Financial Statements
Typhoo Tea Limited

For the year ended 31 March 2020

Company No 05573418

Company information

Company registration number	05573418
Country of incorporation	England and Wales
Registered office	Pasture Road Moreton Wirral Merseyside CH46 8XF
Directors	N Ahmed A Brown M Goddard I Hamid D Kingsley S Limnios P White
Bankers	AXIS Bank Limited IFSC Banking Unit GIFT City Unit 403, 4th Floor Hiranandani Signature 13-B Zone-I Gift City Gandhinagar Gujarat 382355 India Barclays Bank PLC 21 Hanover Square Mayfair London W1S 1JW ICICI Bank UK PLC One Thomas More Square London E1W 1YN

Company information

Solicitors	DTM Legal 3rd Floor St Paul's Square, Old Hall St Liverpool L3 9SJ
Auditor	Grant Thornton UK LLP Statutory Auditor Chartered Accountants Royal Liver Building Liverpool L3 1PS

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Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 March 2020.

Principal activity

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

Directors

The membership of the board at 31 March 2020 is set out below. Other than as stated all directors served throughout the year.

K Paul – Chairman (resigned 15 July 2021)
N Ahmed - Vice Chairman (resigned & reappointed 15 July 2021)
P Paul (resigned 15 July 2021)
M D McBrien (resigned 15 July 2021)
M Tapal (resigned 19 May 2020)
D Kingsley
D Muhkerjee (resigned 15 July 2021)
A Ghosh (resigned 15 July 2021)
I Hamid (resigned 8 January 2020 & reappointed 15 July 2021)
A D Woodhouse (resigned 8 January 2020)

Post year end the following directors have been appointed to the board:

A Brown (appointed 3 March 2021)
S Rankine (appointed 3 March 2021 & resigned 15 July 2021)
P White (appointed 15 July 2021)
S Limnios (appointed 15 July 2021)
M Goddard (appointed 15 July 2021)

Statement of directors' responsibilities

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

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

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

Report of the directors

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

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the company's auditors is unaware; and

- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Disabled employee policy

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the company may continue. It is the policy of the group that training, career development and promotion opportunities should be available to all employees. In the event of an employee becoming disabled, every effort is made to continue their employment and having due regard to their aptitude and abilities, opportunities are given for retaining or deployment wherever possible.

Equal opportunities policy

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

We are committed to ensuring all employees are treated equally and fairly irrespective of their sex, race, colour, creed, marital status, sexual orientation, age or disability. This equal opportunities policy applies to the Company recruitment and selection procedures, employees' terms and conditions of employment including pay, opportunities for promotion, transfer and training, general treatment at work, disciplinary and grievance procedure and termination of employment. All employees have a responsibility to apply this principle in practice.

Directors' Report requirements covered in the Strategic Report

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

Political Donations

There are have been no political donations within the year.

Report of the directors

Streamlined energy and carbon reporting

The following SECR disclosures presents 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 CO_2e per tonne of product produced.

Year Ending March 20

kWh YE Mar 20 Electricity	4,773,041
kWh YE Mar 20 Gas	3,237,378
Emissions from combustion of gas kgCO2e YE Mar 20	2,731,143
KgCO2/Tonne YE Mar 20	250

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	42,519.40
KgCO2 emissions from business travel in private or rental cars	11,858.49

Year Ending March 19

kWh YE Mar 19 Electricity	5,864,678
kWh YE Mar 19 Gas	2,279,335
Emissions from combustion of gas kgCO2e YE Mar 19	2,902,854
KgCO2/Tonne YE Mar 19	225

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	43,588.80
KgCO2 emissions from business travel in private or rental cars	12,156.74

Typhoo Tea is constantly looking to reduce its environmental impact and during the year ending March 2020 and has identified several Energy Conservation Measures including:

- Change assorted light fittings to LED equivalents
- Identifying and repairing compressed air leaks
- Rationalising the compressed air piping system

Report of the directors

Auditors

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

ON BEHALF OF THE BOARD

Desmond Anthony Kingsley

D Kingsley
Director

19 October 2021

Strategic report

Business review

The year to March 2020 was another challenging period for the Company, although losses reduced significantly from the year to March 2019 and the business is now on a much clearer recovery path.

Following the appointment of a new Executive Leadership in the middle of 2019, a new strategic direction was developed for the Company, focused on product rationalisation, exit of loss making contracts, concentration on manufacturing efficiencies, and a focus on ensuring minimum margin criteria are set across the business. In addition to this, the Company focused on ensuring that any contributions towards brand development within the customer base delivered value for the money invested.

As part of the focus on manufacturing efficiencies, a re-structure of the Moreton operations was announced early in 2020 following consultation with the workforce and union. This re-structure was executed early April 2020 with the savings reflected in subsequent years. There was a one off cost incurred of £1.4m incurred in the year to March 2020 associated with this re-structure.

Selling, distribution and marketing costs decreased to £6.4m (2019: £7.9m) following the previous year's investment in re-branding of the Heath & Heather brand. Administrative expenses increased versus prior year due to the one off impact of a restructuring of the business £ 9.5m (2019: £7.4m).

The overall loss for the business for the 12 months to 31 March 2020 is £15,867m.

In terms of future events, throughout the Year to March 2021, the losses continued to reduce as the strategies employed by the new Leadership began to take effect. More importantly, in July 2021, the business went through a transaction. This Transaction involved a re-structure of the external debt of the business following a principal repayment and a change of ownership. The previous majority shareholder exited the business and new investment was received from Zetland Capital, who became the new majority shareholder. In addition to this, Abercross LLP also increased the investment held in the business.

This transaction significantly alters the debt structure of the business and the Directors of the Company are confident that liquidity element of the investment will allow the business to complete the turnaround with renewed focus.

Future strategy

Typhoo Tea Limited recognises the 12 months to 31 March 2020 as a watershed for the business. This period highlighted the weakness in the strategy being previously adopted and as such has prompted a significant change in the strategic direction of the business. The Board of Directors remain confident that the changes introduced in 2020 will deliver significant improvement in performance and will affect the business turnaround required.

The Company will continue to focus on core business, product rationalisation, manufacturing efficiencies and a focus on achieving acceptable levels of gross margin across the customer portfolio.

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

Strategic report

Future strategy (continued)

The Directors are committed to the new strategic approach as demonstrated by the shareholder funding of the re-structuring in April 2020, and with the continued support of the shareholders, are confident it will allow the company to recover from the year to 31 March 2020 and enable the business to go from strength to strength.

The shareholders invested a further £6m in the year to March 2021 in addition to the funding of the re-strucuring as part of the ongoing support to the business.

In July 2021, a change of ownership was effected with the majority shareholder exiting the business and a new majority shareholder, Zetland Capital, taking control of the business. In addition, an exisiting shareholder also increased their equity stake in the Company and the external Bank debt with Axis Bank was re-structured. All this demonstrates commitment to the business by the new shareholders and the main debt provider, further strengthening the Directors belief that the business can continue to develop.

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

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 period ended to 31 March 2020.

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 the 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.

Strategic report

Section 172(1) of the Companies Act 2006 (continued)

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 responsibilities 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 responsible 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 manger, 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.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities as they fall due in the 12 month period to October 2022. Based on the forecasts prepared by the Directors, which have been updated to take into account the impact of recent events, including Covid-19.

The forecasts prepared by the Directors include an assessment of going concern for the 12 month period to October 2022 and an assessment of wider viability for the period to March 2026. These forecasts indicate that the measures taken by the Board and market conditions will deliver a return to profitability at the EBITDA level in the year to March 2022.

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

- The impact of Covid-19 on sales, fulfilment of orders and the supply chain. Although the initial indications were that the pandemic would lead to an upward trend in tea consumption, particulary those with perceived health benefits, there remains a level of inherent uncertainty over the short-term economic impact, including whether short-term trends continue or whether there are any interruptions to the global supply chain.

- The achievement of cost savings through the April 2020 restructuring programme.

Strategic report

Going concern (continued)

- The change of control in majority shareholding in July 2021 with subsequent new investment.
- Following the new investment, the existing bank loans have subsequently been reduced and re-structured with Axis Bank and no breach of these facilities are envisaged.
- The new ownership also has the facilities available to further fund the growth of the business.

The Directors have concluded that, following the new investment and change in control in July 2021, the business has a bright future. The renewed support of the shareholders and future investment planned from further strengthens the Board of Directors' belief that the return to profitability is in the near term and that it is appropriate to prepare these statements on a going concern basis. For these reasons, they continue to adopt the going concern basis in preparing these financial statements.

Key risks and uncertainties

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

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

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

Financial risk management objectives and policies

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

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

Credit risk

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

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

Strategic report

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.

ON BEHALF OF THE BOARD

Desmond Anthony Kingsley
D Kingsley
Director

19 October 2021

Grant Thornton

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

Opinion

We have audited the financial statements of Typhoo Tea Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Balance sheet, the Cashflow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

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

The impact of macro-economic uncertainties on our audit

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

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

Grant Thornton

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Grant Thornton

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Grant Thornton

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Grant Thornton UK LLP

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

19 October 2021

Principal accounting policies

Basis of preparation

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

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

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

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities as they fall due in the 12 month period to October 2022. This has been based on the forecasts prepared by the Directors, which have been updated to take into account the ongoing impact of Covid-19.

The forecasts prepared by the Directors include an assessment of going concern for the 12 month period to October 2022 and an assessment of wider viability for the period to March 2026. These forecasts indicate that the measures taken by the Board and market conditions will deliver a return to profitability at the EBITDA level in the year to March 2022.

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

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

- The achievement of cost savings through the April 2020 restructuring programme.

Principal accounting policies

Going concern (continued)

- The change of control in majority shareholding in July 2021 with subsequent new investment.
- Following the new investment, the existing bank loans have subsequently been reduced and re-structured with Axis Bank and no breach of these facilities are envisaged.
- The new ownership also has the facilities available to further fund the growth of the business.

The Directors have concluded that, following the new investment and change in control in July 2021, the business has a bright future. The renewed support of the shareholders and future investment planned from new ownership further strengthens the Board of Directors' belief that the return to profitability is in the near term and that it is appropriate to prepare these statements on a going concern basis. For these reasons, they continue to adopt the going concern basis in preparing these financial statements.

New standards, interpretations and amendments – IFRS16 "Leases"

The Company has adopted this new accounting pronouncement, which was effective this year. The Company has applied IFRS 16 using the modified retrospective approach. As this is the first period of adoption no transition adjustments have been applied on transition to IFRS 16.

The Company has elected to apply the following practical expedients. (1) The Company has applied a single discount rate to a portfolio of leases with similar characteristics; and (2) The Company has applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.

The following table provides a reconciliation of the finance lease liabilities and operating lease commitments at 31 March 2019 disclosed in the Group's consolidated financial statements to the lease liabilities recognised at 1 April 2019.

	31 March 2019
	£000
Operating lease commitments at 31 March 2019	940
Discounted using the incremental borrowing rate at 1 April 2019	**906**
Recognition exemption for short-term leases	**(416)**
Lease liabilities recognised at 1 June 2019	490

Principal accounting policies

New standards, interpretations and amendments – IFRS16 "Leases"

The change in accounting policy affected the following items in the Company's consolicated financial statements on 1 April 2019.

Property, plant and equipment – increase by £490,000
Other payables and accruals – increase by £490,000

The directors anticipate that the adoption of other standards and intepretations that are not yet effective in future periods will not be material, and will only have an impact on the presentation of the financial statements of the Company.

Consolidation

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

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

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

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

The company has one operating segment, being the 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".

Principal accounting policies

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

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

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

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

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

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

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

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

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

There are no significant financing components, any financing that was in place is less than 12 months and so management elect to take the practical expedient under IFRS 15.63.
Per IFRS 15.71 it is considered that these amounts relate to goods and services provided by the customers. As such management do not consider there to be variable income as the goods are invoiced at the price list amount and the trade spend is recognised as an expense.

Principal accounting policies

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

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

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

Sales rebates and discounts

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

Borrowing costs

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

Operating expenses

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

Goodwill

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

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

Principal accounting policies

Assets acquired as part of a business combination

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

Externally acquired intangible assets

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

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

Brands, trademarks and domain names

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

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

Those assets with indefinite lives are tested annually for impairment.

Contractual relationships

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

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.

Principal accounting policies

Investments

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

Property, plant and equipment

Property, plant and equipment are initially recognised at cost.

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

Principal accounting policies

Impairment of non-financial assets

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

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

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

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

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

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 IFRS16, 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.

Principal accounting policies

Leasing (continued)

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 Balance Sheet.

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 lease payments made.

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 Balance Sheet.

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.

Inventories

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

Taxation

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

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the company and it is probable that

Principal accounting policies

Taxation (Continued)

reversal will not occur in the foreseeable future. In addition tax losses available to be carried forward as well as other income tax credits to the company are assessed for recognition as deferred tax assets.

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

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

Financial assets

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

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

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.

Principal accounting policies

Financial assets (continued)

Subsequent measurement of financial assets:

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The entities cash and cash equivalents,

trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

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

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

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

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

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

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

Cash and cash equivalents

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

Principal accounting policies

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.

Equity

Equity comprises the following:

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

Pension costs

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

Foreign currency translation

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

Principal accounting policies

Critical judgements and key sources of estimation uncertainty

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

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

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

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

Impairment of Intangible assets
Management have conducted a review of impairment of goodwill and intangible assets. In conducting this review, management apply critical judgements in relation to the identification of cash generating units (CGUs), the allocation of assets to those 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 7.

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

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

Principal accounting policies

Critical judgements and key sources of estimation uncertainty (continued)

The Directors continue to use these assumptions to assess whether either goodwill or intangible assets should be impaired. The Directors expect this judgement to be carefully monitored and considered in future periods.

The carrying amount of future cash flows for each brand as listed in Note 7. Where the value in use is lower than the net present value an impairment charge has been recorded.

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

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

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

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.

Statement of comprehensive income

	Note	2020 £'000	2019 £'000
Revenue		**53,146**	60,871
Cost of sales		**(48,881)**	(60,173)
Gross profit		**4,265**	698
Selling, distribution and marketing costs		**(6,405)**	(7,983)
Administration costs excluding impairment		**(9,490)**	(7,413)
Impairment loss		**-**	(11,595)
Total administration costs		**(9,490)**	(19,008)
Operating loss	1	**(11,630)**	(26,293)
Finance costs	2	**(4,237)**	(3,628)
Loss before tax		**(15,867)**	(29,921)
Taxation	5	**-**	-
Loss for the year		**(15,867)**	(29,921)
Other comprehensive income for the year			
Taxation	5	**-**	-
Total comprehensive income		**(15,867)**	(29,921)

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

The notes on pages 35 - 57 form part of these financial statements.

Statement of changes in shareholders' equity

	Share capital £'000	Share Premium £'000	Retained Earnings/ (losses) £'000	Revaluation reserve £'000	Total Shareholders' Equity £'000
Balance at 31 March 2018 as originally Stated	18,670	24,023	(19,125)	5,554	29,122
Prior period Adjustment (Note 29)	-	-	(917)	-	(917)
Balance at 31 March 2018 as restated	18,670	24,023	(20,042)	5,554	28,205
Transactions with owners					
Shares issued	-	-	-	-	-
Capital reduction	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Other comprehensive income					
Loss for the year ended 31 March 2019	-	-	(29,921)	-	(29,921)
Transfer of increased depreciation on revaluation	-	-	97	(97)	-
Total comprehensive income for the year	-	-	(29,824)	(97)	(29,921)
Total transactions in the year	-	-	(29,824)	(97)	(29,921)
Balance at 31 March 2019	18,670	24,023	(49,866)	5,457	(1,716)
Transactions with owners					
Shares issued	2,037	2,963	-	-	5,000
Capital reductions	-	-	-	-	-
Total transactions with owners	2,037	2,963	-	-	5,000
Other comprehensive income					
Loss for the year ended 31 March 2020	-	-	(15,867)	-	(15,867)
Transfer of increased depreciation on revaluation	-	-	97	(97)	-
Total comprehensive income for the year	-	-	(15,770)	(97)	(15,867)
Total transactions in the year	2,037	2,963	(15,770)	(97)	(10,867)
Balance at 31 March 2020	**20,707**	**26,986**	**(65,636)**	**5,360**	**(12,583)**

The notes on pages 35 - 57 form part of these financial statements.

Balance sheet

	Note	2020 £'000	2019 £'000 (Restated)
Assets			
Non-current			
Goodwill	6	-	-
Intangible assets	7	**47,923**	47,923
Property, plant and equipment	8	**14,720**	16,594
Investments	9	-	-
Other receivables	11	**199**	168
Deferred tax asset	15	**6,680**	6,680
		69,522	71,365
Current assets			
Inventories	10	**6,848**	12,186
Trade and other receivables due within one year	11	**19,271**	24,310
Cash and cash equivalents	27	**342**	257
		26,461	36,753
Total assets		**95,983**	108,118
Equity and liabilities			
Equity			
Share capital	17	**20,707**	18,670
Revaluation reserve		**5,360**	5,457
Retained losses		**(65,636)**	(49,866)
Share premium		**26,986**	24,023
Total equity		**(12,583)**	(1,716)
Current liabilities			
Trade and other payables	12	**35,296**	39,779
Other financial liabilities	12	**64,430**	61,215
Total current liabilities	12	**99,726**	100,994
Non-current liabilities			
Other financial liabilities	13	**3,360**	3,360
Deferred tax liability	15	**5,480**	5,480
Total liabilities		**108,566**	109,834
Total equity and liabilities		**95,983**	108,118

These financial statements were approved by the directors and authorised for issue on 19 October 2021, and signed on their behalf by:

Desmond Anthony Kingsley

D Kingsley
Director

Company No 05573418

The notes on pages 35 - 57 form part of these financial statements.

Cash flow statement

		2020		2019
		£'000	£'000	£'000
Operating activities				
Loss before tax		(15,867)		(29,921)
Depreciation	2,687		1,416	
Impairment loss	-		11,595	
Amortisation of issue costs	579		563	
Change in inventories	5,338		1,021	
Change in trade and other receivables	3,731		2,273	
Change in trade and other payables	(4,531)		16,940	
Change in provisions	351		-	
Interest payable	3,659		3,065	
Net cash (used in) / generated from operating activities		(4,053)		6,952
Investing activities				
Purchases of property, plant and Equipment	(323)		(862)	
Net cash used in investing activities		(323)		(862)
Financing activities				
Loan receipts	2,800		2,737	
Repayment of loans	(33)		(5,769)	
Interest paid	(3,403)		(2,793)	
Proceeds from share issue	5,000		-	
Net cash (used in) / generated from financing activities		4,364		(5,825)
Cash and cash equivalents, beginning of Year		(19,579)		(19,844)
Net decrease in cash and cash equivalents		(12)		265
Cash and cash equivalents, end of year		(19,591)		(19,579)

Notes to the financial statements

1 Operating loss

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

	2020 £'000	2019 £'000
Repairs and renewals	615	639
Auditor's remuneration		
Fees payable to the company's auditor in respect of the audit	60	60
Fees payable to the company's auditor in respect of the tax services provided	7	7
Fees payable to the company's auditor in respect of other services provided	7	-
Depreciation of property, plant and equipment:	2,687	1,417
Lease expenses		
Plant and machinery	186	194
Motor vehicles	12	115
Exchange (gains)/losses	271	119

2 Finance costs

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

	2020 £'000	2019 £'000
Interest expense on bank borrowings at amortised cost	1,285	1,211
Amortisation of issue costs of other loan	579	563
Interest expense on related party loans at amortised cost	1,830	1,635
Other finance charges & interest payable	505	167
Total interest expense for financial liabilities	4,199	3,576
Bank charges	39	52
Total finance costs	4,238	3,628

Notes to the financial statements

3 Employee remuneration

Expense recognised for employee benefits is analysed below:

	2020 £'000	2019 £'000
Wages and salaries	4,220	9,661
Social security costs	780	933
Pensions - defined contributions plans	856	980
Total	5,856	11,574

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

	2020	2019
Number of employees	297	303
	297	303

The liability recognised for pensions and other employee remuneration in the balance sheet is £85,389 (2019: £113,047). These liabilities represent the company's obligations to its employees and are expected to be settled during the next financial year. These liabilities arise from outstanding pension contributions.

4 Key management remuneration and Directors remuneration

Key management personnel comprise a Director and Heads of Departments.

Key management personnel remuneration includes the following:

	Directors 2020 £'000	KMP 2020 £'000	Directors 2019 £'000	KMP 2019 £'000
Short term employee benefits				
Emoluments	170	597	208	456
Social security costs	23	82	29	63
Post-employment benefits				
Defined contribution pension schemes	16	31	19	42
Total	209	710	256	561

The emoluments of the directors of Typhoo Tea Limited are included within the above. The highest paid director received emoluments of £169,807 (2019: £203,263).

Notes to the financial statements

5 Taxation

The relationship between the expected tax expense based on the standard rate of corporation tax in the UK 19% (2019: 19%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

	2020 £'000	2019 £'000
Current tax expense	-	-
Deferred tax credit resulting from the origination and reversal of temporary differences	-	-
Total tax charge	-	-

Total tax:

	2020	2019
Result for the year before tax	**(15,868)**	(29,921)
Expected tax charge at tax rate of 19% (2019: 19%)	**(3,015)**	(5,685)
Adjustment for non-deductible expenses and short term timing differences	**805**	708
Capital depreciation in excess of allowances	**(246)**	30
Deferred tax asset not recognised	**2,456**	4,947
Actual tax expense	-	-

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

Notes to the financial statements

6 Goodwill

	2020 £'000
Gross carrying amount at 1 April 2019 and 31 March 2020	6,595
Accumulated impairment	(6,595)
Gross carrying amount at 31 March 2020	-

In the year to March 2019, the carrying value of Goodwill was fully impaired, to reflect the reduction in corresponding intangible asset valuations, which were also impaired in the same year. Goodwill is entirely allocated to the Typhoo cash generating unit ("CGU").

7 Intangible assets

	Contractual relationships £'000	Domain names £'000	Brand/ trademarks £'000	Total £'000
Cost				
As at 31 March 2019 and 31 March 2020	600	65	57,858	58,523
Amortisation				
As at 31 March 2018	(600)	-	(5,000)	(5,600)
Charge for the year	-	-	-	-
Impairment	-	-	(5,000)	(5,000)
As at 31 March 2019	(600)	-	(10,000)	(10,600)
Charge for the year	-	-	-	-
At 31 March 2020	**(600)**	**-**	**(10,000)**	**(10,600)**
Net book value at 31 March 2020	**-**	**65**	**47,858**	**47,923**
Net book value at 31 March 2019	-	65	47,858	47,923

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

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

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

Domain names are not specifically allocated to a CGU.

Notes to the financial statements

7 Other intangible assets (continued)

	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
	47,858

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% (2.06% in 2019) 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% (2019: 8.30%). 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

8 Property, plant and equipment

	Freehold land and buildings £'000	Assets under construction £'000	Plant and machinery £'000	Right of use of assets £'000	IMAs £'000	Total £'000
Cost or valuation						
As at 31 March 2019	7,163	-	23,458	-	5,639	36,260
Additions	4	79	240	490	-	813
Eliminated on disposal	-	-	(203)	-	-	(203)
As at 31 March 2020	7,167	79	23,495	490	5,639	36,870
Accumulated depreciation						
As at 31 March 2019	1,895	-	15,354	-	2,417	19,666
Charge for the year	161	-	2,041	298	187	2,687
Eliminated on disposal	-	-	(203)	-	-	(203)
As at 31 March 2020	2,056	-	17,192	298	2,604	22,150
Net book value at 31 March 2020	**5,111**	**79**	**6,303**	**192**	**3,035**	**14,720**
Net book value at 31 March 2019	5,268	-	8,104	-	3,222	16,594

Notes to the financial statements

8 Property, plant and equipment (continued)

Freehold land and buildings are carried at fair value, using an internal Directors valuation as at 31 March 2020 based on a combination of total usable space (sq ft), market value of similar recently sold properties in the local area and an allowance for significant remedial work evidenced by external quotations. This is in line with the approach taken in previous years.

We have categorised the freehold land and buildings as hierarchy 2 on the basis that although not quotable all of the inputs, square footage, rental / sales values and remedial work quotations are observable, as we consider these to be market corroborated inputs. There has been no changes in the categorisation of hierarchy in the year to 31 March 2020.

IMA machines are carried at fair value based on an internal management's experts valuation as at 31 March 2020 based on many years of experience in the industry backed up by indicative costings for new IMAs provided by the manufacturer of these machines. This is in line with the approach taken in previous years.

We have categorised the IMAs as hierarchy 2 on the basis that although not quotable the main inputs, indicative costs and market sales are observable, we also consider these to be market corroborated inputs. There has been no changes in the categorisation of hierarchy in the year to 31 March 2020.

At the 31 March 2020, the revaluation reserve stood at £5,659k.

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	-	(729)	(1,022)
Net book value	**1,170**	**1,292**	**-**

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

9 Investments

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

Ridgeways Limited
Heath & Heather Limited
The London Herb & Spice Company Limited
Kardomah Limited
London Tea & Produce Company Limited
Glengettie Tea Company Limited
The London Fruit & Herb Company Limited
Melroses Limited
Mantunna Limited
Red Mountain Coffee Company Limited

Notes to the financial statements

10 Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	**3,466**	5,468
Work in progress	**193**	578
Finished goods	**3,188**	6,140
	6,848	12,186

The above carrying amounts include write downs of £2,871,925 (2019: £1,623,012).

Inventory recognised in cost of sales in the year is £41,041,106 (2019: £54,291.645).

11 Trade and other receivables

Current assets	2020 £'000	2019 £'000
Trade receivables	**4,935**	7,707
Bad debt provision	**(425)**	(388)
Net receivables	**4,510**	7,319
Amounts owed by related parties (note 25)	**13,329**	14,027
VAT	**184**	388
Other receivables	**-**	-
Prepayments and accrued income	**1,248**	2,576
	19,271	24,310

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

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

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

Non-current assets	2020 £'000	2019 £'000
Other receivables	**199**	168
Deferred tax asset (note 15)	**6,680**	6,680
	6,879	6,848

All of Typhoo Tea Limited's trade and other receivables have been reviewed for indicators of impairment. A specific provision has been recognised against trade debtors of the company during the year of £424k (2019: £246k) has been recorded. An analysis of receivables past due but not impaired is at note 23.

Notes to the financial statements

12 Trade and other payables

	2020 £'000	2019 £'000 Restated
Trade and other payables		
Trade payables	**7,334**	11,444
Other tax and social security payments	**350**	477
Amounts due to related parties (note 25)	**19,864**	20,579
Other payables and accruals	**7,748**	7,279
	35,296	39,779
Other financial liabilities and provisions		
Bank overdraft	**19,933**	19,836
Bank loan	**10,337**	10,370
Related party loans	**33,809**	31,009
Provisions	**351**	-
	64,430	61,215
	99,726	100,994

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

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

Other payables and accruals include lease liabilities of £198,000 (2019: £nil) and accrued interest due to the related parties of £1,624,000 (2019: £1,407,000).

Notes to the financial statements

13 Non-current liabilities

	2020 £'000	2019 £'000
Bank loan	-	-
Related party loans	3,360	3,360
	3,360	3,360

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

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

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

The overall value of facilities held with AXIS Bank across working capital and overdraft comes to a total of £30,370,000 (2019 : £30,370,000).

	2020 £'000	2019 £'000
Deferred tax liability (see note 15)	5,480	5,480

Notes to the financial statements

14 Financial liabilities - borrowings

	2020 £'000	2019 £'000
Current		
Bank overdraft	**19,933**	19,836
Bank loan	**10,337**	10,370
Related party loan	**33,809**	31,009
	64,079	61,215
Non-current		
Loan from related party	**3,360**	3,360
Bank loan	**-**	-
	3,360	3,360

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

The result of this technical breach of the loan agreement, (for which no pre-emptive waiver has been issued by AXIS Bank during the financial year) is that the accounting standards require the £10,370,000 to be classified as short term, given it could be recalled. However, the Directors note that AXIS Bank have given verbal confirmations that the loan will not be recalled as a result of this breach. Following the restructuring of the business in July 2021 (see note 28), balances with AXIS Bank have been repaid.

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

The bank loan is due for repayment as follows:

	2020 £'000	2019 £'000
In one year	**10,337**	10,370
In one to two years	**-**	-
In two years to five years	**-**	-
	10,337	10,370

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

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

	2020 £'000	2019 £'000
In one year	**33,809**	31,009
In one to two years	**-**	-
In two to five years	**3,360**	3,360
	37,169	34,369

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

Notes to the financial statements

14 Financial liabilities – borrowings (continued)

The overdraft and term loan were consolidated into a term loan as part of the July 2021 change of ownership. A summary of the impact of this transation is disclosed as a post balance sheet event note in note 28. This has the impact of removing the technical breach that was present at March 2020.

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

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

15 Deferred tax assets and liabilities

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

	2020	Movements in year	2019
	£'000	£'000	£'000
Tax asset by type of temporary differences:			
Total tax losses available – gross	**104,273**	12,926	91,347
Deferred tax asset recognised	**6,680**	-	6,680
Tax liabilities by type of temporary differences:			
Property, plant and equipment	**1,586**	-	1,586
Intangible assets	**3,894**	-	3,894
Deferred tax liability recognised	5,480	-	5,480
Net asset	**1,200**	-	1,200

No deferred tax (2019: £nil) has been recognised directly in equity or within the statement of comprehensive income.

The tax losses available are recognised up to the point that they are considered to be recoverable. The directors do not feel it would be appropriate to recognise the full deferred tax asset as it is not probable that sufficient profits will be generated. The amount recognised represents the Directors assessment of future taxable profits. The unrecognised deferred tax asset is £10,662k (2019: £8,206k)

Notes to the financial statements

16 Risk management objectives and policies

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

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

Credit risk

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

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

Cash flow and fair value interest rate risks

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

Currency risk

The company purchases tea in US dollars, which gives rise to currency risk. The company policy is to manage this risk by a combination of selling in foreign currency and entering into forward currency contracts.

17 Share capital

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

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

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

74 £0.01 ordinary shares were issued at par in September 2019, 13 £0.01 ordinary shares were issued at par in October 2019, 13 £0.01 ordinary shares were issued at par in November 2019, 22 £0.01 ordinary shares were issued at par in December 2019 and 11 £0.01 ordinary shares were issued at par in January 2020

Notes to the financial statements

17 Share capital (continued)

7,546,211 Type 2 preference shares have been issued in the year. These shares were issued at a premium of £0.39 to their nominal value of £0.27 with the consideration in excess of the nominal value included within the share premium reserve.

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

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

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

Issued share capital		2020		2019
	No	£	No	£
Ordinary shares of £0.01 (2019: £0.01) each	**1,082**	**11**	1,082	11
Ordinary shares of £0.27 (2019: £0.27) each	**43,820,000**	**11,831,400**	43,820,000	11,831,400
Type 1 preference shares of £0.27 (2019: £0.27)	**15,214,377**	**4,107,882**	15,214,377	4,107,882
Type 2 preference shares of £0.27 (2019: £0.27)	**17,661,166**	**4,768,515**	10,114,956	2,731,038
		20,707,808		18,670,331

Notes to the financial statements

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 Balance Sheet as a right of use asset (Note 8) and a lease liability (Note 12). 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**	
	31 March 2020 £'000	31 March 2019 £'000	**31 March 2020 £'000**	31 March 2019 £'000
Payments falling due:				
Within one year	**291**	340	**26**	76
Between one to five years	**118**	466	**19**	58
	409	806	**45**	134

The lease liability recorded in the Balance Sheet at 31 March 2020 is £192,000, shown as a constituent part of the other payables and accruals balance in note 12.

The company has no property leases

The Company has 9 motor vehicle leases with a range of 0 to 29 months remaining on the lease term. The average remaining lease term is 14. 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 31 March 2020 were as follows:

	Within 1 year £'000	2-5 years £'000	After 5 years £'000	**Total £'000**
Lease payments	127	81	-	**208**
Finance charges	(6)	(4)	-	**(10)**
Net present values	121	77	-	**198**

Lease payments note recognised as a liability
The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. The expense relating to payments not included in the measurement of the lease liability is £198,000 in the year to 31 March 2020.

Notes to the financial statements

19 Other commitments

	2020 £'000	2019 £'000
Contracts placed for future expenditure regarding tea contracts	**7,025**	6,177

20 Summary of financial assets and liabilities by category

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

	2020 £'000	2019 £'000
Financial assets that are carried at amortised cost		
Loans and receivables – amortised cost		
Cash and cash equivalents	**342**	257
Trade receivables	**5,103**	7,707
Amounts owed by related parties	**13,329**	14,027
Other receivables	**-**	168
	18,775	22,159
Financial liabilities that are carried at amortised cost		
Other - amortised cost		
Trade payables	**7,337**	11,446
Other payables and accruals – current	**7,746**	7,268
Bank overdraft	**19,933**	19,536
Bank loan – current	**10,337**	10,370
Bank loan - non current	**-**	-
Loans from related parties – current	**33,809**	31,009
Loans from related parties - non current	**3,360**	3,360
	82,522	82,989

Notes to the financial statements

21 Foreign currency sensitivity

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

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

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

			2020			2019
Nominal amounts	**US$**	**€**	**Other**	US$	€	Other
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Financial assets	**164**	**311**	**150**	362	419	246
Financial liabilities	**(2,962)**	**(788)**	**-**	(2,476)	(34)	-
Short term exposure	**(2,798)**	**(477)**	**150**	(2,114)	385	246

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

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

It assumes a +/- 10% and 20% change of the exchange rates for the year ended 31 March 2020 (2019: +/- 10% and 20%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Typhoo Tea Limited's foreign currency financial instruments held at each balance sheet date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

			2020			2019
	US$	**€**	**Other**	US$	€	Other
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Short term exposure						
Financial assets						
+ 10%	15	28	14	33	38	22
- 10%	(18)	(35)	(17)	(40)	(47)	(27)
+ 20%	27	52	25	60	70	41
- 20%	(41)	(78)	(38)	(91)	(104)	(61)
Financial liabilities						
+ 10%	(270)	(72)	-	(225)	3	-
- 10%	329	88	-	275	(4)	-
+ 20%	(494)	(131)	-	413	6	-
- 20%	741	197	-	619	(9)	-

Notes to the financial statements

21 Foreign currency sensitivity (continued)

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

	2020 **£'000**	2019 £'000
Financial Liabilitics		
Swiss Franc loan - CHF - GBP exchange rate 2.00	**5,129**	5,129
Long term exposure	**5,129**	5,129

22 Interest rate sensitivity

Typhoo Tea Limited's policy is to minimise interest rate cash flow risk exposures on long term financing. At 31 March 2020 Typhoo Tea Limited was exposed to changes in market interest rates through its bank and related party borrowings, which are subject to variable interest rates.

The following table illustrates the sensitivity on the net result for the year and equity to a reasonably possible change in interest rates of +0.5% and -0.5% (2019: +/- 0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observations of current market conditions. The calculations are based on Typhoo Tea Limited's financial instruments held at each balance sheet date. All other variables are held constant.

	2020 **£'000**	**2020** **£'000**	2019 £'000 +0.5%	2019 £'000 -0.5%
Net result for the year	**(232)**	**232**	(247)	247
Equity	**232**	**(232)**	247	(247)

Capital market risk

The Company manages its capital to ensure it will be able to continue as a going concern. The Capital structure of the Company consists of related party debt, bank loans and overdrafts and equity, comprising issued capital and retained earnings.

The Company's directors review the capital structure on a regular basis. As part of this review, the cost of capital and the risk associated with each class of capital are considered.

Notes to the financial statements

23 Credit risk analysis

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

	2020 £'000	2019 £'000
Classes of financial assets - carrying amounts		
Trade and other receivables (excluding VAT)	**6,214**	10,451
Cash and cash equivalents	**510**	257
	6,727	10,708

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:

	2020 %	2019 %
Percentage of receivables relating to top 5 customers	**19**	27

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

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

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

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

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

	2020 £'000	2019 £'000
Not more than 3 months	**1,984**	1,445
More than 3 months but not more than 6 months	**115**	1,094
More than 6 months but not more than 12 months	**75**	295
More than 12 months	**6**	79
	2,180	2,913

Notes to the financial statements

24 Liquidity risk analysis

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

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

As at 31 March 2020 Typhoo Tea Limited's liabilities have contractual maturities which are summarised below:

31 March 2020		**Current**		**Non-current**
	Within 6 Months £'000	6 to 12 Months £'000	1 to 5 Years £'000	later than 5 years £'000
Bank loans	**10,337**	-	-	-
Loans from related parties	**33,809**	-	**3,360**	-
Trade payables	**7,337**	-	-	-
Other short term financial liabilities	-	-	-	-
	51,483	-	**3,360**	-

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

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

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

Notes to the financial statements

25 Related party transactions

The following transactions took place in the period:

Company name	Relationship	Nature of transaction	Value in period to 31.3.2020 £'000	Amount due (from)/to at 31.3.2020 £'000	Value in period to 31.3.2019 £'000	Amount due (from)/to at 31.3.2019 £'000
Apeejay London Limited	Related party	Advance	-	5,129	-	5,129
Apeejay London Limited	Related party	Loan advance	-	(1,769)	-	(1,769)
Apeejay London Limited	Related party	Interest on loan	(16)	-	(22)	16
Apeejay London Limited	Related party	Room hire	-	15	-	15
Apeejay Tea Limited	Related party	Tea purchases	(968)	4,356	883	5,324
Apeejay Tea Limited	Related party	Cost recharge	-	(72)	-	(72)
Apeejay Tea Limited	Related party	Tea purchases (USD)	(497)	109	(370)	606
Apeejay Tea Panama Limited	Related party	Loan	2,795	29,842	5,194	27,042
Apeejay Tea Panama Limited	Related party	Interest on loan	(15)	1,106	(368)	1,121
Apeejay Typhoo Tea Pvt Ltd	Related party	Charges	(3)	(51)	(30)	(48)
Global Tea & Commodities Limited	Related party	Tea purchases	-	(1,153)	684	(1,153)
Global Tea & Commodities Limited	Related party	Cost recharge	-	(44)	(16)	(44)
Global Tea & Commodities Limited	Related party	Loan advance	5	3,967	2,158	3,962
Global Tea & Commodities Limited	Related party	Interest	243	518	225	275
Global Tea & Commodities Limited	Related party	Overider	-	-	228	-
Global Tea Kenya	Related party	Tea purchases	112	2,052	141	1,940
Global Tea Commodities (Malawi)	Related party	Tea Purchases	462	3,267	1,536	2,805
Gold Crown Foods (EPZ) Limited	Related party	Contract packing	-	8,788	460	8,788
Gold Crown Foods (EPZ) Limited	Related Party	Contract packing	10	175	16	165
Gold Crown Foods (EPZ) Limited	Related party	Inventory	716	(2,014)	721	(2,730)
Gold Crown Foods (EPZ) Limited	Related party	Overider	-	-	7,013	-
Gold Crown Speciality Foods Limited	Related party	Tea purchases	168	1,103	(147)	935
First Management Services Limited	Related party	Overiders	-	(9,925)	9,925	(9,925)
Apeejay Surrendra Group (India) Limited	Parent	Recharge of expenses	(17)	(71)	(30)	(54)
				45,328		42,328

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

Notes to the financial statements

25 Related party transactions (continued)

The loan from Apeejay Tea Panama Limited are loans as detailed in note 14, interest is payable at 4.25%, 4% and 1.5% (2019:4.25%, 4% and 1.5%).

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

Following the restructuring in July 2021 and the identification of a prior year adjustment (see notes 28 and 29) management have also identified reclassification corrections between related party balances and amounts due to related parties, which have also been corrected in the comparatives. Amounts have been reallocated between trade receivables, trade payables and amounts due and from related parties. These reclassifications only impact the presentation of the comparative notes to the balance sheet and have no impact on net assets, net current assets or profit and loss.

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

	2020	2019
		Restated
	£'000	£'000
Amounts owed by related parties (note 11)	**13,329**	14,027
Amounts due to related parties (note 12)	**(19,864)**	(20,579)
Related party loans less than one year (note 12)	**(33,809)**	(31,009)
Related party interest (note 12)	**(1,624)**	(1,407)
Related party loans greater than one year (note 13)	**(3,360)**	(3,360)
	(45,328)	(42,328)

26 Ultimate controlling entity

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

27 Analysis of balances of cash and cash equivalents

	2020	2019
	£'000	£'000
Bank balances	**342**	257
Bank overdraft (note 12)	**(19,933)**	(19,836)
	(19,591)	(19,579)

Notes to the financial statements

28 Post balance sheet events

In April 2020, a re-structure of the working patterns at the Moreton facility, resulted in a reduction of 48 employees at a cost of £1.3m.

In July 2021, the shareholding of Apeejay Tea (Panama) Inc and International Beverages was sold to Zetland Capital, in addition to Abercross GP I Ltd, acting as general partner of Abercross I LP, increasing its investment in the business. As part of this transaction, all of the Apeejay London Limited and Apeejay Tea Panama Limited loans were converted to equity prior to the sale.

The Axis Bank debt was restructured following the change in ownership in July 2021. Approximately £9m of principal was repaid and the balance re-structured.

29 Prior year adjustment

Subsequent to the year end, as part of the sale of the business described in note 28, a detailed reconciliation exercise of all related party balances was performed by the business.

As part of this process, an understatement of £917,000 was identified in respect of balances due to related parties that had not been recorded, in error, in prior periods.

There was no impact on the income statements for 2019 or 2020, therefore the P&L reserve brought forward for the prior year has been adjusted by £917,000 to reflect the corresponding amount as a result of the prior period error. The impact on net assets is a corresponding decrease of £917,000 following an increase to the underlying payable.