

**Teapigs Limited**

**Registered number 05426310**

**Annual Report and Financial Statements**

**Year ended 31 March 2017**



# **Teapigs Limited**

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# Teapigs Limited

## Strategic report

### Strategic report for the year ended 31 March 2017

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

#### Principal activities

Teapigs Limited's (the "company") primary activity is to source, market and distribute premium tea products.

#### Review of the business

The company achieved sales of £9,937,000 (2016: £10,097,000), a 2% decline from the prior year attributable to adverse sales mix and competitive intensity in UK market. The company made a profit for the financial year of £963,000 (2016: £1,629,000) with the decrease owing to input cost pressures, primarily arising from weaker sterling. The net asset position of the company in the current financial year of £5,302,000 has increased from £4,339,000 (31 March 2016), with the increase attributed to the retained profit in the current financial year.

In the UK, teapigs continue to dominate the "super-premium" tea sector and leads in the development of the matcha category. Several new products were launched, most notably a new "feel-good" range of tea temples and individual matcha sachets in the latter half of 2016-17. The company is now exporting to over 30 countries.

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

The company continues to pursue green credentials and its commitment to purchase tea for tea products from Rainforest Alliance ("RA") Certified TM farms. At the moment the company's signature Everyday Brew blend has the RA certificate.

The company's tea temples are made from biodegradable cornstarch. The material was developed in Japan and has the green "pla" mark which is an endorsement by the Japanese bio plastics association.

The company's packaging is fully recyclable, and the cardboard used to make the packaging is FSC certified. FSC (Forestry Stewardship Council) is an organisation which promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

In addition to printing on sustainable board, the ink we use on the company's packs is vegetable-based.

The Teapigs ethical scheme has raised over £166,000 through sales of our everyday brew to support children and young people from tea-growing communities in Rwanda.

# **Teapigs Limited**

## **Strategic report (continued)**

### **Key performance indicators**

The directors consider that the key performance indicators for understanding the development and performance of the business are revenue and profitability. These have been discussed above.

### **Principal risks and uncertainties**

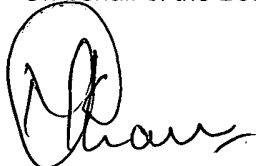
The company takes a proactive approach to the management of the various risks that it faces. Of these risks the principal ones are raw tea pricing, currency movements, and the dependency on co-packer manufacturing of packed tea. These are managed in the following ways:

Raw tea pricing - raw tea is a large component of product cost and climatic conditions in the different countries from which raw tea is sourced can lead to fluctuations in price. The cost of product is managed through annual price negotiation with the supplier of finished product.

Currency movements - foreign exchange risk in relation to export revenues and import costs is monitored but due to the size of the company there is no currency hedging program in place. The directors will keep this under review in conjunction with the parent company's Treasury function.

Dependence on co-packer – This is managed by appropriate stock policies and contingency planning.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'M Thakrar', is written over a circular stamp or seal.

M Thakrar  
Director  
27 June 2017

# **Teapigs Limited**

## **Directors' report**

### **Directors' report for the year ended 31 March 2017**

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

### **Future developments**

The company's activities and future prospects have been reviewed and the company plans to continue trading within the tea market. The company is looking to maximise the value of its brand and to increase its presence in the beverage market through innovation.

### **Dividends**

The directors do not recommend the payment of a dividend (2016: nil).

### **Directors**

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

L A Cheadle  
N I Kilby  
M Thakrar  
N Holland

### **Directors' indemnities**

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

### **Events subsequent to the end of the financial year**

As at the date of this report, no matter or circumstance has arisen since 31 March 2017 that has significantly affected, or may significantly affect the company, its results or the state of affairs in future financial years.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report and 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;

# Teapigs Limited

## Statement of directors' responsibilities (continued)

- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Statement of disclosure of information to auditors

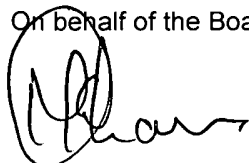
In the case of each director in office at the date the Directors' Report is approved:

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

## Independent auditors

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

On behalf of the Board



M Thakrar  
Director  
27 June 2017

# **Teapigs Limited**

## **Independent auditors' report to the members of Teapigs Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Teapigs Limited's financial statements (the "financial statements"):

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

#### **What we have audited**

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

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

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

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

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

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

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

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

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

We have no exceptions to report arising from this responsibility.

# **Teapigs Limited**

## **Independent auditors' report to the members of Teapigs Limited (continued)**

### **Directors' remuneration**

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

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

#### **What an audit of financial statements involves**

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

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

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

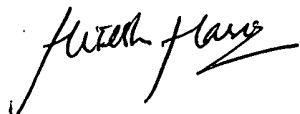
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.



## Teapigs Limited

### Independent auditors' report to the members of Teapigs Limited (continued)

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



Hitesh Haria (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge  
27 June 2017

# Teapigs Limited

## Statement of comprehensive income

For the year ended 31 March 2017

	Note	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
<b>Revenue</b>	5	<b>9,937</b>	10,097
Cost of sales		(5,640)	(5,004)
<b>Gross profit</b>		<b>4,297</b>	5,093
Distribution costs		(1,454)	(1,095)
Administrative expenses		(1,766)	(2,064)
<b>Operating profit</b>	6	<b>1,077</b>	1,934
Finance income	8	143	103
<b>Profit before taxation</b>		<b>1,220</b>	2,037
Income tax expense	9	(257)	(408)
<b>Profit for the financial year</b>		<b>963</b>	1,629
<b>Total comprehensive income for the financial year</b>		<b>963</b>	1,629

The notes on pages 13 to 24 are an integral part of these financial statements.

# Teapigs Limited

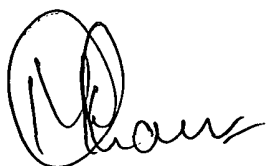
## Statement of financial position

As at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
<b>Fixed assets</b>			
Intangible assets	10	35	27
Tangible assets	11	153	71
Investments	12	-	-
		<b>188</b>	<b>98</b>
<b>Current assets</b>			
Inventories	13	1,551	1,590
Trade and other receivables (including £453,000 (2016: £453,000) due after more than one year)	14	2,565	2,530
Cash and cash equivalents	15	6,861	5,733
		<b>10,977</b>	<b>9,853</b>
<b>Creditors - amounts falling due within one year</b>	16	<b>(5,863)</b>	<b>(5,612)</b>
<b>Net current assets</b>		<b>5,114</b>	<b>4,241</b>
<b>Net assets</b>		<b>5,302</b>	<b>4,339</b>
<b>Equity</b>			
Called up share capital	17	1,000	1,000
Retained earnings		4,302	3,339
<b>Total equity</b>		<b>5,302</b>	<b>4,339</b>

*The notes on pages 13 to 24 are an integral part of these financial statements.*

The financial statements on pages 10 to 24 were approved by the Board on 19 May 2017 and signed on its behalf by:



M Thakrar  
Director  
27 June 2017

Teapigs Limited  
Registered number 05426310

# Teapigs Limited

## Statement of Changes in Equity

For the year ended 31 March 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 April 2015	1,000	1,710	2,710
Profit for the financial year	-	1,629	1,629
Total comprehensive income for the financial year	-	1,629	1,629
Balance as at 31 March 2016	1,000	3,339	4,339
Balance as at 1 April 2016	1,000	3,339	4,339
Profit for the financial year	-	963	963
Total comprehensive income for the financial year	-	963	963
Balance as at 31 March 2017	1,000	4,302	5,302

*The notes on pages 13 to 24 are an integral part of these financial statements.*

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2017

### 1. General Information

Teapigs Limited's ("the company") principal activity is the sale, marketing and distribution of tea. The company is a wholly owned subsidiary of Tata Global Beverages Group Limited ("the Group") which in turn is a subsidiary of the ultimate parent company Tata Global Beverages Limited incorporated in India.

The company is a private limited company and is incorporated and domiciled in the United Kingdom. The address of its registered office is 1 The Old Pumping Station, Pump Alley, Brentford, Middlesex, TW8 0AP.

### 2. Summary of significant accounting policies

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

#### (a) Basis of preparation

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 111 (cash flow statement information),
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows',
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation),
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, and
- The requirements of paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'.

# **Teapigs Limited**

## **Notes to the financial statements for the year ended 31 March 2017**

### **2. Summary of significant accounting policies (continued)**

#### **(b) Going concern**

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities and the company's principal risks and uncertainties as set out in the Strategic Report. Based on the company's statement of financial position and the forecasts and projections, and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### **(c) New accounting standards and interpretations adopted by the company**

There are no new FRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2016 that would be expected to have a material impact on the company.

#### **(d) Consolidated financial statements**

The company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 not to prepare group financial statements as the results are included in the consolidated financial statements of Tata Global Beverages Group Limited. These financial statements are the company's separate financial statements.

#### **(e) Functional and presentation currency financial statements**

The company's functional and presentation currency is the pound sterling.

#### **(f) Revenue**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, trade rebates, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below.

Sales of goods are recognised when products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with sales related discounts such as volume discounts, customer rebates, trade support and listing costs and consumer promotional activities as billed by customers. Sales are recorded based on the price specified in the sales contracts, net of the estimated discounts/rebates.

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2017

### 2. Summary of significant accounting policies (continued)

#### (g) Finance income

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

#### (h) Tangible assets

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Computer Equipment	- 3 to 5 years
Fixtures and Fittings	- 2 to 5 years

#### (i) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Computer software is amortised over its estimated useful life of between 3 to 5 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### (j) Investments

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

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2017

### 2. Summary of significant accounting policies (continued)

#### (j) Investments (continued)

If an impairment loss subsequently reverses, the carry amount of the investment is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the investment in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

#### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### (l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are represented as non-current assets.

#### (m) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

#### (n) Creditors

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. If the payment is expected to be made within one year or less (or in the normal operating cycle of the business, if longer), they are classified as current liabilities. If not they are classified as non-current liabilities.

#### (o) Pension and other post-retirement benefit arrangements

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

#### (p) Employee benefits –incentive schemes

An accrual is recognised for the amounts expected to be paid under incentive schemes if a present legal or constructive obligation as a result of past services provided exists and the obligation can be estimated reliably.

#### (q) Share capital

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



# **Teapigs Limited**

## **Notes to the financial statements for the year ended 31 March 2017**

### **2. Summary of significant accounting policies (continued)**

#### **(r) Related party transactions**

As the company is a wholly owned subsidiary of Tata Global Beverages Group Limited advantage has been taken of the exemption afforded by IAS 24 not to disclose any related party transactions with members of the Group or associates and joint ventures of Tata Global Beverages Group Limited.

#### **(s) Foreign currency translation**

Transactions in foreign currencies are translated at the rate of exchange ruling at the day of the transaction. Any exchange differences are dealt with in the profit and loss account. Period end foreign currency assets and liabilities are translated at period end exchange rates.

#### **(t) Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2017

### 2. Summary of significant accounting policies (continued)

#### (u) Leases

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

### 3. Critical accounting judgements and estimation uncertainty

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

#### (a) Critical accounting estimates and assumptions

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

##### *(i) Impairment of trade and other receivables*

The company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of receivables, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

##### *(ii) Useful economic lives of tangible assets and intangible assets*

The annual depreciation charge for tangible assets and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for carrying amount of the intangible assets, note 11 for the carrying amount of the tangible assets and note 2 (h) and 2 (i) for the useful economic lives for each class of assets.

##### *(iii) Inventory provisioning*

The company markets and distributes tea and is subject to changing consumer and retailer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. See note 13 for the net carrying amount of the inventory and associated provision.

### 4. Auditors remuneration

The auditors' remuneration is paid by Tata Global Beverages Services Limited, a subsidiary of the Tata Global Beverages Group Limited. The audit fee of £425,000 (Period ended 31 March 2016: £408,000) was paid in aggregate for the audit of the UK based subsidiaries of Tata Global Beverages Group Limited and no split is separately available for the audit of the company.

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2017

### 5. Revenue

The sale of the company's products is regarded as a single class of business. The destination of the company's turnover is predominately the United Kingdom.

### 6. Operating profit

Operating profit is stated after charging:

	2017 £'000	2016 £'000
Wages and salaries	873	1,368
Social security costs	111	88
Other pension costs	38	40
Staff costs	1,022	1,496
Depreciation	63	11
Computer software amortisation	11	2
Impairment of trade receivables	7	4
Foreign exchange gains and losses	9	38
Operating lease charges	119	91

### 7. Directors and employees

The average number of persons (full time equivalent) employed, principally in the United Kingdom, during the year was:

	2017 Monthly average number	2016 Monthly average number
Selling	21	15
Distribution	5	4
Administration	3	2
<b>Total</b>	<b>29</b>	<b>21</b>

The emoluments of the Directors were as follows:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Aggregate emoluments	246	235
Aggregate amounts receivable under incentive schemes	220	507
Other pension costs	8	16
<b>Total</b>	<b>474</b>	<b>758</b>

Emoluments of the highest paid director were £142,320 (2016: £133,998) and receivable of £110,000 under incentive scheme (2016: receivable under incentive scheme of £253,500) and is subject to discretionary compensation rules. Benefits under a defined contribution scheme are accruing to two directors (2016: two directors). Two directors are employees of Tata Global Beverages GB Limited who are both remunerated for their services to the Group as a whole.

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2017

### 8. Finance income

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Interest income from intercompany loans	143	103
<b>Total</b>	<b>143</b>	<b>103</b>

### 9. Income tax expense

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 20% (2016: 20%).

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
<b>Current tax:</b>		
UK corporation tax on profits for the financial year	253	408
Adjustments in respect of prior years	(2)	(2)
Total current tax charge for the year	251	406
<b>Deferred tax:</b>		
Origination and reversal of timing differences	3	2
Adjustments in respect of prior years	3	-
<b>Tax on profit before taxation</b>	<b>257</b>	<b>408</b>

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Profit on ordinary activities before tax	1,220	2,037
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	244	407
Adjusting for the effects of:		
Expenses not deductible for tax purposes	1	1
Adjustments to tax charge in respect of prior years	1	(2)
Origination and reversal of timing differences	11	2
<b>Tax charge</b>	<b>257</b>	<b>408</b>

#### **Factors that may affect future tax:**

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

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2017

### 10. Intangible assets

	Capitalised Software £'000	Total £'000
<b>Cost</b>		
At 1 April 2016	48	48
Additions	19	19
<b>At 31 March 2017</b>	<b>67</b>	<b>67</b>
<b>Depreciation</b>		
At 1 April 2016	21	21
Charge for the year	11	11
<b>At 31 March 2017</b>	<b>32</b>	<b>32</b>
<b>Net book amount</b>		
<b>At 31 March 2017</b>	<b>35</b>	<b>35</b>
At 31 March 2016	27	27

### 11. Tangible assets

	Fixtures and Fittings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2016	69	42	111
Additions	110	36	146
Disposals	-	(24)	(24)
<b>At 31 March 2017</b>	<b>179</b>	<b>54</b>	<b>233</b>
<b>Depreciation</b>			
At 1 April 2016	9	31	40
Charge for the year	47	17	64
Disposals	-	(24)	(24)
<b>At 31 March 2017</b>	<b>56</b>	<b>24</b>	<b>80</b>
<b>Net book amount</b>			
<b>At 31 March 2017</b>	<b>123</b>	<b>30</b>	<b>153</b>
At 31 March 2016	60	11	71

### 12. Investments

The company holds a 100% equity investment in Teapigs US LLC totalling £100 (2016: £100), a company incorporated in United States of America and is in the business of selling tea. The directors believe that the carrying value of the investments do not require any impairment.

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2017

### 13. Inventories

	31 March 2017 £'000	31 March 2016 £'000
Finished goods	1,551	1,590
<b>Total</b>	<b>1,551</b>	<b>1,590</b>

The amount shown for finished goods is not materially different from the replacement cost of those finished goods to the company. Inventory is stated after provision for impairment of £nil. (2016: £nil).

### 14. Trade and other receivables

	31 March 2017 £'000	31 March 2016 £'000
Trade receivables	1,711	1,679
Amounts owed by group undertakings	630	571
Other receivables	224	276
Deferred tax asset	-	4
<b>Total</b>	<b>2,565</b>	<b>2,530</b>

Amounts owed by group undertaking includes a balance of £453,000 (2016: £453,000) with Teapigs US LLC. Interest is charged at variable rates of 2% above LIBOR and the loan is unsecured. The loan agreement with Teapigs US LLC provides for the principal to be repaid on demand by the borrower and matures on 30 June 2017. It is the intention of the directors to roll forward the loan for another twelve month period.

The remaining amount of £177,000 (2016: £118,000) owed by group undertaking represents a trading balance with Teapigs US LLC which is unsecured, repayable on demand and non-interest bearing.

Trade receivables are stated after provisions for impairment of £79,000 (2016: £41,000). Movements on the provision for impairment of trade receivables are as follows:

	2017 £'000	2016 £'000
As at 1 April	41	68
Provision for impairment	49	9
Receivables written off during the year as uncollectible	(7)	(4)
Unused amounts reversed	(4)	(32)
<b>As at 31 March</b>	<b>79</b>	<b>41</b>

### 15. Cash and cash equivalents

	31 March 2017 £'000	31 March 2017 £'000
Cash and cash equivalents	6,861	5,733
<b>Total</b>	<b>6,861</b>	<b>5,733</b>

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2017

### 16. Creditors - amounts falling due within one year

	31 March 2017 £'000	31 March 2016 £'000
Trade creditors	704	511
Accruals and deferred income	393	840
Amounts owed to group undertakings	4,764	4,261
Deferred tax liability	2	-
<b>Total</b>	<b>5,863</b>	<b>5,612</b>

Amounts owed to group undertakings consist of a loan from Tata Global Beverages GB Limited £752,000 (2016: £501,000) and a loan amount of £4,012,000 (2016: £3,760,000) from Tata Global Beverages Services Limited. The loans are non-interest bearing and unsecured. The principal is repayable on demand by the lender.

### 17. Called up share capital

	Number '000	31 March 2017 £'000	31 March 2016 £'000
<b>Allotted, called up and fully paid</b>			
Ordinary shares of £1 each	1,000 (2016: 1,000)	1,000	1,000

### 18. Leases

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

Commitment expires:	Land and buildings	
	2017 £'000	2016 £'000
Not later than one year	82	65
Later than one year and not later than five years	165	69
Later than five years	159	-
<b>Total</b>	<b>406</b>	<b>134</b>

### 19. Events after the end of the reporting period

As at the date of this report, no matter or circumstance has arisen since 31 March 2017 that has significantly affected, or may significantly affect the company, its results or the state of affairs.

### 20. Parent company

The immediate parent undertaking is Tata Global Beverages GB Limited. The smallest parent to include the company's results in its consolidated financial statements is Tata Global Beverages Group Limited, a company incorporated in the United Kingdom. Copies of that company's financial statements may be obtained from 325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ. The largest company to consolidate the company's results and the company's ultimate parent undertaking is Tata Global Beverages Limited, a company registered in India. The consolidated financial statements of Tata Global Beverages Limited are available from 1 Bishop Lefroy Road, Kolkata, India.

## **Teapigs Limited**

### **Notes to the financial statements for the year ended 31 March 2017**

#### **21. Related party transactions**

As the company is a wholly owned subsidiary of Tata Global Beverages Group Limited, advantage has been taken of the exemption afforded by IAS 24 not to disclose any related party transactions with members of the Group or associates and joint ventures of Tata Global Beverages Group Limited.

During the year, one child of one of the directors, N I Kilby, was employed full-time by the company and was paid £23,441. There were no balances outstanding at the year end.