Depreciation is provided on all tangible fixed assets is recognised in the Statement of Profit and Loss, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

- Freehold land and buildings - over 50 years
- Plant and machinery - over 4 - 8 years
- Right of use assets - over 5 years

Depreciation methods, useful lives and residual values are reviewed at each Statement of Financial Position date.

1.8 Intangible assets

Research and development

Expenditure on research activities is recognised in the Statement of Profit and Loss as an expense as incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Stocks

Stocks are stated at the lower of cost (including appropriate overheads) and net realisable value.

Net realisable value is based on estimated selling price less further costs, expected to be incurred, to completion and disposal.

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. 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 the Statement of Profit and Loss.

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 Statement of Profit and Loss in the periods during which services are rendered by employees.

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 Expenses

Interest payable and similar charges

Interest payable and similar charges are recognised in Statement of Profit and Loss as they accrue. Foreign currency gains and losses are reported on a net basis.

1.14 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Taxation (continued)

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 goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

1.15 Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred [and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located], less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 Revenue

Revenue represents the invoiced amount of goods and services sold net of value added tax. All revenue arises from continuing operations within the UK. The turnover and pre-tax profit is wholly attributable to tea decaffeination activities.

Notes *(continued)*

3 Other operating income

	2020	2019
	£000	£000
Other income	-	3
	-	3

4 Expenses and auditor's remuneration

Included in Statement of Profit and Loss are the following:	**2020 £000**	2019 £000
Net impairment loss on stocks *(note 11)*	**3**	13
Depreciation of tangible assets *(note 9)*	**48**	28
Depreciation eliminated on disposal of tangible assets *(note 9)*	**(5)**	-

Auditor's remuneration:	**2020 £000**	2019 £000
Audit of these financial statements	**18**	20

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the items above have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, James Finlay Limited.

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	
	2020	2019
Management and administration	**6**	7
Production	**34**	33
	40	40

The aggregate payroll costs of these persons were as follows:	**2020 £000**	2019 £000
Wages and salaries	**1,307**	1,155
Social security costs	**119**	109
Contributions to defined contribution plans	**103**	99
Expenses related to defined benefit plans	**6**	13
	1,535	1,376

Notes *(continued)*

6 Directors' remuneration

	2020 £000	2019 £000
Emoluments (excluding company pension contributions)	**70**	63

The aggregate of remuneration of the highest paid director was £69,646 (*2019: £62,553*) and company pension contributions of £5,756 (*2019: £5,454*) were made on their behalf to a defined contribution scheme.

7 Interest payable and similar charges

	2020 £000	2019 £000
Interest on Group loans	**85**	102

8 Taxation

Recognised in the profit and loss account

	2020 £000	2019 £000
UK corporation tax		
Group relief payable/(receivable)	**59**	(25)
Adjustments in respect of prior periods	**20**	-
Total current tax	**79**	(25)
Deferred tax (see note 10)		
Origination and reversal of timing differences	**(59)**	15
Total deferred tax	**(59)**	15
Tax on profit/(loss) on ordinary activities	**20**	(10)

Reconciliation of effective tax rate

	2020 £000	2019 £000
Current tax reconciliation		
Profit/(Loss) on ordinary activities before tax	**260**	(52)
Current tax at 19.00% *(2019: 19.00%)*	**50**	(10)
Effects of:		
Fixed asset differences	**3**	1
Temporary differences not recognised in the computation	**(45)**	-
Adjustment to opening deferred tax rate to 19%	**(8)**	(1)
Adjustments to tax charge in respect of previous periods - current tax	**20**	-
Total tax charge/(credit) (see above)	**20**	(10)

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Right of use assets	Total
	£000	£000	£000	£000
Cost				
Balance at 1 January 2020	354	5,247	59	5,660
Acquisitions	-	47	-	47
Disposals	-	(5)	-	(5)
Balance at 31 December 2020	354	5,289	59	5,702
Depreciation and impairment				
Balance at 1 January 2020	168	5,094	2	5,264
Depreciation charge for the year	7	29	12	48
Eliminated on disposals	-	(5)	-	(5)
Balance at 31 December 2020	175	5,118	14	5,307
Net book value				
At 1 January 2020	186	153	57	396
At 31 December 2020	**179**	**171**	**45**	**395**

10 Deferred tax assets

Deferred tax assets are attributable to the following:

	Assets 2020 £000	2019 £000
Tangible fixed assets (capital allowances)	**131**	72
Pension and post-retirement benefits	**1**	1
Net tax assets	**132**	73

Movement in deferred tax during the year

	1 January 2020 £000	Recognised in income £000	31 December 2020 £000
Tangible fixed assets (capital allowances)	**72**	59	**131**
Pension and post-retirement benefits	**1**	-	**1**
	73	59	**132**

Movement in deferred tax during the prior year

	1 January 2019 £000	Recognised in income £000	31 December 2019 £000
Tangible fixed assets (capital allowances)	**88**	(16)	**72**
Pension and post-retirement benefits	-	1	**1**
	88	(15)	**73**

Notes *(continued)*

10 Deferred tax assets *(continued)*

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. Deferred tax has therefore been calculated at 19% for the period ended 31 December 2020.

The opening amounts, which were previously calculated at 17%, have been adjusted and separate disclosures have been included to reflect this in the workings.

The UK Budget on 3 March 2021 included an announcement that the corporation tax rate will increase to 25% from 1 April 2023 for certain companies. This increase has not yet been substantively enacted. Under IAS 12 and FRS 102, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date. Consequently, deferred tax should continue to be calculated at 19% until the 25% tax rate has been substantively enacted, which is expected to occur during Summer of 2021. In the meantime, the 25% tax rate announcement is a non-adjusting post balance sheet event.

11 Stock

	2020	2019
	£000	£000
Raw materials and consumables	**1,953**	1,343
Work in progress	**7**	6
Finished goods	**159**	405
	2,119	1,754

Included within raw materials and consumables is a stock impairment provision of £nil *(2019: £9,738)* being a 15% reduction on certain aged stock in line with Group policy. Included within finished goods is a stock impairment provision of £3,738 *(2019: £44,368)* being a reduction of certain stock in order to equal the net realisable value against agreed sales contracts.

12 Debtors

	2020	2019
	£000	£000
Non-current		
Deferred tax assets (see note 10)	**132**	73
Current		
Trade debtors	**158**	169
Amounts owed by parent undertaking and fellow subsidiary undertakings	**250**	311
Other debtors	**89**	77
Prepayments and accrued income	**59**	157
	688	787

Included within amounts owed by parent undertaking and fellow subsidiary undertakings is £nil *(2019: £155,384)* of amounts recoverable in respect of Group relief for the utilisation of tax losses available from other Group undertakings. All amounts owed by parent undertaking and fellow subsidiary undertakings are payable on demand and non-interest bearing.

Notes *(continued)*

13 Creditors

	2020 £000	2019 £000
Creditors: amounts falling due within one year		
Bank overdrafts	**46**	987
Trade creditors	**280**	353
Amounts owed to parent undertaking and fellow subsidiary undertakings	**113**	3,593
Accruals and deferred income	**207**	179
Lease liabilities (see note 15)	**11**	10
Creditors: amounts falling due after one year		
Amounts owed to parent undertaking and fellow subsidiary undertakings	**4,500**	-
Lease liabilities (see note 15)	**35**	46
	5,192	5,168

Included within amounts owed to parent undertaking and fellow subsidiary undertakings is £54,078 *(2019: £nil)* for net amounts payable in respect of Group tax, short term loans of £nil *(2019: £3.5m)*, and longer term loans of £3.5m *(2019: £nil)* and £1.0m *(2019: £nil)* which are repayable as at 1 January 2023 and 17 February 2023 respectively. Interest is charged at LIBOR + 2% on the £3.5m loan, with the £1.0m loan being non-interest bearing.

14 Capital and reserves

	Ordinary shares			
	2020 No.	2019 No.	**2020 £**	2019 £
On issue at 1 January - fully paid	**100**	100	**100**	100
On issue at 31 December - fully paid	**100**	100	**100**	100

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.

No shares were issued in 2020 (*2019: nil*).

A dividend of £nil in respect of the current financial period was declared and paid to the shareholders (*2019: £nil*).

15 Leases

	Plant and machinery £000	**Total £000**
Right-of-use assets		
Balance at 1 January 2020	57	57
Depreciation charge for the year	(11)	(11)
Balance at 31 December 2020	**46**	**46**
Balance at 31 December 2019	57	57

Notes *(continued)*

15 Leases *(continued)*

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2020	2019
	£000	£000
Leases under IFRS 16		
Interest expense on lease liabilities	**2**	-
Expenses relating to leases of low-value assets	**3**	12
	5	12

The company leases two forklift trucks under 5 year operating leases, and other miscellaneous items under monthly or quarterly operating leases. During the year £nil (*2019: £58,962*) was capitalised under IFRS16 as right of use assets, £45,883 (*2019: £56,813*) held as lease liabilities, with £1,585 (*2019: £323*) and £11,314 (*2019: £2,274*) recognised as an expense in the Statement of Profit and Loss as interest and deprecation respectively.

£3,201 (*2019: £11,880*) was recognised as an expense in the Statement of Profit and Loss in regards to other low value operating leases.

16 Pension commitments

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 £102,309 (*2019: £90,921*) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan. As of 31 December 2020, contributions in respect of the current reporting period that had not been paid over to the scheme amounted to £8,641 (*2019: £8,346*).

17 Ultimate parent company and parent company of larger Group

The Company is a subsidiary undertaking of James Finlay Limited, which is registered in Scotland. The Company's ultimate parent company is John Swire & Sons Limited, which is registered in England. The largest Group in which the results of the Company are consolidated is that headed by John Swire & Sons Limited, incorporated in England.

The consolidated financial statements of the Group are available to the public and may be obtained from John Swire & Sons Limited, Swire House, 59 Buckingham Gate, London SW1E 6AJ.

18 Accounting estimates

In preparing these financial statements, management has made estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Specifically, these are the production costs held within finished goods stock, the stock impairment provision within raw materials and consumables stock, prepayments, and accruals. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Notes *(continued)*

19 Prior year restatement

Following a Group wide review, the directors of the Company have assessed the classification of Gross profit within the Income Statement. The directors have therefore restated Cost of sales and Administrative expenses for the financial year ended 31 December 2019 for the financial statements to be comparable within the Group. This will improve the presentation of the financial statements by standardising the definition of Gross profit across the Finlay Group, improving the reader's understanding of the business.

Management's view is that those costs that are directly attributable to the company's principal activity as a production orientated business unit will be classified as Costs of sales.

Loss for the financial year has remained the same and as such there has been no restatement of the balance sheet.

The below table shows the impact per Financial statement line item and the reclassifications that have been made.

Continuing operations	2019 £000	Adjustment £000	**2019 (restated)** **£000**
Revenue	6,597	-	**6,597**
Cost of sales	(5,756)	(761)	**(6,517)**
Gross profit	841	(761)	**80**
Other operating income	3	-	**3**
Administrative expenses	(794)	761	**(33)**
Operating profit	50	-	**50**
Interest payable and similar charges	(102)	-	**(102)**
Loss on ordinary activities before taxation	(52)	-	**(52)**
Tax on loss on ordinary activities	10	-	**10**
Loss for the financial year	(42)	-	**(42)**