

# **Teapigs Limited**

**Registered number 05426310**

## **Annual Report and Financial Statements**

**Year ended 31 March 2018**



# Teapigs Limited

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# **Teapigs Limited**

## **Strategic report**

### **Strategic report for the year ended 31 March 2018**

The directors present their strategic report for the year ended 31 March 2018.

#### **Principal activities**

Teapigs Limited (the "company") is a private company limited by shares and is registered in England and Wales. The company's primary activity is to source, market and distribute premium tea products.

#### **Review of the business**

The company achieved sales of £10,968,000 (2017: £9,937,000), a 10% increase from the prior year attributable to growth in the UK market. The company made a profit for the financial year of £1,008,000 (2017: £963,000) with the modest increase reflecting the sales growth partly offset by input cost pressures, primarily arising from weaker sterling and increase in headcount. The net asset position of the company in the current financial year of £6,310,000 has increased from £5,302,000 (31 March 2017), with the increase attributed to the retained profit in the current financial year.

In the UK, teapigs continue to dominate the "super-premium" tea sector and leads in the development of the matcha category. Several new products were launched, most notably 3 new individual matcha latte sachets (turmeric, chai, cocoa) and 3 new "feel-good" range of tea temples. Several "limited edition" tea temples were also launched as summer and winter specials. The company is now exporting to over 30 countries.

Whilst it is impossible to predict the exact impact of BREXIT on the UK economy, in the coming years, there will be uncertainties in the UK economy, with increased volatility expected in financial markets, as the detailed political and legal issues are worked out. The depreciation of sterling and fall in gilt yields which was experienced has had a financial impact on the operations of the company. The company's management are constantly reviewing mitigations like pricing strategy, hedging etc to minimise the adverse fall out.

The company continues to pursue green credentials and its commitment to purchase tea for tea products from Rainforest Alliance ("RA") Certified TM farms. At the moment the company's signature Everyday Brew blend is 100% RFA certified. The company is also a member of The Ethical Tea Partnership.

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

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

The inner pouches which protect the tea temples are made from compostable Natureflex material.

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

The Teapigs ethical scheme has raised over £200,000 through sales of our everyday brew to support children and young people from tea-growing communities in Rwanda.

# Teapigs Limited

## Strategic report (continued)

### Key performance indicators

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

### Principal risks and uncertainties

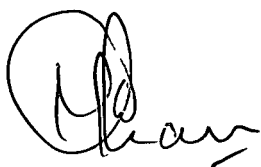
The company takes a proactive approach to the management of the various risks that it faces. Of these risks the principal ones are raw tea pricing, currency movements, and the dependency on co-packer manufacturing of packed tea. These are managed in the following ways:

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

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

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

Approved on behalf of the Board



M Thakrar  
Director  
31 May 2018

# Teapigs Limited

## Directors' report

### Directors' report for the year ended 31 March 2018

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

### Future developments

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

### Dividends

The directors do not recommend the payment of a dividend (2017: nil). No ordinary dividends were declared, paid or proposed during the year (2017: £nil).

### Directors

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

L A Cheadle  
N I Kilby  
M Thakrar  
N Holland (resigned 31 May 2018)

### Directors' indemnities

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

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

As at the date of this report, no matter or circumstance has arisen since 31 March 2018 that has significantly affected, or may significantly affect the company, its results or the state of affairs in future financial years.

### Directors' responsibilities statement

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

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

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

# Teapigs Limited

## Directors' responsibilities statement (continued)

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

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

## Statement of disclosure of information to auditors

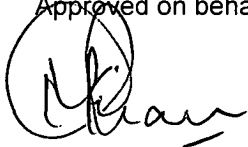
In the case of each director in office at the date the Directors' Report is approved:

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

## Independent auditors

The auditors, Deloitte LLP have expressed their willingness to continue in office.

Approved on behalf of the Board



M Thakrar  
Director  
31 May 2018

# Teapigs Limited

## Independent auditor's report to the members of Teapigs Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Teapigs Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for 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.

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

#### 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 respect of these matters.

# Teapigs Limited

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

### Responsibilities of directors

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

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

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

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

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

### Use of our report

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

### Report on other legal and regulatory requirements

#### 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.

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 any material misstatements in the strategic report or the directors' report.

# Teapigs Limited

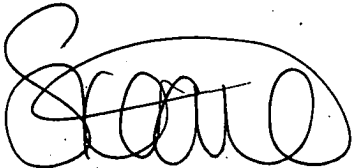
## Independent auditor's report to the members of Teapigs Limited (continued)

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Sukhbinder Kooner (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
6 June 2018

# Teapigs Limited

## Statement of comprehensive income

For the year ended 31 March 2018

|                                                          | Note | Year ended<br>31 March<br>2018<br>£'000 | Year ended<br>31 March<br>2017<br>£'000 |
|----------------------------------------------------------|------|-----------------------------------------|-----------------------------------------|
| Revenue                                                  | 5    | 10,968                                  | 9,937                                   |
| Cost of sales                                            |      | (6,352)                                 | (5,640)                                 |
| <b>Gross profit</b>                                      |      | <b>4,616</b>                            | <b>4,297</b>                            |
| Distribution costs                                       |      | (1,467)                                 | (1,454)                                 |
| Administrative expenses                                  |      | (2,083)                                 | (1,766)                                 |
| <b>Operating profit</b>                                  | 6    | <b>1,066</b>                            | <b>1,077</b>                            |
| Finance income                                           | 8    | 164                                     | 143                                     |
| <b>Profit before taxation</b>                            |      | <b>1,230</b>                            | <b>1,220</b>                            |
| Income tax expense                                       | 9    | (222)                                   | (257)                                   |
| <b>Profit for the financial year</b>                     |      | <b>1,008</b>                            | <b>963</b>                              |
| <b>Total comprehensive income for the financial year</b> |      | <b>1,008</b>                            | <b>963</b>                              |

*The notes on pages 13 to 26 are an integral part of these financial statements.*

# Teapigs Limited

## Statement of financial position

As at 31 March 2018

|                                                                                                   | Note | 31 March<br>2018<br>£'000 | 31 March<br>2017<br>£'000 |
|---------------------------------------------------------------------------------------------------|------|---------------------------|---------------------------|
| <b>Non-current assets</b>                                                                         |      |                           |                           |
| Intangible assets                                                                                 | 10   | 27                        | 35                        |
| Tangible assets                                                                                   | 11   | 90                        | 153                       |
|                                                                                                   |      | <b>117</b>                | <b>188</b>                |
| <b>Current assets</b>                                                                             |      |                           |                           |
| Inventories                                                                                       | 13   | 2,194                     | 1,551                     |
| Trade and other receivables (including £453,000 (2017:<br>£453,000) due after more than one year) | 14   | 2,490                     | 2,565                     |
| Cash and cash equivalents                                                                         | 15   | 7,690                     | 6,861                     |
|                                                                                                   |      | <b>12,374</b>             | <b>10,977</b>             |
| <b>Total assets</b>                                                                               |      | <b>12,491</b>             | <b>11,165</b>             |
| <b>Creditors - amounts falling due within one year</b>                                            | 16   | <b>(6,181)</b>            | <b>(5,863)</b>            |
| <b>Net current assets</b>                                                                         |      | <b>6,193</b>              | <b>5,114</b>              |
| <b>Net assets</b>                                                                                 |      | <b>6,310</b>              | <b>5,302</b>              |
| <b>Equity</b>                                                                                     |      |                           |                           |
| Called up share capital                                                                           | 17   | 1,000                     | 1,000                     |
| Retained earnings                                                                                 |      | 5,310                     | 4,302                     |
| <b>Total equity</b>                                                                               |      | <b>6,310</b>              | <b>5,302</b>              |

*The notes on pages 13 to 26 are an integral part of these financial statements.*

The financial statements on pages 10 to 26 were approved by the Board on 30 May 2018 and signed on its behalf by:



M Thakrar  
Director  
31 May 2018

Teapigs Limited  
Registered number 05426310

# Teapigs Limited

## Statement of Changes in Equity

### For the year ended 31 March 2018

|                                                          | Share<br>capital<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|----------------------------------------------------------|---------------------------|-------------------------------|--------------------------|
| Balance as at 1 April 2016                               | 1,000                     | 3,339                         | 4,339                    |
| Profit for the financial year                            | -                         | 963                           | 963                      |
| Total comprehensive income for the financial year        | -                         | 963                           | 963                      |
| Balance as at 31 March 2017                              | 1,000                     | 4,302                         | 5,302                    |
| <b>Balance as at 1 April 2017</b>                        | <b>1,000</b>              | <b>4,302</b>                  | <b>5,302</b>             |
| Profit for the financial year                            | -                         | 1,008                         | 1,008                    |
| <b>Total comprehensive income for the financial year</b> | <b>-</b>                  | <b>1,008</b>                  | <b>1,008</b>             |
| <b>Balance as at 31 March 2018</b>                       | <b>1,000</b>              | <b>5,310</b>                  | <b>6,310</b>             |

*The notes on pages 13 to 26 are an integral part of these financial statements.*

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

### 1. General Information

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

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

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group financial statements of Tata Global Beverages Group Limited. The group financial statements of Tata Global Beverages Group Limited are available to the public and can be obtained from its registered office address set out in note 20.

### 2. Summary of significant accounting policies

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

#### (a) Basis of preparation

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

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

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

- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- IFRS 7 Financial Instruments
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 111 (cash flow statement information),
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows',

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

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

#### (b) Basis of preparation (continued)

- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation),
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, and
- The requirements of paragraphs 30 and 31 of IAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors*'.

#### (c) Going concern

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

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

There are no new FRSS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2017 that would be expected to have a material impact on the company.

#### (d) Consolidated financial statements

The company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 not to prepare group financial statements as the results are included in the consolidated financial statements of Tata Global Beverages Group Limited. The address of its registered office of Tata Global Beverages Group Limited is 325 Oldfield Lane North, Greenford, Middlesex, UB6 0AZ. These financial statements are the company's separate financial statements.

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

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

#### (f) Revenue

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

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

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

#### (f) Revenue (continued)

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

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

#### (g) Finance income

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

#### (h) Tangible assets

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

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

#### (i) Intangible assets

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

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

# **Teapigs Limited**

## **Notes to the financial statements for the year ended 31 March 2018**

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

#### **(i) Intangible assets (continued)**

- the expenditure attributable to the software product during its development can be reliably measured.

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

#### **(j) Investments**

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

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

#### **(k) Inventories**

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

#### **(l) Trade and other receivables**

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

#### **(m) Cash and cash equivalents**

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

#### **(n) Creditors**

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

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

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

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

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

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

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

#### (q) Share capital

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

#### (r) Related party transactions

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

#### (s) Foreign currency translation

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

#### (t) Taxation

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

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

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

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

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

#### (t) Taxation (continued)

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

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

#### (u) Leases

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

### 3. Critical accounting judgements and estimation uncertainty

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

#### Critical accounting estimates and assumptions

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

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

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

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

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

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

### 3. Critical accounting judgements and estimation uncertainty (continued)

#### *(iii) Inventory provisioning*

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

There are no judgements that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 4. Auditors remuneration

The auditor's remuneration is paid by Tata Global Beverages Services Limited, a subsidiary of the Tata Global Beverages Group Limited. The audit fee of £251,000 (Year ended 31 March 2017: £425,000) was paid in aggregate for the audit of the UK based subsidiaries of Tata Global Beverages Group Limited to Deloitte LLP and no split is separately available for the audit of the company.

### 5. Revenue

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

### 6. Operating profit

Operating profit is stated after charging:

|                                   | 2018<br>£'000 | 2017<br>£'000 |
|-----------------------------------|---------------|---------------|
| Wages and salaries                | 1,102         | 873           |
| Social security costs             | 125           | 111           |
| Other pension costs               | 50            | 38            |
| Staff costs                       | 1,277         | 1,022         |
| Depreciation                      | 76            | 63            |
| Computer software amortisation    | 9             | 11            |
| Impairment of trade receivables   | -             | 7             |
| Foreign exchange gains and losses | 90            | 9             |
| Operating lease charges           | 151           | 119           |

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

### 7. Directors and employees

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

|                | 2018<br>Monthly<br>average<br>number | 2017<br>Monthly<br>average<br>number |
|----------------|--------------------------------------|--------------------------------------|
| Selling        | 29                                   | 21                                   |
| Distribution   | 6                                    | 5                                    |
| Administration | 3                                    | 3                                    |
| <b>Total</b>   | <b>38</b>                            | <b>29</b>                            |

The emoluments of the Directors were as follows:

|                                                      | Year ended<br>31 March<br>2018<br>£000 | Year ended<br>31 March<br>2017<br>£000 |
|------------------------------------------------------|----------------------------------------|----------------------------------------|
| Aggregate emoluments                                 | 253                                    | 246                                    |
| Aggregate amounts receivable under incentive schemes | 94                                     | 220                                    |
| Other pension costs                                  | 8                                      | 8                                      |
| <b>Total</b>                                         | <b>355</b>                             | <b>474</b>                             |

Emoluments of the highest paid director were £146,916 (2017: £142,320) and receivable of £46,896k under incentive scheme (2017: receivable under incentive scheme of £110,000) and is subject to discretionary compensation rules. Benefits under a defined contribution scheme are accruing to two directors (2017: two directors). Two directors are employees of Tata Global Beverages GB Limited who are both remunerated for their services to the Group as a whole.

### 8. Finance income

|                                         | Year ended<br>31 March<br>2018<br>£'000 | Year ended<br>31 March<br>2017<br>£'000 |
|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| Interest income from intercompany loans | 164                                     | 143                                     |
| <b>Total</b>                            | <b>164</b>                              | <b>143</b>                              |

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

### 9. Income tax expense

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 19% (2017: 20%).

|                                                      | Year ended<br>31 March<br>2018<br>£'000 | Year ended<br>31 March<br>2017<br>£'000 |
|------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Current tax:</b>                                  |                                         |                                         |
| UK corporation tax on profits for the financial year | 243                                     | 253                                     |
| Adjustments in respect of prior years                | -                                       | (2)                                     |
| <b>Total current tax charge for the year</b>         | <b>243</b>                              | <b>251</b>                              |
| <b>Deferred tax:</b>                                 |                                         |                                         |
| Origination and reversal of timing differences       | (8)                                     | 3                                       |
| Adjustments in respect of prior years                | (13)                                    | 3                                       |
| <b>Tax on profit before taxation</b>                 | <b>222</b>                              | <b>257</b>                              |

|                                                                                                               | Year ended<br>31 March<br>2018<br>£'000 | Year ended<br>31 March<br>2017<br>£'000 |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Profit on ordinary activities before tax                                                                      | 1,230                                   | 1,220                                   |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%) | 234                                     | 244                                     |
| Adjusting for the effects of:                                                                                 |                                         |                                         |
| Expenses not deductible for tax purposes                                                                      | 1                                       | 1                                       |
| Adjustments to tax charge in respect of prior years                                                           | (13)                                    | 1                                       |
| Origination and reversal of timing differences                                                                | -                                       | 11                                      |
| <b>Tax charge</b>                                                                                             | <b>222</b>                              | <b>257</b>                              |

#### Deferred tax

Deferred tax consists of the following:

|                                  | Property,<br>plant and<br>equipment<br>£'000 | Total<br>£'000 |
|----------------------------------|----------------------------------------------|----------------|
| <b>At 1 April 2016</b>           | 4                                            | 4              |
| Credited to the income statement | (2)                                          | (2)            |
| <b>At 31 March 2017</b>          | 2                                            | 2              |
| Credited to the income statement | (21)                                         | (21)           |
| <b>At 31 March 2018</b>          | <b>(19)</b>                                  | <b>(19)</b>    |

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

### 9. Income tax expense (continued)

|                                           | Year Ended<br>31 March<br>2018<br>£'000 | Year Ended<br>31 March<br>2017<br>£'000 |
|-------------------------------------------|-----------------------------------------|-----------------------------------------|
| Deferred tax assets                       | 19                                      | -                                       |
| Deferred tax liabilities                  | -                                       | (2)                                     |
| Deferred tax assets / (liabilities) - net | 19                                      | (2)                                     |

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

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

### 10. Intangible assets

|                         | Capitalised<br>Software<br>£'000 | Total<br>£'000 |
|-------------------------|----------------------------------|----------------|
| <b>Cost</b>             |                                  |                |
| At 1 April 2017         | 67                               | 67             |
| Additions               | 1                                | 1              |
| <b>At 31 March 2018</b> | <b>68</b>                        | <b>68</b>      |
| <b>Depreciation</b>     |                                  |                |
| At 1 April 2017         | 32                               | 32             |
| Charge for the year     | 9                                | 9              |
| <b>At 31 March 2018</b> | <b>41</b>                        | <b>41</b>      |
| <b>Net book amount</b>  |                                  |                |
| <b>At 31 March 2018</b> | <b>27</b>                        | <b>27</b>      |
| At 31 March 2017        | 35                               | 35             |

Amortisation is charged to administrative expenses within the income statement.

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

### 11. Tangible assets

|                         | Fixtures and<br>Fittings<br>£'000 | Computer<br>equipment<br>£'000 | Total<br>£'000 |
|-------------------------|-----------------------------------|--------------------------------|----------------|
| <b>Cost</b>             |                                   |                                |                |
| At 1 April 2017         | 179                               | 54                             | 233            |
| Additions               | -                                 | 12                             | 12             |
| <b>At 31 March 2018</b> | <b>179</b>                        | <b>66</b>                      | <b>245</b>     |
| <b>Depreciation</b>     |                                   |                                |                |
| At 1 April 2017         | 56                                | 24                             | 80             |
| Charge for the year     | 59                                | 16                             | 75             |
| <b>At 31 March 2018</b> | <b>115</b>                        | <b>40</b>                      | <b>155</b>     |
| <b>Net book amount</b>  |                                   |                                |                |
| <b>At 31 March 2018</b> | <b>64</b>                         | <b>26</b>                      | <b>90</b>      |
| At 31 March 2017        | 123                               | 30                             | 153            |

### 12. Investments

The company holds a 100% equity investment in the ordinary share capital of Teapigs US LLC totalling £100 (2017: £100), a company incorporated in United States of America with its registered office address at 195 Chrystie Street, #602E, New York, New York 10002. The company is in the business of selling tea. The directors believe that the carrying value of the investment does not require any impairment.

### 13. Inventories

|                | 31 March<br>2018<br>£'000 | 31 March<br>2017<br>£'000 |
|----------------|---------------------------|---------------------------|
| Finished goods | 2,194                     | 1,551                     |
| <b>Total</b>   | <b>2,194</b>              | <b>1,551</b>              |

The amount shown for finished goods is not materially different from the replacement cost of those finished goods to the company. Inventory is stated after provision for impairment of £nil. (2017: £nil).

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

### 14. Trade and other receivables

|                                    | 31 March<br>2018<br>£'000 | 31 March<br>2017<br>£'000 |
|------------------------------------|---------------------------|---------------------------|
| Trade receivables                  | 1,658                     | 1,711                     |
| Amounts owed by group undertakings | 644                       | 630                       |
| Other receivables                  | 169                       | 224                       |
| Deferred tax asset                 | 19                        | -                         |
| <b>Total</b>                       | <b>2,490</b>              | <b>2,565</b>              |

Amounts owed by group undertaking includes a balance of £453,000 (2017: £453,000) with Teapigs US LLC. Interest is charged at variable rates of 2% above LIBOR and the loan is unsecured. The loan agreement with Teapigs US LLC provides for the principal to be repaid on demand by the borrower and matures on 30 June 2018. It is the intention of the directors to roll forward the loan for another twelve month period.

The remaining amount of £191,000 (2017: £177,000) owed by group undertaking represents a trading balance with Teapigs US LLC which is unsecured, repayable on demand and non-interest bearing.

Trade receivables are stated after provisions for impairment of £39,000 (2017: £79,000). Movements on the provision for impairment of trade receivables are as follows:

|                                                          | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------------------------------------|---------------|---------------|
| As at 1 April                                            | 79            | 41            |
| Provision for impairment                                 | 10            | 49            |
| Receivables written off during the year as uncollectible | (16)          | (7)           |
| Unused amounts reversed                                  | (34)          | (4)           |
| <b>As at 31 March</b>                                    | <b>39</b>     | <b>79</b>     |

### 15. Cash and cash equivalents

|                           | 31 March<br>2018<br>£'000 | 31 March<br>2017<br>£'000 |
|---------------------------|---------------------------|---------------------------|
| Cash and cash equivalents | 7,690                     | 6,861                     |
| <b>Total</b>              | <b>7,690</b>              | <b>6,861</b>              |

# Teapigs Limited

## Notes to the financial statements for the year ended 31 March 2018

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

|                                    | 31 March<br>2018<br>£'000 | 31 March<br>2017<br>£'000 |
|------------------------------------|---------------------------|---------------------------|
| Trade creditors                    | 879                       | 704                       |
| Accruals and deferred income       | 263                       | 393                       |
| Amounts owed to group undertakings | 5,039                     | 4,764                     |
| Corporation tax                    | -                         | -                         |
| Deferred tax liability             | -                         | 2                         |
| <b>Total</b>                       | <b>6,181</b>              | <b>5,863</b>              |

Amounts owed to group undertakings consist of a loan from its parent, Tata Global Beverages GB Limited £995,000 (2017: £752,000) and a loan amount of £4,044,000 (2017: £4,012,000) from Tata Global Beverages Services Limited. The loans are non-interest bearing and unsecured. The principal is repayable on demand by the lender.

### 17. Called up share capital

|                                           | Number<br>'000                   | 31 March<br>2018<br>£'000 | 31 March<br>2017<br>£'000 |
|-------------------------------------------|----------------------------------|---------------------------|---------------------------|
| <b>Authorised</b>                         |                                  |                           |                           |
| Ordinary shares of £1 each                | 10,000,000<br>(2017: 10,000,000) | 10,000                    | 10,000                    |
| <b>Allotted, called up and fully paid</b> |                                  |                           |                           |
| Ordinary shares of £1 each                | 1,000 (2017: 1,000)              | 1,000                     | 1,000                     |

### 18. Leases

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

| Commitment expires:                               | Land and buildings |               |
|---------------------------------------------------|--------------------|---------------|
|                                                   | 2018<br>£'000      | 2017<br>£'000 |
| Not later than one year                           | 94                 | 82            |
| Later than one year and not later than five years | 313                | 165           |
| Later than five years                             | 247                | 159           |
| <b>Total</b>                                      | <b>654</b>         | <b>406</b>    |

The operating leases relate to three property leases where one expires during the next year and the other two expire in 8 years but can be ended through the existence of a break clause in 3 years when they will be subject to a market rent review.

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

As at the date of this report, no matter or circumstance has arisen since 31 March 2018 that has significantly affected, or may significantly affect the company, its results or the state of affairs.

# **Teapigs Limited**

## **Notes to the financial statements for the year ended 31 March 2018**

### **20. Parent company**

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

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

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

During the year, one child of one of the directors, N I Kilby, was employed full-time by the company and was paid £34,617. There were no balances outstanding at the year end.