

# Financial Statements Typhoo Tea Limited

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For the year ended 31 March 2019



Company No 05573418

## Company information

<b>Company registration number</b>	05573418
<b>Country of incorporation</b>	England and Wales
<b>Registered office</b>	Pasture Road Moreton Wirral Merseyside CH46 8XF
<b>Directors</b>	K Paul - Chairman N Ahmed - Vice Chairman P Paul M D McBrien A Ghosh D Mukherjee D A Kingsley
<b>Bankers</b>	AXIS Bank UK Limited 4 <sup>th</sup> Floor Kings House 36-37 King Street London EC2V 8BB  Barclays Bank PLC 21 Hanover Square Mayfair London W1S 1JW  ICICI Bank UK PLC One Thomas More Square London E1W 1YN

## Company information

**Solicitors**

DTM Legal  
3rd Floor  
St Paul's Square,  
Old Hall St  
Liverpool  
L3 9SJ

**Auditor**

Grant Thornton UK LLP  
Statutory Auditor  
Chartered Accountants  
Royal Liver Building  
Liverpool  
L3 1PS

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## Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 March 2019.

### **Principal activity**

The Company is engaged in blending, packing, and the sales & marketing of tea and coffee.

### **Directors**

The membership of the board at 31 March 2019 is set out below. Other than as stated all directors served throughout the year.

K Paul – Chairman  
N Ahmed - Vice Chairman  
P Paul  
M D McBrien  
M Tapal (resigned 20 May 2020)  
S Saha (resigned 14 December 2018)  
A Ghosh  
T Vynner CBE, HON FRCP (resigned 6 November 2019)  
A A Gloor (resigned 1 June 2019)  
I Hamid (resigned 8 January 2020)  
A D Woodhouse (resigned 8 January 2020)

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

The directors are responsible for preparing the report of the directors, strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Report of the directors

### **Disclosure of information to auditor**

The directors confirm that:

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

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

### **Disabled employee policy**

In the event of an employee becoming disabled, every effort is made to continue their employment and having due regard to their aptitude and abilities, opportunities are given for retaining or deployment wherever possible.

### **Equal opportunities policy**

The company is committed to ensuring equal opportunities in the workplace for all its employees. One of the key aims of the policy is that the Company can provide a working environment in which employees feel comfortable and assured that they will be treated with dignity and respect.

We are committed to ensuring all employees are treated equally and fairly irrespective of their sex, race, colour, creed, marital status, sexual orientation, age or disability.

This equal opportunities policy applies to the Company recruitment and selection procedures, employees' terms and conditions of employment including pay, opportunities for promotion, transfer and training, general treatment at work, disciplinary and grievance procedure and termination of employment.

All employees have a responsibility to apply this principle in practice.

### **Directors' Report requirements covered in the Strategic Report**

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

### **Political Donations**

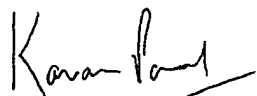
There have been no political donations within the year.

## Report of the directors

### **Auditors**

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

ON BEHALF OF THE BOARD

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

Karan Paul  
Director

20 May 2020

## Strategic report

### Business review

Following the disappointing results of the financial year to 31st March 2018, the Board of Directors reviewed the business in detail and made significant changes to the strategy being adopted by the business, including making changes to its executive leadership team. The decision was made to appointment a new Chief Executive Officer and a new Chief Financial Officer, however, these changes weren't fully completed until the middle of 2019 and as such, did not yield improvements to the financial performance of the business in the year to 31st March 2019.

During the year ending the 31st March 2019, the company had continued to pursue its aggressive sales growth strategy which was primarily focused on securing an increased market share of private label business. But the approach taken turned out to be detrimental to the overall performance of the business, by increasing its complexity, reducing operational efficiency and depressing its margins. The ongoing pursuit of this strategy and the associated detrimental factors, continued to impact negatively on the financial performance during the year, until the shift in its strategy, under the auspices of the new executive leadership team, was executed in 2019.

Against this context, the continued uncertainty over Brexit remained a negative factor, specifically with regards to the weakness of sterling which impacted on material costs. In addition, stock build programmes required by customers for a Brexit event that did not materialise, followed by a period of stock re-balancing had a further disruptive operational impact on the business.

Selling, distribution and marketing costs decreased to £7.9m (2018: £10.2m) following the previous year's investment in re-branding of the Heath & Heather brand. Administrative expenses remained similar to 2018 levels at £7.4m (2018: £7.4m). The London Office, previously identified as a driver of increased Administrative spend has been closed post March 2019 year end as the business seeks to implement cost control measures.

All of these circumstances, coupled with a very challenging pricing environment, has resulted in the company recording a loss of £18.326m for the 12 months to 31 March 2019, before an assessment of the carrying value of goodwill and intangible assets.

Given the level of losses sustained by the business for a second year, the Board of Directors have reassessed the value attributed to goodwill and intangible assets held within the Balance Sheet. Following a review of the present value of expected discounted cashflows that accrue from Intangible Assets (brands), the Board of Directors have written down intangibles assets which include all of the goodwill (£6.595m) and £5m associated with brands.

The overall loss for the business for the 12 months to 31 March 2019 is £29.921m.

### Future strategy

Typhoo Tea Limited recognises the 12 months to 31 March 2019 as a watershed for the business. This period highlighted the weakness in the strategy being previously adopted and as such has prompted a significant change in the strategic direction of the business. The Board of Directors remain confident that the changes introduced in 2019 will deliver significant improvement in performance and will affect the business turnaround required.

Quality, value and customer service remain a key part of the new strategy whilst the simplification of the business and the drive on reducing costs, improving efficiencies and the introduction of new systems and controls will help facilitate its delivery. These changes, together with a continued investment in the Typhoo and Heath and Heather brands will enhance our brand propositions and further underpins the new business strategy going forward.



## Strategic report

### **Future strategy (continued)**

The Directors are committed to the new strategic approach as demonstrated by the recent announcements regarding proposed restructuring, and with the continued support of the shareholders, are confident it will allow the company to recover from the year to 31 March 2019 and enable the business to go from strength to strength.

Following the decision by the Board of Directors to reassess the value of goodwill and intangible assets carried by the business, and resultant write off, the Directors requested additional funding from the existing shareholders in order to re-capitalise and strengthen the Balance Sheet of the Company. This request resulted in £5m of new equity being issued in Q4 of 2019 and additional funding in 2020.

The company remains committed to ethical sourcing and fair trading in its supply chain and is dedicated to its corporate social responsibilities both by working with the local community and in creating a sustainable business that minimises the impact of its products and operations on the environment. The company will continue to recruit and retain the best employees and recognises that an engaged motivated work force is a powerful source of competitive advantage.

### **Going concern**

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities as they fall due in the 12 month period to May 2021. Based on the forecasts prepared by the Directors, which have been updated to take into account the impact of recent events, including Covid-19.

The forecasts prepared by the Directors include an assessment of going concern for the 12 month period to May 2021 and an assessment of wider viability for the period to March 2024. These forecasts indicate that the measures taken by the Board and market conditions will deliver a return to profitability at the EBITDA level in the year to March 2021.

The Directors have carefully considered factors which may affect the Company's future performance and financial position in the context of their available resources. Specifically:

- The impact of Covid-19 on sales, fulfilment of orders and the supply chain. Although the initial indications are that the announcement of 'lockdown' measures has led to strong trading, with a significant upward trend in supermarket sales, there remains a high level of inherent uncertainty over the short-term economic impact, including whether short-term trends continue or whether there are any interruptions to the global supply chain
- The achievement of cost savings through the recently announced restructuring programme being achieved in line with forecasts

## Strategic report

### **Going concern (continued)**

- The loans are due for final repayment in instalments by 30 April 2021. The Directors note that there was a breach of covenants (Maximum Debt and Debt Service Cover) on the loan facility in the year. The Directors have sought assurance from Axis bank that this will not lead to a recall of facilities. Axis Bank have provided verbal assurance that they do not intend to recall the facilities at the current time. Further, Apeejay Tea (Panama) Inc, a related party of Typhoo and fellow subsidiary has signed a letter of support agreeing to provide all required financial support for Typhoo to remain a going concern for 12 months from the signing of these accounts. The company has met all the repayment and interest payments to date. Committed facilities are in place to meet working capital requirements with sufficient headroom to absorb any reasonably possible changes in forecasted results. In addition to this, there are assurances given to the main lender to the business by one of the shareholders which underpin the security of the ongoing bank support both to working capital and short term borrowings. The Directors have commenced discussions with the loan provider about re-finance opportunities, and whilst at this time of global crisis, both the banks and the Directors are confident that a solution to the re-finance will be agreed before the repayment dates.

The Directors have concluded that whilst there is confidence that a solution to re-finance will be achieved within the next 12 months, this could be impacted by events and circumstances outside of the Company's control. Therefore, an inability to re-finance or extend current financing arrangements, that are due for repayment within the 12 month going concern period, represents a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

The Directors have concluded that, after due consideration, there is a reasonable expectation that the Company has adequate resources to continue for the foreseeable future. The continued support of the shareholders and future investment planned from one of the existing shareholders further strengthens the Board of Directors' belief that the return to profitability is in the near term and that it is appropriate to prepare these statements on a going concern basis. For these reasons, they continue to adopt the going concern basis in preparing these financial statements.

These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

### **Key risks and uncertainties**

The directors confirm that there is an on-going process for identifying, evaluating and managing risks faced by the company.

The key risks faced by the company are movements in raw tea prices, foreign exchange movements and interest rate movements. These pressures are expected to continue for the foreseeable future and, as a result of raw material purchases being principally denominated in foreign currency and of the financial instruments in place being primarily loans, movements in foreign exchange rates and interest rates have a significant impact on the company. Clearly all of the above risks are impacted by the current economic climate.

## Strategic report

### **Key risks and uncertainties (continued)**

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

### **Financial risk management objectives and policies**

Typhoo is exposed to a variety of financial risks which result from both its operating and financing activities. The company's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial markets.

Typhoo does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant risks to which the company is exposed to are described below and in note 16 of the financial statements.

### **Credit risk**

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The company is exposed to concentrations of credit risk, due to the high volume of trading with specific customers. This exposure is primarily with blue chip customers and is reviewed on a daily basis with the monitoring of outstanding debts.

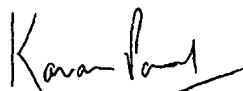
### **Cash flow and fair value interest rate risks**

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

### **Currency risk**

The company purchases tea in US dollars, which gives rise to currency risk. The company policy is to manage this risk by foreign currency borrowing and forward currency contracts. The company manages the risk of foreign currency borrowings using derivative financial instruments, and by fixing the exchange rates on borrowing facilities.

ON BEHALF OF THE BOARD



Karan Paul  
Director

20 May 2020



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

### Opinion

We have audited the financial statements of Typhoo Tea Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Balance sheet, the Cashflow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis of opinion

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

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



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

### **Material uncertainty related to going concern**

We draw attention to the going concern section of the principal accounting policies on page 15 of the financial statements, which indicates that a number of uncertainties have been identified within the Company. As stated in the going concern section of the principal accounting policies, an inability to re-finance or extend current financing arrangements, that are due for repayment within the 12 month going concern period, represents a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

Aside from the impact of the matters disclosed in the material uncertainty related to going concern section, we have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

In our evaluation of the directors' conclusions, we considered the risks associated with the Company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

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

We have nothing to report in this regard.



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

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

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

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

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

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

Grant Thornton UK LLP

Gary Jones  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Liverpool

20 May 2020

## Principal accounting policies

### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRSs as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, except that they have been modified to include the revaluation of certain non-current assets. The measurement basis and principal accounting policies of the company are set out below and have been applied consistently throughout the financial statements.

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

### **Going concern**

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities as they fall due in the 12 month period to May 2021. Based on the forecasts prepared by the Directors, which have been updated to take into account the impact of recent events, including Covid-19.

The forecasts prepared by the Directors include an assessment of going concern for the 12 month period to May 2021 and an assessment of wider viability for the period to March 2024. These forecasts indicate that the measures taken by the Board and market conditions will deliver a return to profitability at the EBITDA level in the year to March 2021.

The Directors have carefully considered factors which may affect the Company's future performance and financial position in the context of their available resources. Specifically:

- The impact of Covid-19 on sales, fulfilment of orders and the supply chain. Although the initial indications are that the announcement of 'lockdown' measures has led to strong trading, with a significant upward trend in supermarket sales, there remains a high level of inherent uncertainty over the short-term economic impact, including whether short-term trends continue or whether there are any interruptions to the global supply chain
- The achievement of cost savings through the recently announced restructuring programme being achieved in line with forecasts
- The loans are due for final repayment in instalments by 30 April 2021. The Directors note that there was a breach of covenants (Maximum Debt and Debt Service Cover) on the loan facility in the year. The Directors have sought assurance from Axis bank that this will not lead to a recall of facilities. Axis Bank have provided verbal assurance that they do not intend to recall the facilities at the current time. Further, Apeejay Tea (Panama) Inc, a related party of Typhoo and fellow subsidiary has signed a letter of support agreeing to provide all required financial support for Typhoo to remain a going concern for 12 months from the signing of these accounts. The company has met all the repayment and interest payments to date. Committed facilities are in place to meet working capital requirements with sufficient headroom to absorb any reasonably possible changes in forecasted results. In addition to this, there are assurances given to the main lender to the business by one of the shareholders which underpin the security of the ongoing bank support



## Principal accounting policies

### **Going concern (continued)**

both to working capital and short term borrowings. The Directors have commenced discussions with the loan provider about re-finance opportunities, and whilst at this time of global crisis, both the banks and the Directors are confident that a solution to the re-finance will be agreed before the repayment dates.

The Directors have concluded that whilst there is confidence that a solution to re-finance will be achieved within the next 12 months, this could be impacted by events and circumstances outside of the Company's control. Therefore, an inability to re-finance or extend current financing arrangements, that are due for repayment within the 12 month going concern period, represents a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

The Directors have concluded that, after due consideration, there is a reasonable expectation that the Company has adequate resources to continue for the foreseeable future. The continued support of the shareholders and future investment planned from one of the existing shareholders further strengthens the Board of Directors' belief that the return to profitability is in the near term and that it is appropriate to prepare these statements on a going concern basis. For these reasons, they continue to adopt the going concern basis in preparing these financial statements.

These financial statements do not include the adjustment that would result if the Company were unable to continue as a going concern.

### **IFRS 9 Financial Instruments**

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

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

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

### **Consolidation**

The directors consider that the subsidiary undertakings of the company taken together are not material and therefore consolidated financial statements are not required.

The financial statements present information about the company as an individual entity.

## Principal accounting policies

### **Revenue - sale of goods (IFRS 15 Revenue from Contracts with Customers)**

Revenue is the value of sales after deduction of sales rebates, discounts, value added tax and other taxes directly attributable to turnover.

The company has one operating segment, being the production and sale of tea and coffee.

Revenue is measured at the fair value of the consideration received or receivable. Sales are recognised upon the date of delivery which is when the transfer of the risks and rewards associated with the goods takes place. Shipping and handling costs are included in selling and distribution costs. The company has one operating segment, being the sale of tea and coffee.

IFRS 15 "Revenue from Contracts with Customers" (effective for the year beginning 1 April 2018) provides a single, principles-based, five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods, services and construction contracts currently included in IAS 11 "Construction Contracts" and IAS 18 "Revenue".

The directors have undertaken an assessment of the impact of IFRS 15. Contracts for specified volumes are not used, rather over arching agreements are signed where by the price per unit is agreed for a period of time. As per IFRS15.4 management have taken the practical expedient to consider all contracts under a portfolio approach given the similarities across all contracts in respect of aspects that impact on recognition under IFRS 15. Following the impact, there have been no adjustments to opening balances as a consequence of the adoption of IFRS 15.

Revenue arises exclusively from the blending, packing, sales and marketing of tea and coffee.

To determine whether to recognise revenue, Typhoo follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Typhoo often enters into transactions involving a range of products and services, for example blend and packing, blend only or blend, packing and delivery. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices as assessed by price lists set out at tender stage. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenues are recognised upon the date of delivery which is when the transfer of the risks and rewards associated with the goods takes place, meaning that recognition is at a point in time when performance obligations have been met.

Typhoo recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see Note 12). Similarly, if Typhoo satisfies a performance obligation before it receives the consideration, they recognise either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

## Principal accounting policies

### **Revenue - sale of goods (IFRS 15 Revenue from Contracts with Customers) (continued)**

#### ***Blending, packing and delivery of tea and coffee***

The contracts provide a full end to end bespoke service for clients dependent on requirements of the client, per IFRS15.29 although separable the performance obligations of blending, packaging and delivery are inter-dependent where they are delivered together and as such recognition only occurs on completion of all stages.

The revenue recognition on all contracts is at the point the goods/services are delivered, on this basis the recognition is considered to be point in time for the purposes of IFRS 15. Management do not consider that they have an enforceable right to the revenue until they deliver as the client would have no means of consuming the benefit ahead of the delivery or completion of blend (where it is a blend only contract). It would not be possible to make use of the product ahead of completion as clients do not have the capability to complete the services carried out by Typhoo for them.

There are no significant financing components, any financing that was in place is less than 12 months and so management elect to take the practical expedient under IFRS 15.63.

Per IFRS 15.71 it is considered that these amounts relate to goods and services provided by the customers. As such management do not consider there to be variable income as the goods are invoiced at the price list amount and the trade spend is recognised as an expense.

Where there are discounts as part of trade spend these will be based on hitting KPIs. This is accounted for as variable revenue per IFRS15.53 based on the expected value, per IFRS15.56 as all discounts are recognised in the accounts in the year to which they relate, as such the variable element meets criteria of IFRS15.56 to be highly probable.

In terms of contract variations that occurs management believe it is appropriate to recognise this via IFRS15.53b "the most likely amount" as at the year end it is a known amount agreed by both parties. Per IFRS15.56 as at the year end all amounts are agreed the values can be considered highly probable. Under IFRS15.88 the adjustment is then allocated to the performance obligations as done at inception, given the nature of the performance obligations and the collation of these as discussed above, management believe this is best achieved by allocating the change in price across the cumulative performance obligations as this is how the initial price is recognised.

### **Sales rebates and discounts**

Sales rebates and discounts (in particular trade spend) are established based on the agreements in place and management's best estimate of the amounts necessary to meet claims by the company's customers in respect of these discounts and rebates. A provision is made at the time of sale and released, if unutilised, after assessment that the likelihood of such a claim being made has become remote. This is completed ahead of year-end for each financial year. Promotional trade spend relates to merchandising funds, pricing allowances and product placement (investing in various arrangements with retailers).

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

## Principal accounting policies

### Operating expenses

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

### Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised at cost as an intangible asset and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses, with all impairment costs being charged to profit or loss.

### Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the company of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the company. Where the individual fair values of the complementary assets are reliably measurable, the company recognises them as a single asset provided the individual assets have similar useful lives.

### Externally acquired intangible assets

The significant intangibles recognised by the company, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method (initial recognition)
Brands	Indefinite	Estimated discounted cash flow
Trademarks	Indefinite	Estimated discounted cash flow
Contractual relationships	Term of contract: 6 years	Estimated discounted cash flow
Domain names	Indefinite	Market value

### Brands, trademarks and domain names

Brands, trademarks and domain names acquired as part of a business combination are initially recognised at fair value and subsequently reviewed at least annually for impairment or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly, and the write-down charged to administration expenses.

Brands, trademarks and domain names are considered to have an indefinite life on the basis that they form part of the cash generating units within Typhoo Tea Limited which will continue in operation indefinitely, with no foreseeable limit to the period over which they are expected to generate net cash inflows.

Those assets with indefinite lives are tested annually for impairment.

### Contractual relationships

Contractual relationships are initially recognised at fair value and subsequently net of amortisation and any provision for impairment.

## Principal accounting policies

### **Externally acquired intangible assets (continued)**

Amortisation is calculated to write down the valuation of contractual relationships by equal annual instalments over their estimated useful economic lives. The periods of amortisation are determined based on the expected term of the contract. Amortisation is charged to administration costs in the statement of comprehensive income.

### **Investments**

Shares in group undertakings are stated at cost less amounts written off where, in the opinion of the directors, there has been an impairment loss in the investments following the annual impairment review in accordance with IAS 36.

### **Property, plant and equipment**

Property, plant and equipment are initially recognised at cost.

Freehold land is not depreciated. Freehold land and buildings are carried at fair value, based on a combination of total usable space (sq ft), market value of similar recently sold in the local area and an allowance for significant remedial work evidenced by external quotations. IMAs (tea bag machines) are subsequently carried at fair value, based on director's valuations supported by market values for machines of similar age and condition. Any revaluation surplus is recognised in other comprehensive income and accumulated in the revaluation reserve in equity, unless the carrying amount has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in the statement of comprehensive income, a revaluation increase is recognised in the statement of comprehensive income with the remaining increase charged to equity.

Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the statement of comprehensive income.

The accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

An appropriate transfer is made from the revaluation reserve to the profit and loss reserve when freehold land and buildings and IMAs are expensed through the statement of comprehensive income (eg through depreciation, impairment or sale).

All other items of property, plant and equipment are carried at depreciated cost.

## Principal accounting policies

### Depreciation

Depreciation is provided on all other items of property, plant and equipment and the effect is to write off the carrying value of items by equal instalments over their expected useful economic lives. It is applied at the following rates.

Freehold buildings	40 years straight line
Plant and machinery	Up to 40 years straight line
Freehold improvements	Up to 20 years straight line
IMAs	30 years straight line

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

### Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 31 March. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the smallest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the company's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

An impairment loss is recognised for the amount by which the assets or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions, less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Impairment charges are included in the administrative costs line item in the statement of comprehensive income, except to the extent they reverse gains previously recognised.

### Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset, or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of comprehensive income over the period of the lease.

## Principal accounting policies

### **Leased assets (continued)**

All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

The new IFRS 16 standard is covered below on page 26.

### **Inventories**

Inventories are valued at the lower of cost and net realisable value. No interest is included but, where appropriate, cost includes materials, direct labour, production and other attributable overhead expenses. Cost is calculated on a first-in-first-out basis by reference to the invoiced value of supplies and attributable costs of bringing inventory to its present location and condition.

### **Taxation**

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the company and it is probable that reversal will not occur in the foreseeable future. In addition tax losses available to be carried forward as well as other income tax credits to the company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to other comprehensive income (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to other comprehensive income.

### **Financial assets**

#### **Recognition and derecognition:**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

## Principal accounting policies

### **Financial assets (continued)**

#### **Classification and initial measurement of financial assets:**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the entity does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### **Subsequent measurement of financial assets:**

##### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The entities cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

##### **Trade and other receivables and contract assets**

The entity makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The entity assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

#### **Classification and measurement of financial liabilities**

The entities financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the entities designated a financial liability at fair value through profit or loss.



## Principal accounting policies

### Financial assets (continued)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

### Cash and cash equivalents

Short-term cash deposits which can be called on without any material penalty are included within cash balances in the balance sheet and cash flow statement.

### Equity

Equity comprises the following:

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

### Pension costs

Payments to the company's defined contribution schemes are charged to the statement of comprehensive income in the period in which they are incurred.

### Foreign currency translation

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income. The "functional and presentational currency" of the entity is sterling.

### Critical judgements and key sources of estimation uncertainty

In the preparation of the financial statements a number of estimates and assumptions have been made relating to the reporting of results and the financial condition of the company. The directors consider that the above accounting policies address the critical areas of the company, which themselves require judgement in selecting the appropriate accounting policies. Further information about the critical estimates and judgements is included in the relevant notes as listed:

Revenue – IFRS 15	: Accounting policies	critical judgement & estimation uncertainty
Impairment of Goodwill	: Note 6	critical judgement & estimation uncertainty
Impairment of Intangible assets	: Note 7	critical judgement & estimation uncertainty
Property, plant & equipment	: Note 8	critical judgement & estimation uncertainty
Deferred tax assets and liabilities	: Note 15	critical judgement & estimation uncertainty

## Principal accounting policies

### **Critical judgements and key sources of estimation uncertainty (continued)**

#### **Revenue**

The Company's accounting policy for revenue has been derived with a number of critical judgements, namely (a) whether management's assessment that using the portfolio approach under IFRS15.4 is appropriate, (b) That contracts as defined by IFRS15.9 are in place, (c) that the separate performance obligations are recognisable under IFRS 15.22-30, (d) that transaction prices can be identified under IFRS 15.47-72, (e) that stand alone selling prices can be identified under IFRS 17.73-90, and (f) that revenue recognition is at a point in time under IFRS 15.31-45.

The key source of estimation uncertainty derives from the ongoing changes in volume delivery that impact on the value of revenue to recognise.

#### **Impairment of Goodwill and Intangible assets**

Management have conducted a review of impairment of goodwill and intangible assets. In conducting this review, management apply critical judgements in relation to the identification of cash generating units (CGUs), the allocation of assets to those CGU to assess their carrying value.

CGUs have been assessed as the smallest group of assets that generate an independent revenue source. The directors have determined that the brand names are the smallest group of assets which generate an independent revenue source. These have been listed in note 7.

Management's assessment of value in use is based on an assessment of the group's future performance derived from the Company's five year business plan. Cash flows beyond five years are assessed using a long term growth rate. Cash flow are then discounted to present value using a discount rate based on an assessment of the Weighted Average Cost of Capital (WACC) of the Company. The Directors have assessed a WACC based on the gearing of the company and cost of equity and debt in the market for similar companies.

The key source of estimation uncertainty arise from management's budgets and forecasts, the assessment of WACC and the assessment of long-term growth rates, each of which have a significant impact on the calculation of value in use for each CGU.

The Directors continue to use these assumptions to assess whether either goodwill or intangible assets should be impaired. The Directors expect this judgement to be carefully monitored and considered in future periods. The carrying amount of future cash flows for each brand as listed in Note 7. Where the value in use is lower than the net present value an impairment charge has been recorded.

#### **Property, plant and equipment**

The critical judgement in relation to property, plant and equipment is over the valuation of IMAs, the machinery used to bag and box the tea, and the property. The IMAs are valued using management's expert judgement as a result of many years of experience in the industry backed up by indicative costings for new IMAs provided by the manufacturer.

A second critical judgement is in respect of the valuation of property, which under the accounting policies selected by the Company is carried at fair value. Valuation is based on rental and sales value per square foot in the area that the building is located. Freehold land and buildings are carried at fair value, based on a combination of total usable space (sq ft), market value of similar property recently sold in the local area and, an allowance for significant remedial work evidenced by external quotations.

The estimation uncertainty in respect of the property valuation comes from the unknown future factors that will impact on the critical judgements noted above.

## Principal accounting policies

### **Critical judgements and key sources of estimation uncertainty (continued)**

#### **Deferred tax assets and liabilities**

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

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

### **Standards and interpretations not yet applied by Typhoo Tea Limited**

Typhoo Tea Limited does not intend to apply any pronouncements early. There are other standards and interpretations not listed as they are not expected to have a significant impact on the company.

#### **IFRS 16 Leases**

IFRS 16 "Leases" will replace IAS 17 "Leases" and sets out the principles for the recognition, measurement, presentation and disclosure of leases and will be effective for the company from 1 April 2019. Typhoo Tea Limited has reviewed all its lease contracts in the year. The company holds only leases classified as operating leases under the current standard, and acts only as a lessee, not a lessor. Under IFRS 16 the main difference for the company will be that all leases that the company holds as a lessee will be recognised as an asset on the balance sheet, with a corresponding lease liability. Current operating lease commitments are disclosed at Note 18.

On the income statement the company will recognise an amortisation charge and an interest charge instead of a straight-line operating cost. This changes the timing of cost recognition on the lease, resulting in extra cost in early years of the lease, and reduced cost towards the end of the lease. The Directors are undertaking a detailed assessment of the potential impact of IFRS 16.

## Statement of comprehensive income

	Note	2019 £'000	2018 £'000
Revenue		60,871	70,208
Cost of sales		<u>(60,173)</u>	<u>(64,835)</u>
<b>Gross profit</b>		<b>698</b>	<b>5,373</b>
Selling, distribution and marketing costs		(7,983)	(10,207)
Administration costs excluding impairment		(7,413)	(7,377)
Impairment loss		<u>(11,595)</u>	<u>(5,000)</u>
Total administration costs		<u>(19,008)</u>	<u>(12,377)</u>
<b>Operating loss</b>	1	<b>(26,293)</b>	<b>(17,211)</b>
Finance costs	2	<u>(3,628)</u>	<u>(2,824)</u>
<b>Loss before tax</b>		<b>(29,921)</b>	<b>(20,035)</b>
Taxation	5	-	-
<b>Loss for the year</b>		<u><b>(29,921)</b></u>	<u><b>(20,035)</b></u>
<b>Other comprehensive income for the year</b>			
Taxation	5	-	-
<b>Total comprehensive income</b>		<u><b>(29,921)</b></u>	<u><b>(20,035)</b></u>

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

The notes on pages 31 - 51 form part of these financial statements.

## Statement of changes in shareholders' equity

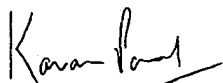
	Share capital £'000	Share Premium £'000	Retained Earnings/ (losses) £'000	Revaluation reserve £'000	Total Shareholders' equity £'000
<b>Balance at 31 March 2017</b>	<u>15,838</u>	<u>18,037</u>	<u>814</u>	<u>5,651</u>	<u>40,340</u>
<b>Transactions with owners</b>					
Shares issued	2,832	5,986	-	-	8,818
Capital reduction	-	-	-	-	-
Total transactions with owners	<u>2,832</u>	<u>5,986</u>	<u>-</u>	<u>-</u>	<u>8,818</u>
<b>Other comprehensive income</b>					
Loss for the year ended 31 March 2018	-	-	(20,035)	-	(20,035)
Transfer of increased depreciation on revaluation	-	-	97	(97)	-
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(19,938)</u>	<u>(97)</u>	<u>(20,035)</u>
<b>Total transactions in the year</b>	<u>2,832</u>	<u>5,986</u>	<u>(19,938)</u>	<u>(97)</u>	<u>(11,217)</u>
<b>Balance at 31 March 2018</b>	<u>18,670</u>	<u>24,023</u>	<u>(19,124)</u>	<u>5,554</u>	<u>29,123</u>
<b>Other comprehensive income</b>					
Loss for the year ended 31 March 2019	-	-	(29,921)	-	(29,921)
Transfer of increased depreciation on revaluation	-	-	97	(97)	-
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(29,824)</u>	<u>(97)</u>	<u>(29,921)</u>
<b>Total transactions in the year</b>	<u>-</u>	<u>-</u>	<u>(29,824)</u>	<u>(97)</u>	<u>(29,921)</u>
<b>Balance at 31 March 2019</b>	<u>18,670</u>	<u>24,023</u>	<u>(48,948)</u>	<u>5,457</u>	<u>(798)</u>

The notes on pages 31 - 51 form part of these financial statements.

## Balance sheet

	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non-current</b>			
Goodwill	6	-	6,595
Intangible assets	7	47,923	52,923
Property, plant and equipment	8	16,594	17,147
Investments	9	-	-
Other receivables	11	168	168
Deferred tax asset	15	6,680	7,410
		<u>71,365</u>	<u>84,243</u>
<b>Current assets</b>			
Inventories	10	12,186	14,015
Trade and other receivables due within one year	11	24,310	26,917
Cash and cash equivalents	27	257	266
		<u>36,753</u>	<u>41,198</u>
<b>Total assets</b>		<u>108,118</u>	<u>125,441</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	18,670	18,670
Revaluation reserve		5,457	5,554
Retained losses		(48,948)	(19,124)
Share premium		24,023	24,023
<b>Total equity</b>		<u>(798)</u>	<u>29,123</u>
<b>Current liabilities</b>			
Trade and other payables	12	38,861	22,230
Other financial liabilities	12	61,215	64,518
<b>Total current liabilities</b>	12	<u>100,076</u>	<u>86,748</u>
<b>Non-current liabilities</b>			
Other financial liabilities	13	3,360	3,360
Deferred tax liability	15	5,480	6,210
<b>Total liabilities</b>		<u>108,916</u>	<u>96,318</u>
<b>Total equity and liabilities</b>		<u>108,118</u>	<u>125,441</u>

These financial statements were approved by the directors and authorised for issue on 20 May 2020, and signed on their behalf by:



Karan Paul  
Director

The notes on pages 31 - 51 form part of these financial statements.

## Cash flow statement

	£'000	2019 £'000	£'000	2018 £'000
<b>Operating activities</b>				
Loss before tax		(29,921)		(20,035)
Depreciation	1,416		1,469	
Impairment loss	11,595		5,000	
Amortisation of issue costs	563		171	
Change in inventories	1,021		(1,132)	
Change in trade and other receivables	2,273		(1,134)	
Change in trade and other payables	16,940		3,399	
Interest payable	3,065		2,660	
Net cash generated from operating activities		6,952		(9,602)
<b>Investing activities</b>				
Purchases of property, plant and equipment	(862)		(677)	
Net cash used in investing activities		(862)		(677)
<b>Financing activities</b>				
Loan receipts	2,737		19,853	
Repayment of loans	(5,769)		(11,310)	
Interest paid	(2,793)		(2,794)	
Proceeds from share issue	-		4,000	
Net cash (used in) / generated from financing activities		(5,825)		9,749
 Cash and cash equivalents, beginning of year		(19,842)		(19,312)
Net decrease in cash and cash equivalents		265		(530)
<b>Cash and cash equivalents, end of year</b>		<b>(19,577)</b>		<b>(19,842)</b>

The notes on pages 31 - 51 form part of these financial statements.

## Notes to the financial statements

### 1 Operating loss

The following items have been included in arriving at operating loss:

	2019 £'000	2018 £'000
Repairs and renewals	639	687
Auditor's remuneration		
Fees payable to the company's auditor in respect of the audit	60	50
Fees payable to the company's auditor in respect of the tax services provided	7	5
Fees payable to the company's auditor in respect of other services provided	-	41
Depreciation of property, plant and equipment:	1,417	1,469
Other operating lease rentals payable		
Plant and machinery	194	198
Motor vehicles	115	128
Exchange (gains)/losses	119	(79)

### 2 Finance costs

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

	2019 £'000	2018 £'000
Interest expense on bank borrowings at amortised cost	1,211	1,178
Amortisation of issue costs of other loan	563	171
Interest expense on related party loans at amortised cost	1,635	1,307
Other interest payable	167	85
Total interest expense for financial liabilities	3,576	2,741
Bank charges	52	83
Total finance costs	3,628	2,824



## Notes to the financial statements

### **3 Employee remuneration**

Expense recognised for employee benefits is analysed below:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	9,661	9,112
Social security costs	933	909
Pensions - defined contributions plans	980	1,217
<b>Total</b>	<b>11,574</b>	<b>11,238</b>

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

	<b>2019</b>	<b>2018</b>
FTE	<b>303</b>	<b>302</b>
	<b>303</b>	<b>302</b>

The liability recognised for pensions and other employee remuneration in the balance sheet is £113,047 (2018: £260,432). These liabilities represent the company's obligations to its employees and are expected to be settled during the next financial year. These liabilities arise from outstanding pension contributions.

### **4 Key management remuneration and Directors remuneration**

Key management personnel comprise the CEO and heads of departments.

Key management personnel remuneration includes the following:

	<b>Directors</b>	<b>KMP</b>	<b>Directors</b>	<b>KMP</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Short term employee benefits</b>				
Emoluments	208	456	202	508
Social security costs	29	63	28	70
<b>Post-employment benefits</b>				
Defined contribution pension schemes	19	42	15	45
<b>Total</b>	<b>256</b>	<b>561</b>	<b>245</b>	<b>623</b>

The emoluments of the directors of Typhoo Tea Limited are included within the above. The highest paid director received emoluments of £203,263 (2018: £195,090).

## Notes to the financial statements

### 5 Taxation

The relationship between the expected tax expense based on the standard rate of corporation tax in the UK 19% (2018: 19%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

	2019 £'000	2018 £'000
Current tax expense	-	-
Deferred tax credit resulting from the origination and reversal of temporary differences	-	-
Total tax charge	-	-
Total tax:		
Result for the year before tax	(29,921)	(20,035)
Expected tax charge at tax rate of 19% (2018: 19%)	(5,685)	(3,807)
Adjustment for non-deductible expenses and short term timing differences	708	1,112
Capital depreciation in excess of allowances	30	120
Deferred tax asset not recognised	4,947	2,575
Amounts recognised directly into equity	-	-
Actual tax expense	-	-

Reference should be made to note 15 for information on the entity's deferred tax assets and liabilities.

## Notes to the financial statements

### **6 Goodwill**

	<b>2019</b>
	<b>£'000</b>
Gross carrying amount at 1 April 2018	6,595
Impairment in the year	(6,595)
Gross carrying amount at 31 March 2019	<u>-</u>

In the current year the carrying value of Goodwill has been fully impaired, to reflect the reduction in intangible value made in this acquisition as reflected in the recent results.

The bank loan and overdraft are secured on Typhoo Tea Limited's property and assets including goodwill by way of a debenture held by AXIS Bank UK Limited. The bank are aware of the results that have led to the above impairment and have not sought to amend the security held.

#### **Impairment tests for goodwill**

Goodwill acquired is allocated by cash generating unit ("CGU") as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Typhoo	<u>-</u>	<u>6,595</u>

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill may be impaired. Confirmation of the CGUs carrying value is determined based on value in use calculations. The key assumptions for value in use calculations are those relating to discount rates, future cashflows and growth rates. See note 7 for discussion of reasonably possible changes in each of these key assumptions. Discount rates are estimated based on the pre-tax interest rate applicable to the sector given the gearing of the sector on average as this is considered to reflect the risk of the cash generating units (CGUs). Growth rates after the detailed five-year cash flow projection are assumed to be 2.06% (2018: 2.06%) based on UK long term average growth rates. Future cash flows are based on detailed 5 year forecasts which are then extended into perpetuity at the long term growth rate.

All projections are based on information approved by management in respect of the following five years cash flows.

As at 31 March 2019 the pre-tax rate used to discount the forecasted cash flows was 8.30% (2018: 10.4%).

## Notes to the financial statements

### 7 Intangible assets

	Contractual relationships £'000	Domain names £'000	Brand/ trademarks £'000	Total £'000
<b>Cost</b>				
As at 31 March 2017 to 31 March 2019	600	65	57,858	58,523
<b>Amortisation</b>				
As at 31 March 2017	(600)	-	-	(600)
Charge for the year	-	-	-	-
Impairment	-	-	(5,000)	(5,000)
As at 31 March 2018	(600)	-	(5,000)	(5,600)
Charge for the year	-	-	-	-
Impairment	-	-	(5,000)	(5,000)
At 31 March 2019	(600)	-	(10,000)	(10,600)
<b>Net book value at 31 March 2019</b>	<b>-</b>	<b>65</b>	<b>47,858</b>	<b>47,923</b>
Net book value at 31 March 2018	-	65	52,858	52,923

Contractual relationships relate to customer contracts acquired as part of the business combination.

Brands/trademarks relate to the different product types within the entity.

The material brands held on the balance sheet are shown in the table below. The carrying amounts are set out in the following table. These brands continue to have an indefinite life.

Domain names are not specifically allocated to a CGU.

	<b>Brands/Trademark</b>
	<b>£'000</b>
Typhoo	30,339
Glengettie	2,172
Ridgeways	469
Heath & Heather	5,629
London Fruit & Herb	6,250
Lift	753
Melroses	330
Freshbrew	507
Red Mountain	1,409
	<b>47,858</b>

## Notes to the financial statements

### **7 Other intangible assets (continued)**

The key assumptions to the value in use calculations are those regarding growth rates, discount rates and future cash flows. The impact on the impairment review of the CGUs of reasonably possible changes to each of the key assumptions is as follows:

**Future cash flows** The directors have determined future cash flows based on past performance and expectations of developments in future years with reference to market conditions. The directors consider that the five year plan is their best estimate of future cashflows. Whilst it is envisaged that the cashflows projected will be achieved, management have applied a range of sensitivities to projected business performance to reduce revenue growth and projected cost reduction to derive value in use. Management have applied a sensitivity of achieving 65% of planned performance as part of the impairment review process.

**Growth rates** Growth rates after the detailed five year plan are assumed to be 2.06% (2.06% in 2018) based on UK long term average growth rates as published by the Office for National Statistics. This rate has been set by taking the average rates over the last five years, as this is in line with the length of the detailed plans and provides a fairly stable period over which to measure growth when looking back over the full history of this statistic.

**Discount rates** Discount rates are estimated based on weighted average cost of capital applicable to the company. The discount rate used in the calculations is 8.30% (2018: 10.4%). The directors consider based on past experience that a range of 7.5% to 9.1% is possible.

In light of the above analysis, management have calculated an impairment charge of £3m and £2m respectively against Typhoo and Red Mountain, which is reflected in the table above and through out these financial statements. Furthermore, as all of the goodwill was allocated to the Typhoo CGU, this has also been impaired by £6.595m.

## Notes to the financial statements

### 8 Property, plant and equipment

	Freehold land and buildings £'000	Assets under construction £'000	Plant and machinery £'000	IMAs £'000	Total £'000
<b>Cost or valuation</b>					
As at 31 March 2018	7,163	1,823	20,771	5,639	35,396
Additions	-	-	864	-	864
Transfer	-	(1,823)	1,823	-	-
31 March 2019	<u>7,163</u>	<u>-</u>	<u>23,458</u>	<u>5,639</u>	<u>36,260</u>
<b>Accumulated depreciation</b>					
Depreciation as at 31 March 2018	1,738		14,281	2,230	18,249
Charge for the year	157		1,073	187	1,417
Depreciation as at 31 March 2019	<u>1,895</u>	<u></u>	<u>15,354</u>	<u>2,417</u>	<u>19,666</u>
<b>Net book value at 31 March 2019</b>	<u>5,268</u>	<u>-</u>	<u>8,104</u>	<u>3,222</u>	<u>16,594</u>
Net book value at 31 March 2018	<u>5,425</u>	<u>1,823</u>	<u>6,490</u>	<u>3,409</u>	<u>17,147</u>

## Notes to the financial statements

### **8 Property, plant and equipment (continued)**

Freehold land and buildings are carried at fair value, using an internal Directors valuation as at 31 March 2019 based on a combination of total usable space (sq ft), market value of similar recently sold properties in the local area and an allowance for significant remedial work evidenced by external quotations. This is in line with the approach taken in previous years.

We have categorised the freehold land and buildings as hierarchy 2 on the basis that although not quotable all of the inputs, square footage, rental / sales values and remedial work quotations are observable, as we consider these to be market corroborated inputs. There has been no changes in the categorisation of hierarchy in the year to 31 March 2019.

IMA machines are carried at fair value based on an internal management's experts valuation as at 31 March 2019 based on many years of experience in the industry backed up by indicative costings for new IMAs provided by the manufacturer of these machines. This is in line with the approach taken in previous years.

We have categorised the IMAs as hierarchy 2 on the basis that although not quotable the main inputs, indicative costs and market sales are observable, we also consider these to be market corroborated inputs. There has been no changes in the categorisation of hierarchy in the year to 31 March 2019.

At the 31 March 2019, the revaluation reserve stood at £5,457k, a reduction of £97k from 31 March 2018 being the allowance for excess depreciation of the revalued property.

The following carrying amounts would have been recognised on revalued assets under the cost model:

	<b>Land</b>	<b>Freehold</b>	
	<b>£'000</b>	<b>buildings</b>	<b>IMAs</b>
		<b>£'000</b>	<b>£'000</b>
Cost	1,170	2,020	1,022
Accumulated depreciation	-	(678)	(1,022)
<b>Net book value</b>	<b>1,170</b>	<b>1,342</b>	<b>-</b>

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

### **9 Investments**

Typhoo Tea Limited owns the entire ordinary share capital of the following companies, who are all dormant and registered in England and Wales. Consolidation of these subsidiaries is not considered necessary as all of the companies have capital and reserves of £1 and have no material assets or liabilities.

Ridgeways Limited  
 Heath & Heather Limited  
 The London Herb & Spice Company Limited  
 Kardomah Limited  
 London Tea & Produce Company Limited

Glengettie Tea Company Limited  
 The London Fruit & Herb Company Limited  
 Melroses Limited  
 Mantunna Limited  
 Red Mountain Coffee Company Limited

## Notes to the financial statements

### 10 Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	5,468	5,726
Work in progress	578	478
Finished goods	6,140	7,811
	<u>12,186</u>	<u>14,015</u>

The above carrying amounts include write downs of £1,623,012 (2018: £408,919).

Inventory recognised in cost of sales in the year is £54,291,645 (2018: £60,276,000).

### 11 Trade and other receivables

	2019 £'000	2018 £'000
<b>Current assets</b>		
Trade receivables	7,707	9,282
Bad debt provision	(388)	-
Net receivables	<u>7,319</u>	<u>9,282</u>
Amounts owed by related parties	14,027	14,239
VAT	388	273
Other receivables	-	-
Prepayments and accrued income	<u>2,576</u>	<u>3,123</u>
	<u>24,310</u>	<u>26,917</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value. The above provision is a specific provision for identified bad debts. Management have considered the requirements of IFRS 9 and in particular applying the requirements of the simplified model of expected credit losses. Given the amounts are current trading balances largely with significant FMCGs the risks are considered minimal and as such any expected credit losses would be immaterial.

The trade receivables are subject to a debenture that secures a loan as detailed in note 14.

Within the above prepayments and and accrued income there are no amounts relating to completed contracts that have not been billed.

	2019 £'000	2018 £'000
<b>Non-current assets</b>		
Other receivables	168	168
Deferred tax asset (see note 15)	<u>6,680</u>	<u>7,410</u>
	<u>6,848</u>	<u>7,578</u>

All of Typhoo Tea Limited's trade and other receivables have been reviewed for indicators of impairment. A specific provision has been recognised against trade debtors of the company during the year of £388k (2018: £Nil) has been recorded. An analysis of receivables past due but not impaired is at note 23.



## Notes to the financial statements

### **12 Trade and other payables**

	2019 £'000	2018 £'000
<b>Trade and other payables</b>		
Trade payables	11,444	7,786
Other tax and social security payments	477	375
Amounts due to related parties	19,661	8,814
Other payables and accruals	7,279	5,255
	<u>38,861</u>	<u>22,230</u>
<b>Other financial liabilities</b>		
Bank overdraft	19,836	20,108
Bank loan	10,370	10,370
Related party loans	31,009	34,040
	<u>61,215</u>	<u>64,518</u>
	<u>100,076</u>	<u>86,748</u>

The fair values of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

Within the above accruals and deferred income there are no amounts relating to partially satisfied performance obligations that have been billed.

### **13 Non-current liabilities**

	2019 £'000	2018 £'000
Bank loan	-	-
Related party loans	3,360	3,360
	<u>3,360</u>	<u>3,360</u>

The bank loan and overdraft are secured on Typhoo Tea Limited's property and assets including goodwill, book debts, uncalled capital, buildings, fixtures and fixed plant and machinery by way of a debenture held by AXIS Bank UK Limited.

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

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

The overall value of facilities held with AXIS Bank across working capital and overdraft comes to a total of £30,370,000 (2018 : £30,450,000).

	2019 £'000	2018 £'000
Deferred tax liability (see note 15)	<u>5,480</u>	<u>6,210</u>

## Notes to the financial statements

### 14 Financial liabilities - borrowings

	2019 £'000	2018 £'000
<b>Current</b>		
Bank overdraft	19,836	20,108
Bank loan	10,370	10,370
Related party loan	34,369	34,040
	<u>64,575</u>	<u>64,518</u>
<b>Non-current</b>		
Loan from related party	3,360	3,360
Bank loan	-	-
	<u>3,360</u>	<u>3,360</u>

During the financial year 2019, the company breached the minimum debt service coverage ratio loan covenant in respect of the AXIS Bank loan and as a result the loan of £10,370,000 became repayable on demand.

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

The bank loans and overdraft are secured on Typhoo Tea Limited's property and assets including goodwill, book debts, uncalled capital, buildings, fixtures and fixed plant and machinery by way of a debenture held by AXIS Bank UK Limited.

The bank loan is due for repayment as follows:

	2019 £'000	2018 £'000
In one year	10,370	10,370
In one to two years	-	-
In two years to five years	-	-
	<u>10,370</u>	<u>10,370</u>

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

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

	2019 £'000	2018 £'000
In one year	34,369	34,040
In one to two years	-	-
In two to five years	3,360	3,360
	<u>37,729</u>	<u>37,400</u>

The interest is payable on the loans from related party at LIBOR plus a pre-determined margin.

## Notes to the financial statements

### **14 Financial liabilities – borrowings (continued)**

#### **Financial instruments**

As referred to in the Strategic report on page 9 - 10, the company uses financial instruments, borrowings, cash, liquid resources and various items, such as trade receivables and trade payables, that arise directly from its operations. The main purpose of these financial instruments is to finance the company's operations.

The main risks arising from the company's financial instruments are credit risk, cash flow, currency risk and interest rate risk.

### **15 Deferred tax assets and liabilities**

The deferred tax arising from temporary differences and unused tax losses can be summarised as follows:

	2019 £'000	Movements in year £'000	2018 £'000
Tax asset by type of temporary differences:			
Total tax losses available – gross	<u>91,347</u>	<u>16,742</u>	<u>74,605</u>
Deferred tax asset recognised	<u>6,680</u>	<u>(730)</u>	<u>7,410</u>
Tax liabilities by type of temporary differences:			
Property, plant and equipment	<u>1,586</u>	<u>(48)</u>	<u>1,634</u>
Intangible assets	<u>3,894</u>	<u>(682)</u>	<u>4,576</u>
Deferred tax liability recognised	<u>5,480</u>	<u>(730)</u>	<u>6,210</u>
Net asset	<u>1,200</u>	<u>-</u>	<u>1,200</u>

Within the property, plant and equipment deferred tax liability there is £ Nil (2018: £Nil) that has been recognised directly in equity. The movement of £ Nil (2018: £Nil) has been recognised within the statement of comprehensive income.

The tax losses available are recognised up to the point that they are considered to be recoverable. The directors do not feel it would be appropriate to recognise the full deferred tax asset as it is not probable that sufficient profits will be generated. The amount recognised represents the Directors assessment of future taxable profits. The unrecognised deferred tax asset is £8,206k (2018: £6,423k)

## Notes to the financial statements

### **16 Risk management objectives and policies**

Typhoo Tea Limited is exposed to a variety of financial risks which result from both its operating and financing activities. The company's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial markets.

Typhoo Tea Limited does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

#### **Credit risk**

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The company is exposed to concentrations of credit risk, due to the high volume of trading with specific customers. This exposure is primarily with blue chip customers and is reviewed on a daily basis with the monitoring of outstanding debts.

#### **Cash flow and fair value interest rate risks**

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

#### **Currency risk**

The company purchases tea in US dollars, which gives rise to currency risk. The company policy is to manage this risk by foreign currency borrowing and forward currency contracts. The company manages the risk of foreign currency borrowings using derivative financial instruments, and by fixing the exchange rates on borrowing facilities.

## Notes to the financial statements

### 17 Share capital

The share capital of Typhoo Tea Limited consists of ordinary equity shares.

The 1p ordinary equity shareholders are eligible to receive dividends and preference and the repayment of capital and each share represents one vote at the shareholders' meeting.

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

18 £0.01 ordinary shares were issued at par in April 2018 and 64 £0.01 ordinary shares were issued at par in December 2018.

1,192,567 Type 1 preference shares were issued in April 2018 and 916,692 were issued in December 2018. These shares were issued at a premium of (£0.57 and £0.32 respectively) to their nominal value of £0.27 with the consideration in excess of the nominal value included within the share premium reserve.

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

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

The entity is not subject to any externally imposed capital requirements.

The directors review the funding requirements of the entity on a regular basis and consider the need for an increase/change in the capital structure as well as considering the impact on the shareholders.

Issued share capital	2019		2018	
	No	£	No	£
Ordinary shares of £0.01 (2018: £0.01) each	1,082	11	1,082	11
Ordinary shares of £0.27 (2018: £0.27) each	43,820,000	11,831,400	43,820,000	11,831,400
Type 1 preference shares of £0.27 (2018: £0.27)	15,214,377	4,107,882	15,214,377	4,107,882
Type 2 preference shares of £0.27 (2018: £0.27)	10,114,956	2,731,038	10,114,956	2,731,038
		<u>18,670,331</u>		<u>18,670,331</u>

## Notes to the financial statements

### 18 Operating lease commitments

The company's future minimum operating lease payments are as follows:

	<b>Plant and equipment</b>		<b>Motor vehicles</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Payments falling due:				
Within one year	340	318	76	77
between one to five years	466	302	58	102
	<u>806</u>	<u>620</u>	<u>134</u>	<u>179</u>

The company has a number of leasing arrangements in relation to motor vehicles and plant and equipment which are used in connection with both manufacturing and administrative activities.

### 19 Other commitments

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Contracts placed for future expenditure regarding tea contracts	<u>6,177</u>	<u>8,697</u>

### 20 Summary of financial assets and liabilities by category

The carrying amounts of Typhoo Tea Limited's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets that are carried at amortised cost</b>		
<b>Loans and receivables – amortised cost</b>		
Cash and cash equivalents	257	266
Trade receivables	7,707	9,282
Amounts owed by related parties	14,027	14,239
Other receivables	168	168
	<u>22,159</u>	<u>23,955</u>
<b>Financial liabilities that are carried at amortised cost</b>		
<b>Other - amortised cost</b>		
Trade payables	11,446	7,786
Other payables and accruals – current	7,268	5,255
Bank overdraft	19,536	20,108
Bank loan – current	10,370	10,370
Bank loan - non current	-	-
Loans from related parties – current	31,009	34,040
Loans from related parties - non current	3,360	3,360
	<u>82,989</u>	<u>80,919</u>

## Notes to the financial statements

### 21 Foreign currency sensitivity

Most of Typhoo Tea Limited's transactions are carried out in Sterling. Exposures to currency exchange rates arise from the company's overseas purchases, which are primarily denominated in US Dollars and Euros.

To mitigate the company's exposure to foreign currency risk, non-Sterling cash flows are monitored and forward exchange contracts are entered into in accordance with Typhoo Tea Limited's risk management policies. There were none in place at the year end. Generally, Typhoo Tea Limited's risk management procedures distinguish short term foreign currency cash flows (due within six months) from longer term cash flows. Forward exchange contracts are mainly entered into for significant long term foreign currency exposures that are not expected to be offset by other currency transactions.

Foreign currency denominated financial assets and liabilities, translated in Sterling at the closing rate, are as follows: trade receivables, trade payables and loans.

Nominal amounts	2019			2018		
	US\$ £'000	€ £'000	Other £'000	US\$ £'000	€ £'000	Other £'000
Financial assets	362	419	246	327	537	74
Financial liabilities	(2,476)	(34)	-	(325)	(22)	-
<b>Short term exposure</b>	<b>(2,114)</b>	<b>385</b>	<b>246</b>	<b>2</b>	<b>515</b>	<b>74</b>

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

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

It assumes a +/- 10% and 20% change of the exchange rates for the year ended 31 March 2019 (2018: +/- 10% and 20%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Typhoo Tea Limited's foreign currency financial instruments held at each balance sheet date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

	2019			2018		
	US\$ £'000	€ £'000	Other £'000	US\$ £'000	€ £'000	Other £'000
<b>Short term exposure</b>						
Financial assets						
+ 10%	33	38	22	29	49	7
- 10%	(40)	(47)	(27)	(37)	(60)	(8)
+ 20%	60	70	41	54	89	12
- 20%	(91)	(104)	(61)	(82)	(134)	(18)
Financial liabilities						
+ 10%	(225)	3	-	30	2	-
- 10%	275	(4)	-	(36)	(2)	-
+ 20%	413	6	-	54	4	-
- 20%	619	(9)	-	(81)	(5)	-

## Notes to the financial statements

### **21 Foreign currency sensitivity (continued)**

In addition to the above, Typhoo Tea Limited also has a Swiss Franc loan. From 2008 the foreign exchange rate was fixed therefore there is no exposure to currency rate movements.

	2019 £'000	2018 £'000
Financial Liabilities		
Swiss Franc loan - CHF - GBP exchange rate 2.00	5,129	5,129
<b>Long term exposure</b>	<b>5,129</b>	<b>5,129</b>

### **22 Interest rate sensitivity**

Typhoo Tea Limited's policy is to minimise interest rate cash flow risk exposures on long term financing. At 31 March 2019 Typhoo Tea Limited was exposed to changes in market interest rates through its bank and related party borrowings, which are subject to variable interest rates.

The following table illustrates the sensitivity on the net result for the year and equity to a reasonably possible change in interest rates of +0.5% and -0.5% (2018: +/- 0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observations of current market conditions. The calculations are based on Typhoo Tea Limited's financial instruments held at each balance sheet date. All other variables are held constant.

	2019 £'000 +0.5%	2019 £'000 -0.5%	2018 £'000 +0.5%	2018 £'000 -0.5%
Net result for the year	(247)	247	(247)	247
Equity	247	(247)	247	(247)



## Notes to the financial statements

### 23 Credit risk analysis

Typhoo Tea Limited's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2019 £'000	2018 £'000
Classes of financial assets - carrying amounts		
Trade and other receivables (excluding VAT)	10,451	12,828
Cash and cash equivalents	257	266
	<u>10,708</u>	<u>13,094</u>

Typhoo Tea Limited continuously monitors defaults of customers and other counterparties, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Typhoo Tea Limited's policy is to deal only with creditworthy counterparties.

The company is exposed to concentrations of credit risk, due to the high volume of trading with specific customers. This exposure is primarily with blue chip customers and is reviewed on a daily basis with the monitoring of outstanding debts. The concentrations of these risks are set out below:

	2019 %	2018 %
Percentage of receivables relating to top 5 customers	27	30

Typhoo Tea Limited's management considers that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See below for further information on impairment of financial assets that are past due.

None of Typhoo Tea Limited's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The entity's trade receivables are reviewed for indicators of impairment. In respect of the above trade receivables the bad debt provision (as noted at Note 11) is a specific provision against identified debts, rather than a reflection of management's expected future credit losses, which for the above reasons are considered negligible.

In addition, some of the unimpaired receivables are past due as at the reporting date. The age of financial assets past due but not impaired as reviewed annually at the balance sheet date is as follows:

	2019 £'000	2018 £'000
Not more than 3 months	1,445	3,160
More than 3 months but not more than 6 months	1,094	227
More than 6 months but not more than 12 months	295	511
More than 12 months	79	17
	<u>2,913</u>	<u>3,915</u>

## Notes to the financial statements

### **24 Liquidity risk analysis**

Typhoo Tea Limited manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day projection. Long-term liquidity needs for a 180 day and a 360 day lookout period are identified monthly.

Typhoo Tea Limited maintains cash to meet its liquidity requirements for up to 30 day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at 31 March 2019 Typhoo Tea Limited's liabilities have contractual maturities which are summarised below:

31 March 2019		<b>Current</b>		<b>Non-current</b>
	Within 6 Months £'000	6 to 12 months £'000	1 to 5 years £'000	later than 5 years £'000
Bank loans	10,370	-	-	-
Loans from related parties	31,009	-	3,360	-
Trade payables	11,444	-	-	-
Other short term financial liabilities	34,552	-	-	-
	<b>87,375</b>	<b>-</b>	<b>3,360</b>	<b>-</b>

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

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

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

## Notes to the financial statements

### 25 Related party transactions

The following transactions took place in the period:

Company name	Relationship	Nature of transaction	Value in period to 31.3.2019 £'000	Amount due (from)/to at 31.3.2019 £'000	Value in period to 31.3.2018 £'000	Amount due (from)/to at 31.3.2018 £'000
Apeejay London Limited	Related party	Advance	-	5,129	-	5,129
Apeejay London Limited	Related party	Loan advance	-	(1,769)	-	(1,769)
Apeejay London Limited	Related party	Interest on loan	(22)	16	14	38
Apeejay London Limited	Related party	Room hire	-	15	(103)	15
Apeejay Tea Limited	Related party	Tea purchases	883	5,324	(1,888)	4,441
Apeejay Tea Limited	Related party	Cost recharge	-	(72)	-	(72)
Apeejay Tea Limited	Related party	Tea purchases (USD)	(370)	606	(978)	976
Apeejay Tea Panama Limited	Related party	Loan	5,194	27,042	(13,267)	32,236
Apeejay Tea Panama Limited	Related party	Interest on loan	(368)	1,121	154	1,489
Apeejay Typhoo Tea Pvt Ltd	Related party	Charges	(30)	(48)	-	(18)
Global Tea & Commodities Limited	Related party	Tea purchases	684	(1,153)	(83)	(1,837)
Global Tea & Commodities Limited	Related party	Cost recharge	(16)	(44)	-	(28)
Global Tea & Commodities Limited	Related party	Loan advance	2,158	3,962	(1,768)	1,804
Global Tea & Commodities Limited	Related party	Interest	225	275	(114)	50
Global Tea & Commodities Limited	Related party	Overider	228	-	-	(228)
Global Tea Kenya	Related party	Tea purchases	141	1,940	1,305	1,799
Global Tea Commodities (Malawi)	Related party	Tea Purchases	1,536	1,887	(198)	351
Gold Crown Food (EPZ) Limited	Related party	Contract packing	460	8,788	1,401	1,597
Gold Crown Foods (EPZ) Limited	Related Party	Contract packing	-	-	-	-
Mombasa			16	165	19	149
Gold Crown Foods (EPZ) Limited	Related party	Sale of engineering	-	-	-	-
Mombasa		Inventory	721	(1,980)	815	(2,701)
Gold Crown Foods (EPZ) Limited	Related party	Overider	-	-	-	-
Mombasa			7,013	-	-	(7,013)
Gold Crown Speciality Foods Limited	Related party	Tea purchases	(147)	935	(948)	1,082
First Management Services Limited	Related party	Overiders	9,925	(9,925)	-	-
Apeejay Surrendra Group (India) Limited	Parent	Recharge of expenses	(30)	(54)	16	(24)
				<u>42,160</u>		<u>37,466</u>

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

## Notes to the financial statements

### **25 Related party transactions (continued)**

The loan from Apeejay Tea Panama Limited are loans as detailed in note 14, interest is payable at 4.25%, 4% and 1.5% (2018: 1.5%).

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

### **26 Ultimate controlling entity**

The directors of Typhoo Tea Limited, a company incorporated in England and Wales, consider the ultimate controlling entity of this company to be Surrendra Holdings Inc, registered in Panama. The directors consider the entity's parent to be International Beverages Inc, a company registered in Panama.

### **27 Analysis of balances of cash and cash equivalents**

	2019 £'000	2018 £'000
Bank balances	257	266
Bank Overdraft (Note 12)	(19,836)	(20,108)
	<u>(19,579)</u>	<u>(19,842)</u>

### **28 Post balance sheet events**

After 31 March 2019, the company issued ordinary shares via a share issue of £5,000,000 of which at the date of these accounts £4,270,000 has been called up.