

Typhoo Tea Limited

Financial statements

For the year ended 30 September 2022

Registered number: 05573418



Company Information

Directors

N Ahmed
M Brehme
M Goddard
I Hamid
S Limnios
A Reardon (appointed 13 April 2023)

Registered number 05573418

Registered office

Pasture Road
Moreton
Merseyside
CH46 8XF

Independent auditor

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers

Barclays Bank PLC
21 Hanover Square
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London
W1S 1JW

AXIS Bank Limited
GIFT City
Unit 403, 4th Floor
Hiranandani Signature, 13-B Zone-I
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Gujarat 382355

Solicitors

DTM Legal
3rd Floor
St Paul's Square
Old Hall St
Liverpool
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Directors' report

For the year ended 30 September 2022

The directors present their report and the financial statements for Typhoo Tea Limited ('the company') for the year ended 30 September 2022.

Principal activity

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

Directors

The directors who served during the year and to the date of these accounts were:

N Ahmed
M Brehme (appointed 1 November 2021)
A Brown (resigned 1 November 2021)
M Goddard
I Hamid
D Kingsley (resigned 30 May 2022)
S Limnios
P White (resigned 6 January 2023)

After the year end, A Reardon was appointed as a director on 13 April 2023.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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.

Directors' report (continued)

For the year ended 30 September 2022

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements, in accordance with applicable law.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Streamlined energy and carbon reporting

The following SECR disclosures present our carbon footprint within the United Kingdom across Scope 1, 2 and 3 emissions. We have followed the 2019 HM Government Environmental Reporting Guidelines and used the GHG Reporting Protocol – Corporate Standard and also used the 2020 and 2021 UK Government's Conversion Factors for Company Reporting. The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per tonne of product produced.

Year ending 30 September 2022

kWh PE Sep 22 Electricity	3,236,751
kWh PE Sep 22 Gas	2,340,313
Emissions from combustion of gas kgCO ₂ e PE Sep 22	1,842,327

KgCO₂/Tonne PE Sep 22

Mileage from business travel in private or rental cars

Average carbon emission kg/mile	0.28
Total Mileage from business travel in private or rental cars	24,929
KgCO ₂ emissions from business travel in private or rental cars	6,953

Directors' report (continued)

For the year ended 30 September 2022

Period ending 30 September 2021

kWh PE Sep 21 Electricity	5,710,395
kWh PE Sep 21 Gas	2,781,861
Emissions from combustion of gas kgCO ₂ e PE Sep 21	3,282,416
 KgCO ₂ /Tonne PE Sep 21	 260

Mileage from business travel in private or rental cars

Average carbon emission kg/mile	0.28
Total Mileage from business travel in private or rental cars	22,546.91
KgCO ₂ emissions from business travel in private or rental cars	6,288.24

Typhoo Tea is constantly looking to reduce its environmental impact and during the period ending September 2022 has identified several *Energy Conservation Measures* including:


- Implementation of light fittings to LED equivalents; and
- Identifying and repairing compressed air leaks and rationalising the compressed air piping system within the factory.

Post year end events

After the reporting date, the company received an additional £16.1m loan from a related party under a facility agreement. Interest is charged on this loan at 15% per annum. The company made the decision to close the Moreton facility in July 2023 and change its operating model to a fully outsourced operation using tea packers in Sri Lanka, Africa and the UK for its various products.

This report was approved by the board on

and signed on its behalf.


Andrew Reardon (Jun 29, 2023 13:41 GMT+1)

A Reardon
Director

28 June 2023

Strategic report

For the year ended 30 September 2022

Business review

Following the acquisition of the business on 15 June 2021 by Karalius Limited (owned by Zetland Special Situations Fund II) further investment has been made into the company to support a challenging trading period. During the year, there were changes to the board structure as the Chief Executive Officer resigned, and the non-executive Chairman, Mike Brehme, was appointed as Executive Chairman. Post year end, the Chief Financial Officer resigned from the board. The Chief Transformation Officer was subsequently appointed to the board as Chief Executive Officer, with the Executive Chairman remaining on the board as Chairman.

Trading for the year ended 30 September 2022 was challenging, with the company facing immediate increases in costs imposed on it by suppliers due to the global cost of living increases, as well as periods of worldwide supply chain disruption, specifically around shipping costs and container availability.

The company continued to focus on product rationalisation and the exit of loss making contracts, as well as focusing on non-operational aspects such as spend related rebates and ensuring that any spend was sales enhancing delivering value to the business.

Revenue for the year was £33.671m versus £54.588m for the previous 18 month accounting period.

Gross profit for the year was £4.727m versus £8.398m for the previous 18 month accounting period, reflecting the portion of increase in supplier costs that could not immediately be mitigated.

EBITDA for the year was a loss of £3.4798 versus a loss of £2.763m for the previous 18 month accounting period.

Key performance indicators

Sales, gross profit and EBITDA are the main key performance indicators used by the directors to understand the development and performance of the company's business. These are disclosed in the Business review section above.

Future strategy

In August 2022 the Board of Directors signed off a transformation plan to create the foundations for a stronger Typhoo Tea Limited and accelerate the recovery of the business. This plan involved a £11.8m investment to further restructure the factory and office workforce, upgrade key machinery and introduce new equipment and automation to streamline operations. The decision was also made to look for new a facility and close the Moreton factory in a two-year horizon.

The introduction of a new Commercial Director and Chief Transformation Officer adds horsepower and focus to building and growing a match-fit company to face the challenges of the future.

Customer service remains a key part of the new strategy. The simplification of the business model and the drive to reduce costs and improve efficiency while retaining high quality will underpin growing revenues. These changes, together with a continued investment in the Typhoo and Heath and Heather brands will enhance our brand propositions and further supports the new business strategy going forward.

The directors are committed to the new strategic approach and with the continued support of the shareholders, are confident the company will grow rapidly while delivering value to customers and consumers.

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, develop and retain the best employees and recognises that an engaged and skilled motivated work force is a powerful source of competitive advantage.

Strategic report (continued)

For the year ended 30 September 2022

Section 172(1) of the Companies Act 2006

The Board of directors of Typhoo Tea Limited consider, both individually and collectively, that they have acted in ways that they believe in good faith to be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and other matters set out in s172(1) of the Act) in the decisions they made during the year ended 30 September 2022.

Our people

The quality and commitment of our people has played a major role in our business success. We recognise our employees as our most important asset and aim to be a responsible employer in our approach to the pay and benefits our employees receive. Employee performance is aligned to company goals through an ongoing appraisal process that is carried out with all employees.

The community & environment

The company's policy with regards to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities, always striving to improve energy efficiency, waste reduction and levels of recycling across all our operations. Further information is included in the Streamlined Energy and Carbon Reporting section of the Directors' report.

Our values

Our culture, values and standards underpin how we do business, creating and sustaining value over the longer term.

As well as sourcing the finest tea for our blends, we also look at every aspect of life on the tea estate. Living and working conditions play a big part in the selecting of our suppliers, and we recognise the responsible trading does not just stop at compliance or certification, it is a journey of sustainable transformation and taking responsibility for your own supply chain.

Typhoo has a responsibility to the communities on our tea estates and works hard to develop policies and build on improvements that have already been made. Our commitment to sourcing responsibly in an ethical and safe manner is of high importance and we take pride in knowing where our tea is from.

Typhoo is committed to the UK Modern Slavery Act 2015. Our Modern Slavery Statement, available on our website, supports these initiatives within our organisation and supply chains. We will work closely with our supply chains in preventing modern slavery and human trafficking.

Our stakeholders

The Board are committed to developing and maintaining key stakeholder relationships, which includes our valued customers and suppliers. The Board always tries to ensure that it has visibility of these relationships at all times through effective periodic Board reporting and direct dialogue, such that it is able to take stakeholder considerations into account when it makes key decisions.

As the Board of Directors, our intention is always to behave responsibly and to ensure the business operates in a reasonable manner, adhering to high standards of business conduct and good governance. We recognise that the maintenance of our good reputation, founded on responsible behaviour, is fundamental to our continuing ability to achieve profit growth for the benefit of all our stakeholders in the future.

Strategic report (continued)

For the year ended 30 September 2022

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will be able to meet its liabilities and obligations as they fall due in the period to September 2024, being the forecast period for the directors going concern assessment.

This is based on forecasts prepared by the directors, which have been updated to take into account the impact of recent events. These forecasts indicate the actions taken by the Board and improving market conditions should deliver a return to profitability (at the EBITDA level) in the year to September 2024.

The significant assumptions included in the forecast period include, but are not limited to:

- A restructure in the supply chain of the business to drive savings and efficiencies.
- New brand listings driving incremental revenue and profitability.
- Continued investment in new and key brands.
- Rationalisation of our brands to focus on profit generating brands.
- The closure of the production facility in July 2023.

The directors are satisfied that the forecasts and underlying growth assumptions on sales and margin are robust and have been subjected to downside sensitivity review. The forecasts assume CPI and organic growth to current listings of 6% in the year to March 2024 and 10% in the year to March 2025.

The directors have carefully considered factors which may affect the company's future performance and financial position in the context of their available resources. These include:

- Mitigation of potential future global supply chain interruptions.
- The introduction of a new efficient supply chain model.
- Savings delivered through restructuring programs in 2022 and 2023 at the production facility.
- The current ownership has the facilities available to further fund the growth of the business through existing loan facilities that are in place.
- The company's ability to repay its debt that is due over the next 5 years.

The directors have concluded that based on the above there are no material uncertainties casting significant doubt over the company's ability to meet its obligations including debt and interest payments as they fall due over the forecast period.

The directors have also received written confirmation from the ultimate parent company, Zetland Special Situations Fund II SCSp SICAV-RAIF, of their commitment to continue to support the company for a period of not less than 12 months from the date of signing the financial statements. This includes a commitment to not demand repayment of any amounts due to Karalius Limited (the immediate parent) from working capital and to meet any short-term liquidity requirements in the forecast period.

The directors are confident that with the renewed support of the shareholders, there will be a return to profitability in the near future and it is appropriate to prepare these statements on a going concern basis. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

Strategic report (continued)

For the year ended 30 September 2022

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, supply chain inflation including increased freight costs, foreign exchange movements and interest rate movements. These pressures are expected to continue for the foreseeable future and, as a result of raw material commodity prices being principally denominated in foreign currency, movements in foreign exchange rates could have a significant impact on the company. The Axis Bank loan is also subject to movements in interest rates so this again could have an impact on the company if rates continue to rise (note the related party loans are at fixed interest rates where applicable). Clearly all of the above risks are impacted by the current economic climate.

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 notes 24-27 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 bank 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 a combination of selling in foreign currency and entering into short term forward currency contracts.

This report was approved by the board on

and signed on its behalf.


Andrew Reardon (Jun 29, 2023 13:41 GMT+1)

A Reardon
Director

28 June 2023

Independent auditor's report to the members of Typhoo Tea Limited

For the year ended 30 September 2022

Opinion

We have audited the financial statements of Typhoo Tea Limited for the year ended 30 September 2022 which comprise the Statement of profit or loss and other comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes, including a summary of significant accounting policies set out on pages 19 - 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 United Kingdom, including the Financial Reporting Council'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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual report. 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. It is the responsibility of the directors 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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)

For the year ended 30 September 2022

Opinion 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.

Matters on which we are required to report by exception

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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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.

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.

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

For the year ended 30 September 2022

Auditor's responsibilities for the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations, including knowledge specific to auditing tea processing companies;
- we made enquiries of management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected and alleged fraud;
- we identified the laws and regulations that could reasonably be expected to have a material effect on the financial statements of the company through discussions with directors and other management at the planning stage, and from our knowledge and experience of tea processing companies;
- the audit team held a discussion to identify any particular areas that were considered to be susceptible to misstatement, including with respect to fraud and non-compliance with laws and regulations;
- we considered the effect of the restructure and refinancing transaction on the company's operations, as well as the accounting entries to record these events; and
- we focused our planned audit work on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company including the Companies Act 2006, Health and Safety Act 1974, British retail Consortium, Food Standards Agency, Rain Forrest Alliance, Sedex, Fairtrade, employment legislation and taxation legislation.

We assessed the extent of compliance with the laws and regulations identified above through:

- making enquiries of management;
- inspecting legal correspondence throughout the year for any potential litigation or claims; and
- considering the internal controls in place that are designed to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- determined the susceptibility of the company to management override of controls by checking the implementation of controls and enquiring of individuals involved in the financial reporting process;
- reviewed journal entries during the period to identify unusual transactions;
- performed analytical procedures to identify any large, unusual or unexpected transactions and investigated any large variances from the prior year;
- reviewed accounting estimates and evaluated where judgements or decisions made by management indicated bias on the part of the company's management, specifically in relation to key judgements around the valuation of tangible and intangible fixed assets, the recognition of deferred tax asset, as well as stock and other provisions;
- tested the completeness of revenue by obtaining a full list of despatch notes applicable to the period and
- obtaining a sample of corresponding invoices and investigated any material variances to expectations; and
- carried out substantive testing to check the occurrence and cut-off of expenditure.

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

For the year ended 30 September 2022


Auditor's responsibilities for the audit of the financial statements (continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC

There are inherent limitations in our audit procedures described above. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error as they may involve deliberate concealment or collusion. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

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. This description forms part of our auditor's report.



Philip Westerman (Senior statutory auditor)

for and on behalf of

Buzzacott LLP

Statutory Auditor

130 Wood Street

London

EC2V 6DL

Date: 29 June 2023

Statement of profit or loss and other comprehensive income

For the year ended 30 September 2022

		30 September 2022 £000	18 month period ended 30 September 2021 £000
	Note		
Revenue	4	33,671	54,588
Cost of sales		(28,944)	(46,190)
Gross profit		4,727	8,398
Administrative expenses		(7,324)	(10,648)
Other expenses		(452)	287
Distribution expenses		(2,487)	(3,402)
Loss from operations		(5,536)	(5,365)
Finance expense		(2,918)	(5,090)
Loss before tax		(8,454)	(10,455)
Tax expense	10	(1,200)	-
Loss for the year		(9,654)	(10,455)
Total comprehensive income		(9,654)	(10,455)

All amounts relate to continuing operations.

The notes on pages 21 to 55 form part of these financial statements.

Statement of financial position

As at 30 September 2022


	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Property, plant and equipment	11	11,371	12,521
Intangible assets	12	47,923	47,923
Trade and other receivables	15	-	-
Deferred tax assets	20	5,480	8,320
		64,774	68,764
Current assets			
Inventories	14	8,643	6,493
Trade and other receivables	15	2,332	3,043
Cash and cash equivalents	30	208	432
		11,183	9,968
Total assets		75,957	78,732

Statement of financial position (continued)

As at 30 September 2022

	Note	2022 £000	2021 £000
Liabilities			
Non-current liabilities			
Trade and other liabilities	16	4,850	4,850
Loans and borrowings	17	50,243	41,128
Deferred tax liability	10	5,480	7,120
		60,573	53,098
Current liabilities			
Trade and other liabilities	16	8,573	9,549
Loans and borrowings	17	800	-
Provisions		-	419
		9,373	9,968
Total liabilities		69,946	63,066
Net assets		6,011	15,666
Issued capital and reserves			
Share capital	19	59,411	59,411
Share premium reserve		26,986	26,986
Revaluation reserve		5,166	5,263
Retained earnings		(85,552)	(75,994)
TOTAL EQUITY		6,011	15,666

The financial statements on pages 18 to 55 were approved and authorised for issue by the board of directors on and were signed on its behalf by:


 Andrew Reardon (Jun 29, 2023 13:41 GMT+1)

A Reardon
 Director

The notes on pages 21 to 55 form part of these financial statements.

28 June 2023

Statement of changes in equity

For the year ended 30 September 2022

	Share capital £000	Share premium £000	Revaluation reserve £000	Retained earnings £000	Total £000
At 1 April 2020	20,707	26,986	5,360	(65,636)	(12,583)
Loss for the year	-	-	-	(10,455)	(10,455)
Issue of share capital	38,704	-	-	-	38,704
Transfer of increased depreciation on revaluation	-	-	(97)	97	-
At 30 September 2021	59,411	26,986	5,263	(75,994)	15,666
At 1 October 2021	59,411	26,986	5,263	(75,994)	15,666
Loss for the year	-	-	-	(9,655)	(9,655)
Transfer of increased depreciation on revaluation	-	-	(97)	97	-
At 30 September 2022	59,411	26,986	5,166	(85,552)	6,011

The notes on pages 20 to 55 form part of these financial statements.

Typhoo Tea Limited

Statement of cash flows

For the year ended 30 September 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Loss for the year		(9,654)	(10,455)
Adjustments for			
Depreciation of property, plant and equipment	11	1,500	2,603
Finance expense		2,465	5,090
Income tax expense	10	1,200	-
		<u>(4,489)</u>	<u>(2,762)</u>
Movements in working capital:			
Decrease in trade and other receivables		519	3,421
(Increase)/decrease in inventories		(2,150)	355
Decrease in trade and other payables		(1,324)	(8,327)
Increase in provisions and employee benefits		76	68
		<u>(7,368)</u>	<u>(7,245)</u>
Cash generated from operations			
		<u>(7,368)</u>	<u>(7,245)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(306)	(404)
		<u>(306)</u>	<u>(404)</u>
Net cash used in investing activities			
		<u>(306)</u>	<u>(404)</u>
Cash flows from financing activities			
Interest paid		(750)	(1,146)
Proceeds from borrowings		8,200	36,433
Repayment of bank borrowings		-	(6,500)
Payment of lease liabilities		-	(1,115)
		<u>7,450</u>	<u>27,672</u>
Net cash from financing activities			
		<u>(224)</u>	<u>20,023</u>
Net cash (decrease)/increase in cash and cash equivalents			
		<u>432</u>	<u>(19,591)</u>
Cash and cash equivalents at the beginning of year			
		<u>432</u>	<u>(19,591)</u>
Cash and cash equivalents at the end of the year	30	<u>208</u>	<u>432</u>

The notes on pages 19 to 54 form part of these financial statements.

Notes to the financial statements
For the year ended 30 September 2022

1. General information

Typhoo Tea Limited is a private company limited by shares and was incorporated in England and Wales with registration number 05573418. Its registered office is Pasture Road, Moreton, Wirral, Merseyside, CH46 8XF.

2. Accounting policies

2.1 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.

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.

The financial statements have been presented for a period of 12 months, however the comparatives have been presented for a period of 18 months and hence the amounts presented are not entirely comparable.

Notes to the financial statements

For the year ended 30 September 2022

2. Accounting policies (continued)

2.2 Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will be able to meet its liabilities and obligations as they fall due in the period to September 2024, being the forecast period for the directors going concern assessment.

This is based on forecasts prepared by the directors, which have been updated to take into account the impact of recent events. These forecasts indicate the actions taken by the Board and improving market conditions should deliver a return to profitability (at the EBITDA level) in the year to September 2024.

The significant assumptions included in the forecast period include, but are not limited to:

- A restructure in the supply chain of the business to drive savings and efficiencies.
- New brand listings driving incremental revenue and profitability.
- Continued investment in new and key brands.
- Rationalisation of our brands to focus on profit generating brands.
- The closure of the production facility in July 2023.

The directors are satisfied that the forecasts and underlying growth assumptions on sales and margin are robust and have been subjected to downside sensitivity review. The forecasts assume CPI and organic growth to current listings of 6% in the year to March 2024 and 10% in the year to March 2025.

The directors have carefully considered factors which may affect the company's future performance and financial position in the context of their available resources. These include:

- Mitigation of potential future global supply chain interruptions.
- The introduction of a new efficient supply chain model.
- Savings delivered through restructuring programs in 2022 and 2023 at the production facility.
- The current ownership has the facilities available to further fund the growth of the business through existing loan facilities that are in place.
- The company's ability to repay its debt that is due over the next 5 years.

The directors have concluded that based on the above there are no material uncertainties casting significant doubt over the company's ability to meet its obligations including debt and interest payments as they fall due over the forecast period.

The directors have also received written confirmation from the ultimate parent company, Zetland Special Situations Fund II SCSp SICAV-RAIF, of their commitment to continue to support the company for a period of not less than 12 months from the date of signing the financial statements. This includes a commitment to not demand repayment of any amounts due to Karalius Limited (the immediate parent) from working capital and to meet any short-term liquidity requirements in the forecast period.

The directors are confident that with the renewed support of the shareholders, there will be a return to profitability in the near future and it is appropriate to prepare these statements on a going concern basis. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

Notes to the financial statements

For the year ended 30 September 2022

2. Accounting policies (continued)

2.3 Revenue

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 blending, packing and delivery 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.

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".

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. 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.

Notes to the financial statements
For the year ended 30 September 2022

2. Accounting policies (continued)

2.3 Revenue (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 IFRS 15.29 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 IFRS 15.53 based on the expected value, per IFRS 15.56 as all discounts are recognised in the accounts in the year to which they relate, as such the variable element meets criteria of IFRS 15.56 to be highly probable.

In terms of contract variations that occurs management believe it is appropriate to recognise this via IFRS 15.53b "the most likely amount" as at the year end it is a known amount agreed by both parties. Per IFRS 15.56 as at the year end all amounts are agreed the values can be considered highly probable. Under IFRS 15.88 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.

2.4 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).

2.5 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.

Notes to the financial statements
For the year ended 30 September 2022

2. Accounting policies (continued)

2.6 Operating expenses

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

2.7 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.

2.8 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.

Notes to the financial statements
For the year ended 30 September 2022

2. Accounting policies (continued)

2.9 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.

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.

2.10 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.

Notes to the financial statements
For the year ended 30 September 2022

2. Accounting policies (continued)

2.11 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.

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.

Notes to the financial statements

For the year ended 30 September 2022

2. Accounting policies (continued)

2.12 Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually. 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.

2.13 Leasing

Prior to the transition to IFRS 16 leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as a lessee

Following the transition to IFRS 16, the company assesses whether a contract is or contains a lease, at inception of a contract. The company recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. In determining the incremental borrowing rate, Management has reviewed the external borrowings of the company and the cost of borrowing that would apply based on an amount equal to the gross value in use of the company.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in substance fixed payments), less any lease incentives.

The lease liability is included in the other payables and accruals subtotal in the Statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the payments made.

Notes to the financial statements
For the year ended 30 September 2022

2. Accounting policies (continued)

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the company expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right of use assets are included in the 'Property, Plant and Equipment' and line of the Statement of financial position.

The company applies IAS 36 to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the impairment of non-financial assets accounting policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non lease components, and instead account for any lease and associated non lease components as a single arrangement. The company has used this practical expedient.

2.14 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.

2.15 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.

Notes to the financial statements
For the year ended 30 September 2022

2. Accounting policies (continued)

2.16 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.

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.

Notes to the financial statements

For the year ended 30 September 2022

2. Accounting policies (continued)

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.

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.

2.17 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.

2.18 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the financial statements

For the year ended 30 September 2022

2. Accounting policies (continued)

2.19 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.

2.20 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.

2.21 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.

Notes to the financial statements

For the year ended 30 September 2022

3. Accounting estimates and judgements

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.

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 IFRS 15.4 is appropriate, (b) that contracts as defined by IFRS 15.9 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 Intangible assets

Management have conducted a review of impairment of 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 CGUs 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 12.

Management's assessment of value in use is based on an assessment of the company'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 flows 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.

Notes to the financial statements
For the year ended 30 September 2022

3. Accounting estimates and judgements (continued)

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.

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.

Provisions

The critical judgement in relation to provisions is the determination of whether a present obligation exists as a result of a past event. The estimation uncertainty arises from the assessment of the probability of economic outflow. Management estimation has been applied to assess the likelihood of present obligation and in their best estimate of the time period over which this obligation exists.

Going concern

The directors assessment of going concern includes a number of significant judgements and estimates. See page 20.

Notes to the financial statements
For the year ended 30 September 2022

4. Revenue

The following is an analysis of the company's revenue for the year from continuing operations:

	30 September 2022 £000	18 month period ended 30 September 2021 £000
Sale of goods	33,671	54,588

Analysis of revenue by country of destination:

	30 September 2022 £000	18 month period ended 30 September 2021 £000
United Kingdom	33,671	54,588

5. Operating loss

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

	30 September 2022 £000	18 month period ended 30 September 2021 £000
Depreciation of tangible fixed assets	1,576	2,603
Exchange (gains)/losses	(226)	(429)

Notes to the financial statements
For the year ended 30 September 2022

6. Auditors remuneration

	30 September 2022 £000	18 month period ended 30 September 2021 £000
Fees payable for the audit of the annual accounts	<u>79</u>	<u>63</u>
Fees payable to the auditor in respect of:		
- taxation compliance services	8	8
- all other non-audit services	<u>10</u>	<u>5</u>
	<u>18</u>	<u>13</u>

7. Staff costs and average number of employees

Staff costs during the year, including directors' remuneration, were as follows:

	30 September 2022 £000	18 month period 30 September 2021 £000
Wages and salaries	3,095	4,855
Social security costs	634	944
Defined contribution pension cost	<u>678</u>	<u>1,008</u>
	<u>4,407</u>	<u>6,807</u>

The average monthly number of persons employed by the company during the period was 198 (2021: 216).

The liability recognised for pensions and other employee remuneration in the balance sheet is £62k (2021: £68k). 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.

Redundancy payments in the period totalled £Nil (2021: £Nil).

Notes to the financial statements
For the year ended 30 September 2022

8. Key management remuneration and Directors remuneration

Key management personnel comprise the directors and Heads of Departments.

Key management personnel remuneration includes the following:

	Directors	KMP	Directors	KMP
	2022	2022	2021	2021
	£000	£000	£000	£000
Short term employee benefits				
Emoluments	393	356	748	991
Social security costs	54	49	88	131
Post-employment benefits				
Defined contribution pension schemes	11	40	15	52
Total	458	445	851	1,174

The emoluments of the directors of Typhoo Tea Limited are included within the above. The highest paid director received remuneration of £253k (2021: £412k). 1 director received pension contributions (2021: 2).

9. Finance income and expense

Recognised in profit or loss

	30 September	18 month period ended 30 September
	2022	2021
	£000	£000
Finance expense		
Bank interest payable	639	1,593
Related loan interest payable	1,993	2,641
Other finance charges and interest payable	246	334
Amortisation of issue costs of other loan	19	475
Bank charges	21	47
Total finance expense	2,918	5,090

Notes to the financial statements
For the year ended 30 September 2022

10. Tax expense

10.1 Income tax recognised in profit or loss

	30 September 2022 £000	18 month period ended 30 September 2021 £000
Deferred tax expense		
Origination and reversal of timing differences	-	1,640
Recognition of previously unrecognised deferred tax assets	-	(1,640)
Write-downs (reversal of previous write-down) of deferred tax assets	1,200	-
	<u>1,200</u>	<u>-</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	30 September 2022 £000	18 month period ended 30 September 2021 £000
Loss for the year	(9,655)	(10,455)
Income tax expense (including income tax on associate, joint venture and discontinued operations)	1,200	-
Loss before income taxes	(8,455)	(10,455)
Tax using the company's domestic tax rate of 19% (2021:19%)	(1,606)	(1,986)
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	1,606	878
Capital allowances for the year in excess of depreciation	-	191
Utilisation of tax losses	1,200	1,589
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	-	(293)
Other differences leading to an increase/(decrease) in the tax charge	-	(379)
Total tax expense	1,200	-

Reference should be made to note 20 for information on the entity's deferred tax assets and liabilities.

Notes to the financial statements
For the year ended 30 September 2022

11. Property, plant and equipment

	Freehold land buildings £000	Plant and machinery £000	IMAs £000	Right of use of assets £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2020	7,167	23,495	5,639	490	79	36,870
Additions	-	40	-	312	51	403
At 30 September 2021	7,167	23,535	5,639	802	130	37,273
Additions	-	216	-	230	220	666
Disposals	-	(109)	-	(395)	(130)	(634)
At 30 September 2022	7,167	23,642	5,639	637	220	37,305
	Freehold land buildings £000	Plant and machinery £000	IMAs £000	Right of use of assets £000	Assets under construction £000	Total £000
Accumulated depreciation and impairment						
At 1 April 2020	2,056	17,192	2,604	298	-	22,150
Charge for the period	239	1,811	281	272	-	2,603
At 30 September 2021	2,295	19,003	2,885	570	-	24,753
Charge for the period	151	1,052	187	186	-	1,576
Disposals	-	-	-	(395)	-	(395)
At 30 September 2022	2,446	20,055	3,072	361	-	25,934
Net book value						
At 1 April 2020	5,111	6,303	3,035	192	79	14,720
At 30 September 2021	4,872	4,532	2,754	232	130	12,520
At 30 September 2022	4,721	3,587	2,567	276	220	11,371

Notes to the financial statements
For the year ended 30 September 2022

11. Property, plant and equipment (continued)

Freehold land and buildings are carried at fair value, using an internal directors' valuation as at 30 September 2022 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 periods.

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 change in the categorisation of hierarchy in the period to 30 September 2022.

IMA machines are carried at fair value based on an internal management's experts valuation as at 30 September 2022 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 periods.

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 change in the categorisation of hierarchy in the period to 30 September 2022.

At the 30 September 2022, the revaluation reserve stood at £5,166k (2021: £5,263k).

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

	Land £'000	Freehold buildings £'000	IMAs £'000
Cost	1,170	2,020	1,022
Accumulated depreciation	-	(831)	(1,022)
Net book value	1,170	1,189	-

Notes to the financial statements
For the year ended 30 September 2022

12. Intangible assets

	Goodwill £000	Domain names £000	Contractual relationships £000	Brands/ trademarks £000	Total £000
Cost					
At 1 April 2020	6,595	65	600	57,858	65,118
At 30 September 2021	6,595	65	600	57,858	65,118
At 30 September 2022	6,595	65	600	57,858	65,118
	Goodwill £000	Domain names £000	Contractual relationships £000	Brands/ trademarks £000	Total £000
Accumulated amortisation and impairment					
At 1 April 2020	6,595	-	600	10,000	17,195
At 30 September 2021	6,595	-	600	10,000	17,195
At 30 September 2022	6,595	-	600	10,000	17,195
Net book value					
At 1 April 2020	-	65	-	47,858	47,923
At 30 September 2021	-	65	-	47,858	47,923
At 30 September 2022	-	65	-	47,858	47,923

Notes to the financial statements
For the year ended 30 September 2022

12. Intangible assets (continued)

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.

	Brands/Trademark £'000
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
	<u>47,858</u>

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 80% of planned performance as part of the impairment review process.

Growth rates- Growth rates after the detailed five year plan are assumed to be 2.00% (2021: 2.00%) 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 8.75% (2021: 8.75%). 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 concluded that there is no impairment to the intangible assets.

Notes to the financial statements
For the year ended 30 September 2022**13. 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	Glengettie Tea Company Limited
Heath & Heather Limited	The London Fruit & Herb Company Limited
The London Herb & Spice Company Limited	Melroses Limited
Kardomah Limited	Mantunna Limited
London Tea & Produce Company Limited	Red Mountain Coffee Company Limited

14. Inventories

	2022 £000	2021 £000
Raw materials	4,410	2,128
Work in progress	-	24
Finished goods and goods for resale	4,233	4,341
	<u>8,643</u>	<u>6,493</u>

The above carrying amounts include write downs of £488k (2021: £1,684k).

Inventory recognised in cost of sales in the period is £25,598k (2021: £41,605k).

Notes to the financial statements
For the year ended 30 September 2022

15. Trade and other receivables

	2022	2021
	£000	£000
Current		
Trade receivables	1,560	2,141
Less: provision for impairment of trade receivables	(25)	(93)
Trade receivables - net	1,535	2,048
Receivables from related parties	-	323
Prepayments and accrued income	460	232
Other receivables	337	440
Total current trade and other receivables	2,332	3,043

The carrying value of trade receivables is considered a reasonable approximation of fair value. The below 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 fast moving customer goods the risks are considered minimal and as such any expected credit losses would be immaterial.

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

All of the company'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 £25k (2021: £93k) has been recorded.

Notes to the financial statements
For the year ended 30 September 2022

16. Trade and other payables

	2022	2021
	£000	£000
Non-current		
Payables to related parties	2,000	2,000
Other payables	2,850	2,850
	=====	=====
Current		
Trade payables	4,853	4,877
Payables to related parties	428	148
Other payables and accruals	2,936	3,672
Other payables - tax and social security payments	356	852
	=====	=====
Total current trade and other payables	8,573	9,549
	=====	=====

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 other payables and accruals there are no amounts relating to partially satisfied performance obligations that have been billed.

Other payables and accruals include lease liabilities of £289k (2021: £247k) and accrued interest due to the related parties of £597k (2021: £319k).

Notes to the financial statements
For the year ended 30 September 2022

17. Loans and borrowings

	2022	2021
	£000	£000
Non-current		
Bank loans	21,003	21,803
Related party loans	29,240	19,325
	50,243	41,128
Current		
Bank loans	800	-
	800	-
Total loans and borrowings	51,043	41,128

The bank loans are secured on the company'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:

	2022	2021
	£000	£000
In one year	800	-
In one to two years	1,100	800
In two to five years	19,903	21,003
	21,803	21,803

In respect of the period up to and including 31 March 2023, interest is payable on the bank loan at LIBOR plus 2.25% and in respect of the period after 31 March 2023, interest is payable on the bank loan at LIBOR plus 4.4%.

The related party loans are due for repayment in two to five years. The interest is payable on the loans from related parties at 10% per annum.

Notes to the financial statements
For the year ended 30 September 2022

18. Leases

Leases as a lessee

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. With the exception of short term leases, each lease is reflected in the Statement of financial position as a right of use asset (Note 11) and a lease liability (Note 16). The company classifies its right of use assets within property, plant and equipment.

Lease liabilities are due as follows:

Contractual undiscounted cash flows due

	Plant and equipment		Motor vehicles	
	30 September	30 September	30 September	30 September
	2022	2021	2022	2021
	£000	£000	£000	£000
Payments falling due:				
Within one year	120	153	-	9
Between one to five years	192	99	-	-
	312	252	-	9

The lease liability recorded in the Statement of financial position at 30 September 2022 is £289k (2021: £247k), shown as a constituent part of the other payables and accruals balance in note 16.

The company has no property leases.

The company has 9 motor vehicle leases with a range of 0 to 11 months remaining on the lease term. The average remaining lease term is 3 months. There are no leases with extension options, options to purchase or termination options. There were no leases with variable payments linked to indexation.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 September 2022 were as follows:

	Within 1 year	2-5 years	After 5 years	Total
	£000	£000	£000	£000
Lease payments	120	192	-	261
Finance charges	(11)	(12)	-	(10)
Net present values	109	180	-	251

Notes to the financial statements
For the year ended 30 September 2022

19. Share capital

Authorised

	2022 Number	2022 £000	2021 Number	2021 £000
Shares treated as equity				
A Ordinary Shares shares of £0.01 each	620	-	620	-
B Ordinary Shares shares of £0.01 each	512	-	512	-
C Ordinary Shares shares of £0.01 each	83	-	83	-
Deferred Shares shares of £0.27 each	220,042,071	59,411	220,042,071	59,411
	220,043,286	59,411	220,043,286	59,411

Issued and fully paid

	2022 Number	2021 Number
A Ordinary Shares shares of £0.01 each		
At 1 October and 30 September	620	620
	2022 Number	2021 Number
B Ordinary Shares shares of £0.01 each		
At 1 October and 30 September	512	512
	2022 Number	2021 Number
C Ordinary Shares shares of £0.01 each		
At 1 October and 30 September	83	83
	2022 Number	2021 Number
Deferred Shares shares of £0.27 each		
At 1 October and 30 September	220,042,070	220,042,070

Notes to the financial statements
For the year ended 30 September 2022

20. Deferred tax

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

	2022 £000	Movements £000	2021 £000
Tax asset by type of temporary differences:			
Total tax losses available – gross	115,560	-	115,560
Deferred tax asset recognised	7,120	(1,200)	8,320
Tax liabilities by type of temporary differences:			
Property, plant and equipment	1,030	-	1,030
Intangible assets	6,090	-	6,090
Deferred tax liability recognised	7,120	-	7,120
Net asset	-	-	1,200

21. 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 a combination of selling in foreign currency and entering into forward currency contracts.

Notes to the financial statements

For the year ended 30 September 2022

22. Other commitments

At 30 September 2022, commitments under contracts placed for future expenditure regarding tea contracts totalled £1,908k (2021: £8,294k).

23. 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:

	2022	2021
	£000	£000
Financial assets that are carried at amortised cost		
Loans and receivables – amortised cost		
Cash and cash equivalents	343	432
Trade receivables	1,535	2,048
Amounts owed by related parties	192	323
Other receivables	-	-
	<u>2,070</u>	<u>2,803</u>
Financial liabilities that are carried at amortised cost		
Other - amortised cost		
Trade payables	5,045	4,877
Payables to related parties	4,850	4850
Other payables and accruals – current	2,936	3,672
Bank overdraft	-	-
Bank loan – current	800	-
Bank loan - non current	21,003	21803
Loans from related parties – current	-	-
Loans from related parties - non current	29,240	19,325
	<u>63,874</u>	<u>54,527</u>

Notes to the financial statements
For the year ended 30 September 2022

24. 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	2022			2021		
	US\$ £000	Euro £000	Other £000	US\$ £000	Euro £000	Other £000
Financial Assets	77	160	121	216	126	40
Financial Liabilities	-559	-373	0	-222	-694	0
Short Term Exposure	-483	-212	120	-6	-568	40

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 period ended 30 September 2021 (2020: +/- 10% and 20%). These percentages have been determined based on the average market volatility in exchange rates in the previous 18 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.

Short term Exposure	2022			2021		
	US\$ £000	Euro £000	Other £000	US\$ £000	Euro £000	Other £000
Financial Assets						
+10%	7	15	11	20	11	4
-10%	-9	-18	-13	-24	-14	-4
+20%	13	27	20	36	21	7
-20%	-19	-40	-30	-54	-32	-10
Financial Liabilities						
+10%	-51	-34	0	-20	-63	0
-10%	62	41	0	25	77	0
+20%	-93	-62	0	-37	-116	0
-20%	140	93	0	56	173	0

Notes to the financial statements

For the year ended 30 September 2022

25. Interest rate sensitivity

Typhoo Tea Limited's policy is to minimise interest rate cash flow risk exposures on long term financing. At 30 September 2022 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.

Quantitative sensitivity analysis has not been provided as the loans held at the balance sheet date were issued as part of the restructure which occurred in July 2021. Hence the interest charged on these loans to profit and loss account for the period to 30 September 2021 is not representative of a 12 month interest charge or the annual interest expected to be charged in future periods.

The directors are of the opinion that a reasonable change in interest rates (+/- 0.5%) will not have a material impact on future interest charges.

26. 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:

	2022	2021
	£000	£000
Classes of financial assets - carrying amounts		
Trade and other receivables (exc VAT)	1,535	2,048
Cash and cash equivalents	343	432
	<u>1,878</u>	<u>2,480</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:

	2022	2021
	%	%
Percentage of receivables relating to top 5 customers	26	20

Notes to the financial statements

For the year ended 30 September 2022

Credit risk analysis (continued)

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 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:

	2022	2021
	£000	£000
Not more than 3 months	1,596	1,854
More than 3 months but not more than 6 months	4	25
More than 6 months but not more than 12 months	-	113
More than 12 months	-	-
	<u>1,600</u>	<u>1,992</u>

Notes to the financial statements
For the year ended 30 September 2022

27. 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 30 September 2022 Typhoo Tea Limited's liabilities have contractual maturities which are summarised below:

30 September 2022	Current		Non Current	
	Within 6 Months £000	6 to 12 Months £000	1 to 5 Years £000	later than 5 years £000
Bank loans	400	400	21,803	-
Loans from related parties	-	-	-	29,240
Payables to related parties	-	667	4,183	-
Trade payables	5,045	-	-	-
	<u>5,445</u>	<u>1,067</u>	<u>25,986</u>	<u>29,240</u>

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

30 September 2021	Current		Non Current	
	Within 6 Months £000	6 to 12 Months £000	1 to 5 Years £000	later than 5 years £000
Bank loans	-	-	-	21,803
Loans from related parties	-	-	-	19,325
Payables to related parties	-	-	4,850	-
Trade payables	4,877	-	-	-
	<u>4,877</u>	<u>-</u>	<u>4,850</u>	<u>41,128</u>

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
For the year ended 30 September 2022

28. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The following transactions took place in the period:

Company	Relationship	Nature	Value in period to 30.9.2022 £'000	Amount due (from)/to at 30.9.2022 £'000	Value in period to 31.3.2021 £'000	Amount due (from)/to at 31.3.2021 £'000
Apeejay London Limited	Related party	Advance	-	-	(5,129)	-
Apeejay London Limited	Related party	Loan advance	-	-	1,769	-
Apeejay London Limited	Related party	Interest on loan	-	-	-	-
Apeejay London Limited	Related party	Room hire	-	-	(15)	-
Apeejay Tea Limited	Related party	Tea purchases	-	-	(4,810)	(323)
Apeejay Tea Limited	Related party	Cost recharge	-	-	72	-
Apeejay Tea Limited	Related party	Loan	-	-	2,850	2,850
Apeejay Tea Limited	Related party	Tea purchases (USD)	-	-	135	-
Apeejay Tea Panama Limited	Related party	Loan	-	-	(29,842)	-
Apeejay Tea Panama Limited	Related party	Interest on loan	-	-	(1,106)	-
Apeejay Typhoo Tea Pvt Ltd	Related party	Charges	-	-	51	-
Abercross Holding Ltd	Related party	Fees	116	116	683	50
Global Tea & Commodities Limited	Related party	Tea purchases	-	-	1,153	-
Global Tea & Commodities Limited	Related party	Cost recharge	-	-	44	-
Global Tea & Commodities Limited	Related party	Loan advance	-	4,825	858	4,825
Global Tea & Commodities Limited	Related party	Short term loan	-	2,000	2,000	2,000
Global Tea & Commodities Limited	Related party	Interest	-	-	(518)	-
Global Tea & Commodities Limited	Related party	Overider	-	-	-	-
Global Tea Kenya	Related party	Tea purchases	-	-	(2,533)	-
Global Tea Commodities (Malawi)	Related party	Tea Purchases	2,711	312	(4,072)	97
Gold Crown Foods (EPZ) Limited	Related party	Contract packing	-	-	(8,788)	-
Gold Crown Foods (EPZ) Limited	Related Party	Contract packing	-	-	(175)	-
Gold Crown Foods (EPZ) Limited	Related party	Inventory	-	-	2,014	-
Karilius	Related party	Loan	6,200	20,700	14,500	14,500
Karilius	Related party	Cumulative interest	1,396	1,715	-	-
Karilius	Related party	Interest charged	597	597	319	319
Gold Crown Speciality Foods Limited	Related party	Tea purchases	-	-	(1,253)	-
First Management Services Limited	Related party	Overiders	-	-	9,925	-
Apeejay Surrendra Group (India) Limited	Related party	Recharge of expenses	-	-	71	-
Nature Works Brands Limited	Related party	Services provided	214	50	-	-
				30,315		24,318

Notes to the financial statements

For the year ended 30 September 2022

Related party transactions (continued)

A reconciliation of related party balances to underlying financial statement balances is as follows:

	2022	2021
	£ 000	£ 000
Amounts owed by related parties	-	323
Amounts due to related parties	(478)	(147)
Related party loans	(2,000)	(4,850)
Related Party Interest	(27,240)	(319)
Related party loans (Long term)	(597)	(19,325)
	(30,315)	(24,318)

Apeejay Tea Limited were no longer shareholders as at 15th July 2022 and are not a related party in the current financial year. The disclosure includes all transactions and balances up to the share buy out date.

29. Ultimate controlling party

The directors of Typhoo Tea Limited, a company incorporated in England and Wales, consider the ultimate controlling entity of this company to be Zetland Special Situations Fund II SCSp SICAV-RAIF, registered in Luxembourg.

The immediate parent of the entity is Karalius Limited, registered in England and Wales with registered number 13452700.

30. Notes supporting statement of cash flows

	2022	2021
	£000	£000
Cash at bank available on demand	208	432
Cash and cash equivalents in the statement of financial position	208	432
Cash and cash equivalents in the statement of cash flows	208	432

31. Events after the reporting date

After the reporting date, the company received an additional £16.1m loan from a related party under a facility agreement. Interest is charged on this loan at 15% per annum. The company made the decision to close the Moreton facility in July 2023 and change its operating model to a fully outsourced operation using tea packers in Sri Lanka, Africa and the UK for its various products.