Teapigs Limited

Registered number 05426310

Annual Report and Financial Statements

Year ended 31 March 2020

Teapigs Limited

Contents

Teapigs Limited

Strategic report

Strategic report for the year ended 31 March 2020

The directors present their strategic report for the year ended 31 March 2020.

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 £11,235k (2019: £10,849k), a 4% improvement from the prior year reflecting growth in online and foodservice sales. The company made a profit for the financial year of £863k (2019: £644k). The improvement in profit is explained by the growth in sales combined with gross margin expansion. The net asset position of the company in the current financial year of £7,786k has increased from £6,954k (31 March 2019), 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 “limited edition” tea temples were launched in addition to summer, cold brew teas, new loose teas and winter specials. In 2019-20 the company was awarded 15 Great Taste Awards from The Guild of Fine Foods. The company is now exporting to over 40 countries.

Covid-19 lockdown has not had a significant impact on the company in the short term. Retail and online sales have been stronger, reflecting instances of panic buying whilst foodservice sales have been weaker with many of our customers being closed during this period. To date the company has not suffered any supply shocks but will continue to monitor and seek to mitigate this and other potential unknown risks through prompt action.

Teapigs is certified as a B-corp. The company continues to pursue a sustainable approach to tea sourcing to purchase tea. The company is a member of The Ethical Tea Partnership which works to improve the sustainability of tea production, the lives of tea workers, and the environment in which tea is produced. The company purchases tea products from Rainforest Alliance (“RA”) Certified TM farms and the company’s signature Everyday Brew blend is 100% RFA certified. The company runs its own ethical scheme which helps supports numerous projects for disadvantaged children in tea growing communities in Rwanda. The company is a member of foodservice trade body The Sustainable Restaurant Association.

The company continues to pursue green credentials. The 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 inner pouches which protect the tea temples are made from compostable Natureflex material derived from wood pulp. teapigs were the first tea brand to be awarded the “Plastic Free” mark from A Plastic Planet, an organisation committed to reducing plastic usage. This mark now appears across the teapigs range of tea temples. The outer packaging is fully recyclable, and the cardboard used to make the packaging is FSC certified. FSC (Forestry Stewardship Council) is an organisation which promotes environmentally appropriate, socially beneficial and economically viable management of the world’s forests. In addition to printing on sustainable board, the ink we use on the company’s packs is vegetable-based.

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.

Teapigs Limited

Strategic report (continued)

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.

Covid 19 pandemic- The company believes that depending on the pace of stabilization in regions from where raw materials are sourced, disruptions to the supply chain in the future cannot be ruled out. This is an area which will be dynamically reviewed and managed by the company.

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 manufacturing of packed tea – This is managed by appropriate stock policies, maintaining a close relationship with our existing manufacturer and contingency planning including consideration of alternate supply.

The various trade and other agreements which the UK enters into will determine the impact of Brexit on the UK economy in the coming years. Until such time the financial markets is expected to remain volatile as detailed political and legal issues are being worked out. A prolonged depreciation of sterling and fall in gilt yields has been witnessed in the aftermath of the decision to exit the European Union, further exacerbated by the recent pandemic. Further, changes in the trade relationships between Europe and UK, which is yet to be finalised, could give rise to supply and cost issues along with export sales disruption. The company's management are constantly reviewing mitigations like pricing strategy, currency hedging, stock levels and latest available legal counsel to seek to minimise any adverse fall out.

Approved and authorised for issue on behalf of the Board

M Thakrar
Director
12 June 2020

Teapigs Limited

Directors' report

Directors' report for the year ended 31 March 2020

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

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 (2019: nil). No ordinary dividends were declared, paid or proposed during the year (2019: 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 (resigned 11 September 2019)
M Thakrar

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.

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.

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 2020 that has significantly affected, or may significantly affect the company, its results or the state of affairs in future financial years.

Financial risk management and policies

This has been outlined in the Strategic report.

Teapigs Limited

Directors' report (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

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 auditor

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 auditor 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 auditor are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

The auditor, Deloitte LLP, have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved and authorised for issue on behalf of the Board

M Thakrar 12 June 2020
Director

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 of Teapigs Limited (the ‘company’):

- give a true and fair view of the state of the company’s affairs as at 31 March 2020 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 which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 22.

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 Financial Reporting Council’s (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.

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

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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

Sukhbinder Kooner (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 June 2020

Teapigs Limited

Statement of comprehensive income

For the year ended 31 March 2020

	Note	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Revenue	5	**11,235**	10,849
Cost of sales		**(6,364)**	(6,411)
Gross profit		**4,871**	4,438
Distribution costs		**(1,565)**	(1,421)
Administrative expenses		**(2,339)**	(2,340)
Operating profit	6	**967**	677
Finance income	8	**115**	130
Finance costs	8	**(17)**	-
Profit before taxation		**1,065**	807
Income tax expense	9	**(202)**	(163)
Profit for the financial year		**863**	644
Total comprehensive income for the financial year		**863**	644

The notes on pages 13 to 28 are an integral part of these financial statements.

All results relate to continuing operations.

Teapigs Limited

Statement of financial position

As at 31 March 2020

	Note	**31 March 2020 £'000**	31 March 2019 £'000
Non-current assets			
Investments	13	-	-
Intangible assets	10	**63**	24
Tangible assets	11	**77**	36
Right-of-use assets	12	**447**	-
		587	60
Current assets			
Inventories	14	**2,583**	2,786
Trade and other receivables	15	**2,823**	2,575
Cash and cash equivalents	16	**4,375**	3,512
Deferred tax assets (net)	9	**13**	15
		9,794	8,888
Total assets		**10,381**	**8,948**
Non-current liabilities			
Lease liability	17	**(369)**	**-**
		(369)	**-**
Current liabilities			
Lease liability	17	**(109)**	**-**
Creditors - amounts falling due within one year	18	**(2,117)**	(1,994)
		(2,226)	**(1,994)**
Net current assets		**7,677**	6,894
Net assets		**7,786**	**6,954**
Equity			
Called up share capital	19	**1,000**	1,000
Retained earnings		**6,786**	5,954
Total equity		**7,786**	6,954

The notes on pages 13 to 28 are an integral part of these financial statements.

The financial statements on pages 10 to 28 were approved by the Board on 11 June 2020 and signed on its behalf by:

M Thakrar
Director
12 June 2020

Teapigs Limited
Registered number 05426310

Teapigs Limited

Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 April 2018	1,000	5,310	6,310
Profit for the financial year	-	644	644
Total comprehensive income for the financial year	-	644	644
Balance as at 31 March 2019	1,000	5,954	6,954
Balance as at 1 April 2019	**1,000**	**5,954**	**6,954**
PY adjustments		(31)	(31)
Profit for the financial year	-	863	863
Total comprehensive income for the financial year	**-**	**832**	**832**
Balance as at 31 March 2020	**1,000**	**6,786**	**7,786**

The notes on pages 13 to 28 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 2020

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 Consumer Products GB Limited, which in turn is an indirect subsidiary of the ultimate parent company Tata Consumer Products Limited incorporated in India.

The company is a private company limited by shares and is incorporated, registered and domiciled in England and Wales. 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 Consumer Products UK Group Limited ("the Group"). The group financial statements of Tata Consumer Products UK Group Limited are available to the public and can be obtained from its registered office address set out in note 21.

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',

2. Summary of significant accounting policies (continued)

(a) 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'.
- The requirements of Section 33 Related Party Disclosures paragraph 33.7

(b) Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as set out on page 3 and the company's principal risks and uncertainties as set out on pages 4. Based on the company's balance sheet showing a net asset position of £7.8m at 31 March 2020 and the forecasts and projections, taking account of reasonably possible changes in trading performance based on recent trends observed, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Covid-19 has created significant uncertainties in the general business environment within countries in which the group operates. The company's product range consist of items for every day consumption and based on trends observed, revenue has not been adversely impacted by the business uncertainties arising out of the covid-19 pandemic, except for in the out of home segment which has been impacted by the lockdown conditions. Potential constraints around manufacturing and supply chain have been well managed to date through a number of initiatives. In line with FRC guidelines, the directors have also considered reverse stress testing in the evaluation for Going Concern. Considering the business scenario as explained herein above, the strength of the balance sheet, the cash position, it can be concluded that there is sufficient liquidity within the business for it to carry on its operations for the foreseeable future i.e. the next 12 months. The continuing future impact on the business environment would largely be dependent on how the pandemic develops.

(c) Change in accounting policy and disclosure

(i) New accounting standards and interpretations adopted by the company

The Company has adopted IFRS 16, effective from April 1, 2019 and applied the standard to its leases retrospectively. The cumulative effect of initially applying the standard was recognized on April 1, 2019 as an adjustment to the retained earnings. The Company has not restated comparative for the year ended March 31, 2019.

On transition, the adoption of new standard resulted in recognition of Right-of-use Asset of £447k and a lease liability of £583k. The cumulative effect of applying the standard, amounting to £31k was debited to retained earnings.

There are no other new FRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2019 and have had a material impact on the company.

2. Summary of significant accounting policies (continued)

(c) Change in accounting policy and disclosure (continued)

(ii) New standards, amendments and interpretations not yet adopted by the company

The company is currently assessing the remaining list of standards and amendments in its results and financial position as listed below:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 (Oct 2019), 'Definition of Material'
- Amendments to IFRS 10 and IAS 28 (Sept 2014), 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

(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 Consumer Products UK Group Limited. The address of its registered office of Tata Consumer Products UK 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

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

(f) Revenue from contracts with customer

Revenue from contract with customers is recognised when the company satisfies performance obligation by transferring promised goods and services to the customer. Performance obligations maybe satisfied at a point of time or over a period of time. Performance obligations satisfied over a period of time are recognised as per the terms of relevant contractual agreements / arrangements. Performance obligations are said to be satisfied at a point of time when the customer obtains controls of the asset or when services are rendered.

Revenue is measured based on transaction price, which is the fair value of the consideration received or receivable, stated net of discounts, returns and value added tax. Transaction price is recognised based on the price specified in the contract, net of the estimated sales incentives/ discounts. Accumulated experience is used to estimate and provide for the discounts/ right of return, using the expected value method.

A refund liability is recognised for expected sale returns and corresponding assets are recognised for the products expected to be returned.

The company recognises as an asset, the incremental costs of obtaining a contract with a customer, if the Group expects to recover those costs. The said asset is amortised on a systematic basis consistent with the transfer of goods or services to the customer.

2. Summary of significant accounting policies (continued)

(g) Finance income

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

(h) Tangible assets

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life on a straight line basis 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
- 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 represent equity investment in subsidiary undertakings and 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.

2. Summary of significant accounting policies (continued)

(j) Investments (continued)

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

(k) Inventories

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

(l) Trade and other receivables

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

(m) Cash and cash equivalents

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

(n) Creditors

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

(o) Pension and other post-retirement benefit arrangements

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

(p) Employee benefits –incentive schemes

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

(q) Share capital

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

2. Summary of significant accounting policies (continued)

(r) Related party transactions

As the company is a wholly owned subsidiary of Tata Consumer Products UK Group Limited, advantage has been taken of the exemption afforded by IAS 24 not to disclose any related party transactions with wholly owned members of the Group.

(s) Foreign currency translation

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

(t) Taxation

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(u) Leases

Policy applied from 1 April 2019
At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is, or contains, a lease if a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract conveys the right to use an identified asset;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct to use of the identified asset.

At the date of commencement of a lease, the Company recognises a right-of-use asset ("ROU Assets") and a corresponding lease liability for all leases, except for leases with a term of twelve months or less (short-term leases) and low value leases. For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease. Company has considered all leases where the value of an underlying asset does not individually exceed £5k or equivalent as a lease of low value assets.
Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. Lease payments to be made under such reasonably certain extension options are included in the measurement of ROU assets and lease liabilities.

Lease liability is measured by discounting the lease payments using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of the leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment of whether it will exercise an extension or a termination option.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The ROU assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives and restoration costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated on a straight-line basis over the lease term.

Impairment of ROU assets is in accordance with the Company’s accounting policy for impairment of tangible and intangible assets.

Policy applied until 31 March 2019

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.

2. Summary of significant accounting policies (continued)

(u) Leases (continued)

The company leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in other long- term payables. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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) 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. Auditor's remuneration

The fees payable to the auditor for the audit of the financial statements is paid by Tata Consumer Products GB Limited (formerly Tata Global Beverages GB Limited), a subsidiary of the Tata Consumer Products UK Group Limited. The audit fee of £240k (2019:£257k) was paid in aggregate for the audit of the financial statements of the UK based subsidiaries of Tata Consumer Products UK Group Limited to Deloitte LLP and no split is separately available for the audit of the company.

Notes to the financial statements for the year ended 31 March 2020

5. Revenue

The sale of the company's products is regarded as a single class of business. The destination of the company's turnover for the year ended 31 March 2020 is as follows: United Kingdom £10,233k (2019: £9,456k); Rest of the World - £1,002k (2019: £1,393k).

6. Operating profit

Operating profit is stated after charging:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
The operating profit is stated after charging:		
Wages and salaries	**1,398**	1,390
Social security costs	**151**	136
Other pension costs	**74**	57
Staff costs	**1,623**	1,583
Depreciation on Right-of-use assets	**105**	-
Depreciation of fixed assets - owned assets	**35**	68
Operating lease rentals - other	**54**	166
Amortisation of intangibles	**14**	9
Foreign exchange gains	**22**	10

7. Directors and employees

The emoluments of the directors were as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Aggregate emoluments	**180**	277
Aggregate amounts receivable under incentive schemes	**93**	82
Other pension costs	**10**	9
Total	**283**	368

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

	2020 Monthly average number	2019 Monthly average number
Selling	**24**	24
Distribution	**4**	4
Administration and others	**7**	4
Total	**35**	32

7. Directors and employees (continued)

Emoluments of the highest paid director were £128,484 (2019: £150,414) and receivable of £46,323 under incentive scheme (2019: receivable under incentive scheme of £41,209) and is subject to discretionary compensation rules.

The Company operates defined contribution retirement benefit schemes for employees and accordingly benefits are accruing to one directors (2019: two directors). The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

One director is an employee of Tata Consumer Products GB Limited who is remunerated for his services to the Group as a whole and no remuneration has been given to him by the company (2019: Nil).

8. Finance income and finance costs

Finance income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest income from intercompany loans	**115**	130
Total	**115**	130

Finance costs

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest on Finance leases	**17**	-
Total	**17**	-

Teapigs Limited

Notes to the financial statements for the year ended 31 March 2020

9. Income tax expense

The tax assessed on the profit on ordinary activities is equivalent to (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current tax:		
UK corporation tax on profits for the financial year	**200**	159
Adjustments in respect of prior years	**-**	-
Total current tax charge for the year	**200**	159
Deferred tax:		
Origination and reversal of timing differences	**2**	4
Adjustments in respect of prior years	**-**	-
Tax on profit before taxation	**202**	163

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit on ordinary activities before tax	**1,065**	807
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**202**	153
Adjusting for the effects of:		
Expenses not deductible for tax purposes	**-**	10
Adjustments to tax charge in respect of prior years	**-**	-
Tax charge	**202**	163

Deferred tax

Deferred tax consists of the following:

	Property, plant and equipment £'000	**Total £'000**
At 1 April 2018	(19)	(19)
Credited to the income statement	4	4
At 31 March 2019	(15)	(15)
Credited to the income statement	**2**	**2**
At 31 March 2020	**(13)**	**(13)**

Notes to the financial statements for the year ended 31 March 2020

9. Income tax expense (continued)

	Year Ended 31 March 2020 £'000	Year Ended 31 March 2019 £'000
Deferred tax assets	**13**	15
Deferred tax liabilities	**-**	-
Deferred tax assets - net	**13**	15

A deferred tax asset has been recognised based on the expectation that the company will generate future taxable profits.

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 Software £'000	**Total £'000**
Cost		
At 1 April 2019	74	74
Additions	54	54
At 31 March 2020	**128**	**128**
Depreciation		
At 1 April 2019	50	50
Charge for the year	15	15
At 31 March 2020	**65**	**65**
Net book amount		
At 31 March 2020	**63**	**63**
At 31 March 2019	24	24

Amortisation is charged to administrative expenses within the income statement.

Teapigs Limited

Notes to the financial statements for the year ended 31 March 2020

11. Tangible assets

	Fixtures and Fittings £'000	Computer equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 April 2019	179	71	-	250
Additions	1	23	47	71
Disposals	-	(7)	-	(7)
At 31 March 2020	**180**	**87**	**47**	**314**
Depreciation				
At 1 April 2019	167	47	-	214
Charge for the year	12	7	4	23
At 31 March 2020	**179**	**54**	**4**	**237**
Net book amount				
At 31 March 2020	**1**	**33**	**43**	**77**
At 31 March 2019	12	24	-	36

12. Right-of-use assets

	Buildings £'000
Cost	
At 1 April 2019	-
On account of transition to IFRS 16	552
Additions	-
Disposals	-
At 31 March 2020	**552**
Depreciation	
At 1 April 2019	-
Charge for the year	105
At 31 March 2020	**105**
Net book amount	
At 31 March 2020	**447**
At 31 March 2019	-

13. Investments

The company holds a 100% equity investment in the ordinary share capital of Teapigs US LLC at a historical cost of £100 (2019: £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. Provision for impairment is Nil (2019: Nil).

14. Inventories

	31 March 2020 £'000	31 March 2019 £'000
Finished goods	**2,583**	2,786
Total	**2,583**	2,786

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 £154k (2019: Nil).

The cost of inventories recognised as an expense and included in ‘cost of sales’ amounted to £6,364k (2019: £6,411k).

15. Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Trade receivables	**1,859**	1,773
Amounts owed by group undertakings	**716**	697
Other receivables	**248**	105
Deferred tax asset	**13**	15
Total	**2,836**	2,590

Amounts owed by group undertaking includes a balance of £453k (2019: £453k) 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 31 December 2020.

The remaining amount of £263k (2019: £244k) 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 £28k (2019: £10k). Movements on the provision for impairment of trade receivables are as follows:

	2020 £'000	2019 £'000
As at 1 April	**10**	39
Provision for impairment	**26**	-
Receivables written off during the year as uncollectible	**(1)**	-
Unused amounts reversed	**(7)**	(29)
As at 31 March	**28**	**10**

Teapigs Limited

Notes to the financial statements for the year ended 31 March 2020

16. Cash and cash equivalents

	31 March 2020 £'000	31 March 2019 £'000
Cash and cash equivalents	**4,375**	3,512
Total	**4,375**	3,512

17. Leases

Liability Split	**31 March 2020 £'000**
Current lease liability	109
Non-current lease liability	369
Total Lease Liability	478

Contractual maturities of lease liabilities on an undiscounted basis:	
Less than one year	123
One to two years	92
Two to three years	71
Three to four years	71
Four to five years	71
More than five years	91
Total	**518**

	£'000
Operating lease commitments disclosed as at 31 March 2019	660
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	583
Add	
Finance Lease liabilities recognised as at 01 April 2019	-
Adjustments as a result of a different treatment of extension and termination options	-
Less	
Short-term leases not recognised as a liability	-
Low-value leases not recognised as a liability	-
Lease liability recognised as at April 01, 2019	**583**

Of which are:	
Current lease liabilities	111
Non-current lease liabilities	472

Impact on Retaining earnings

	£'000
Liability Recognised	583
ROU Assets recognised	552
Retained Earnings (Net)	**(31)**

Teapigs Limited

Notes to the financial statements for the year ended 31 March 2020

18. Creditors - amounts falling due within one year

	31 March 2020 £'000	31 March 2019 £'000
Trade creditors	**542**	644
Accruals and deferred income	**407**	331
Amounts owed to group undertakings	**1,168**	1,019
Total	**2,117**	1,994

Amounts owed to group undertakings consist of a loan from its parent, Tata Consumer Products GB Limited £1,168k (2019: £1,019k). The loan is non-interest bearing and unsecured. The principal is repayable on demand by the lender.

19. Called up share capital

	Number '000	**31 March 2020 £'000**	31 March 2019 £'000
Authorised			
Ordinary shares of £1 each	10,000,000 (2019: 10,000,000)	**10,000**	10,000
Allotted, called up and fully paid			
Ordinary shares of £1 each	1,000 (2019: 1,000)	**1,000**	1,000

20. Events after the end of the reporting period

As at the date of this report, no matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect the company, its results or the state of affairs.

21. Parent company

The immediate parent undertaking is Tata Consumer Products GB Limited. The smallest parent undertaking to include the company's results in its consolidated financial statements is Tata Consumer Products UK 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 Consumer Products Limited, a company registered in India. The consolidated financial statements of Tata Consumer Products Limited are available from its registered office 1 Bishop Lefroy Road, Kolkata, India.

22. Related party transactions

As the company is a wholly owned subsidiary of Tata Consumer Products UK Group Limited, advantage has been taken of the exemption afforded by IAS 24 not to disclose any related party transactions with wholly owned members of the Group.