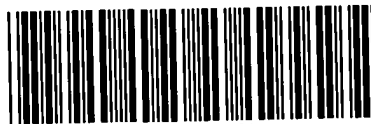


Company Registration No. 07282017 (England and Wales)

ENGLISH TEA SHOP (UK) LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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ENGLISH TEA SHOP (UK) LTD

COMPANY INFORMATION

Directors	G. Jayaweera S.B. Herath D.L.R. De Silva
Company number	07282017
Registered office	Devonshire House 1 Devonshire Street London W1W 5DR
Auditor	Citroen Wells Chartered Accountants Devonshire House 1 Devonshire Street London W1W 5DR

ENGLISH TEA SHOP (UK) LTD

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ENGLISH TEA SHOP (UK) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Fair review of the business

The principal activity of the company during the period under review continued to be that of the import and sale of a variety of organic tea and tisanes manufactured in Sri Lanka. The company continued to focus on premium, natural and organic food markets, both domestically and internationally.

The directors are pleased to report the financial statements for the year ended 31 March 2017 during which sales grew by 29% (2016: 14%). The directors consider that revenue and profitability are the financial key performance indicators of the company. The company made a pre-tax profit of £395,792 (2016: £240,000) from revenues of £8,536,156 (2016: £6,035,586). This revenue increase drove and increased the gross profit margin from 14.3% in 2016 to 15.9% this year. The growth in sales was driven by tea sales within the UK and across international markets.

English Tea Shop ("the company") is a 100% organic brand with arguably the widest assortment of certified organic teas in the world; packed for retail, food service and as seasonal and everyday gifts. The company's products are now available in over 50 countries; in natural and organic food markets, specialty independent stores, luxury department stores and in premium hotels and cafes. A 4-year strategic plan was unveiled in 2016, which projects doubling of the company's turnover by the financial year ended 31 March 2021, to have a presence in 80 countries and to be the industry leader in the approach to sustainability, with a long-term focus and commitment to people and the planet at large. The Strategic Report goes on to describe how the company intends to deliver the widest variety of organic tea products at very competitive prices. The company is a member of a wider group ("the group"), headquartered by an entity under common ownership in Sri Lanka, which packs all of the products in their own manufacturing facility with all activities in the value chain from organic farm-gates to distributors worldwide handled by companies of the group. This has enabled the company to grow quite rapidly since the launch in 2010. The growth and cost leadership is expected to be further supported by continuing to improve productivity and efficiency in the Sri Lankan factory. The group employs 400 full time, permanent members of staff in the Sri Lankan factory and works with over 2,000 small organic farmers, the majority of whom operate in Sri Lanka.

The group is committed to enhance the livelihood of their permanent employees in Sri Lanka and the UK, and that of their suppliers and small organic farmers through an unparalleled approach. Inspired by the concept of "Creating Shared Value", pioneered by the Harvard Business School Professor, Michael E Porter and the "Great Game of Business" originated by Jack Stack of Springfield Reengineering Corporation of USA, the company radically redefined competitive advantage by adopting unique win-win relationship models in the way it works with employees and organic small farmer clusters. A series of programs, including open book management, budgeting games, quarterly bonuses for every individual based out of shared outcomes, a culture that permeates ownership throughout the organization and an education hub that shares knowledge on essentials of business management, financial accounting, marketing etc were launched under a concept called the "Big Game". The Big Game resulted in a group productivity increase of 31% in the first year itself. At the same time a series of investment programs were launched under a program named "Love, Care & Change" to uplift and enhance small organic farming in Sri Lanka. In 2017 the group invested £50,000 in 3 districts of Sri Lanka, covering 1,082 organic farmers and their families. The monies were granted to invest in programs that saw economic, environmental and social benefits. The Big Game and the Love, Care & Change approaches are expected to be further amplified and would enable the company to have access to great tasting organic ingredients from a large pool of organic farmers and employees that are highly motivated and thinking entrepreneurially.

Principal risks and uncertainties

The company takes a proactive approach to the management of the various risks that it faces whilst always maintaining the values of the company, in particular ensuring an environmentally sustainable business.

ENGLISH TEA SHOP (UK) LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Financial risks

The company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and foreign exchange risk. The company specifically manages each of these risks so as to minimise the impact of these risks on financial performance.

Credit risk

Credit risk is primarily attributable to trade receivables. Trade receivables are managed in respect of credit and cash flow risk by stringent credit control and the use of an invoice financing facility provided by the company's bankers where it is appropriate and available. The invoice financing facility provides the company with credit insurance over its trade debtors, ensuring that credit risk is minimised.

Liquidity risk

The company maintains sufficient liquidity by maintaining sufficient working capital to ensure the company always maintains sufficient funds. Detailed cash flow forecasts and utilising the invoice financing facility provides a strong cash at bank position.

Foreign exchange risk

The company has exposure to a number of foreign currencies through its purchase of finished goods in US Dollars and its global customer base invoiced in a variety of currencies. Exposure is principally in US Dollars and Euros. The company, from time to time, takes out forward currency contracts to mitigate this risk. In addition to this the company also tries to maintain a natural hedged position by issuing sales invoices in US Dollars, where possible, to match off the purchases made in this same currency.

Future developments

The directors expect continued growth within existing markets as well as expansion into new markets. Furthermore, after the year end the company completed the acquisition of two new subsidiary companies, both operating in the same domain, one in the US and another in the UK. The UK subsidiary is expected to provide access into the premium end of the market and the US subsidiary is expected to establish a strong presence within the growing US tea market.

Other information and explanations

Award nominations

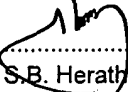
The company applied for the Grocer Gold and National Business Excellence awards for the first time in 2017 and was selected as a finalist in the Grocer Gold awards under the New Business Initiative category. The initiatives that led to this selection include the Big Game – the initiative about creating shared value with employees, and Love, Care & Change; the programme that creates shared value for tea farmers in Sri Lanka.

The company has been nominated as a finalist in the National Business Excellence awards under the Sustainability category. Here again the two initiatives, the Big Game and Love, Care & Change were the key considerations.

Certifications

All of the company's tea products are certified organic by Soil Association Ltd as well as by Control Union of the Netherlands. In addition all of the company's tea products are non-GMO certified, Halal and Kosher certified and the core blends are Fairtrade certified. The group's Sri Lankan factory is BRC (AA Grade) certified, ISO 22000 and 9001 certified in addition to being certified organic and Fairtrade.

On behalf of the board


S.B. Herath
Director
7-11-2017

ENGLISH TEA SHOP (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31 March 2017.

Principal activities

The principal activity of the company continued to be that of exporting tea products to the wholesale market.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

G. Jayaweera
S.B. Herath
D.L.R. De Silva

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £198,468 (2016: £140,250). The directors do not recommend payment of a final dividend.

Auditor

The auditor, Citroen Wells, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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). 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

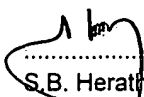
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board


.....
S.B. Herath
Director
7-11-2017
.....

ENGLISH TEA SHOP (UK) LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENGLISH TEA SHOP (UK) LTD

We have audited the financial statements of English Tea Shop (UK) Ltd for the year ended 31 March 2017 set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

ENGLISH TEA SHOP (UK) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ENGLISH TEA SHOP (UK) LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Kim Youle

Kim Youle FCA (Senior Statutory Auditor)
for and on behalf of Citroen Wells

14 November 2017

Chartered Accountants
Statutory Auditor

Devonshire House
1 Devonshire Street
London
W1W 5DR

ENGLISH TEA SHOP (UK) LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	Notes	£	£
Revenue	3	8,536,156	6,035,586
Cost of sales		(7,184,647)	(5,170,460)
Gross profit		1,351,509	865,126
Administrative expenses		(919,120)	(588,136)
Operating profit	4	432,389	276,990
Investment income	8	286	226
Finance costs	9	(36,883)	(37,216)
Profit before taxation		395,792	240,000
Taxation	10	(80,268)	(53,021)
Profit and total comprehensive income for the financial year		315,524	186,979

The income statement has been prepared on the basis that all operations are continuing operations.

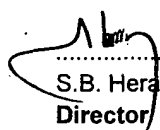
ENGLISH TEA SHOP (UK) LTD

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Intangible assets	12		26,012		21,600
Property, plant and equipment	13		298		220
			<u>26,310</u>		<u>21,820</u>
Current assets					
Inventories	15	1,119,533		788,837	
Trade and other receivables	16	1,932,321		1,140,788	
Cash at bank and in hand		666,539		265,640	
		<u>3,718,393</u>		<u>2,195,265</u>	
Current liabilities	17	(3,221,470)		(1,810,908)	
Net current assets			<u>496,923</u>		<u>384,357</u>
Total assets less current liabilities			<u><u>523,233</u></u>		<u><u>406,177</u></u>
Equity					
Called up share capital	18		1,000		1,000
Retained earnings			522,233		405,177
Total equity			<u><u>523,233</u></u>		<u><u>406,177</u></u>

The financial statements were approved by the board of directors and authorised for issue on 7-4-2017 and are signed on its behalf by:


S.B. Herath
Director

Company Registration No. 07282017

ENGLISH TEA SHOP (UK) LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 April 2015		1,000	358,448	359,448
Year ended 31 March 2016:				
Profit and total comprehensive income for the year		-	186,979	186,979
Dividends	11	-	(140,250)	(140,250)
		<hr/>	<hr/>	<hr/>
Balance at 31 March 2016		1,000	405,177	406,177
Year ended 31 March 2017:				
Profit and total comprehensive income for the year		-	315,524	315,524
Dividends	11	-	(198,468)	(198,468)
		<hr/>	<hr/>	<hr/>
Balance at 31 March 2017		<hr/> <hr/> 1,000	<hr/> <hr/> 522,233	<hr/> <hr/> 523,233

ENGLISH TEA SHOP (UK) LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	23		715,091		(371,446)
Income taxes paid			(53,268)		(47,021)
Net cash inflow/(outflow) from operating activities			661,823		(418,467)
Investing activities					
Purchase of intangible assets		(27,262)		(16,728)	
Purchase of property, plant and equipment		(597)		-	
Receipts from/(proceeds to) the directors		2,000		(10,000)	
Interest received		286		226	
Net cash used in investing activities			(25,573)		(26,502)
Financing activities					
Interest paid on invoice financing		(36,883)		(37,216)	
Dividends paid		(198,468)		(140,250)	
Net cash used in financing activities			(235,351)		(177,466)
Net increase/(decrease) in cash and cash equivalents			400,899		(622,435)
Cash and cash equivalents at beginning of year			265,640		888,075
Cash and cash equivalents at end of year			666,539		265,640

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

English Tea Shop (UK) Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Devonshire House, 1 Devonshire Street, London, W1W 5DR.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 March 2017 are the first financial statements of English Tea Shop (UK) Ltd prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2015. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2 Going concern

Based on the company's trading performance since the turn of the year, coupled with financial forecasts that have been prepared, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing these financial statements.

1.3 Revenue

Turnover represents amounts receivable for goods sold net of VAT (where applicable) and trade discounts. Turnover is recognised at the point of sale when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of the revenue can be reliably measured.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Trademarks

Estimated useful lives of 3 years

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment

50% straight line

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.6 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Inventories

Inventories comprise finished goods and are stated at the lower of cost and estimated selling price less costs to sell. Costs comprise finished goods and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash balances on current accounts and call deposits.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, and amounts due under invoice discounting facilities, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Amounts due in respect of invoice discounting are separately disclosed as current liabilities. The company can use these facilities to draw down a percentage of the value of certain sales invoices. The management and collection of trade receivables remains with the company.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting policies

(Continued)

1.14 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the average monthly rate as published by HM Revenue and Customs at the date of the transaction. All differences are taken to profit and loss account.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Revenue

An analysis of the company's revenue is as follows:

Revenue analysed by geographical market

	2017 £	2016 £
UK	2,828,016	2,374,415
Europe	3,389,948	2,091,795
Rest of the world	2,318,192	1,569,376
	<u>8,536,156</u>	<u>6,035,586</u>

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	211,056	15,456
Fees payable to the company's auditor for the audit of the company's financial statements	17,000	16,000
Depreciation of owned property, plant and equipment	519	13,724
Amortisation of intangible assets	22,850	16,038
Cost of inventories recognised as an expense	<u>7,184,647</u>	<u>5,170,460</u>

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2017 Number	2016 Number
6	5

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	194,783	165,208
Social security costs	19,710	17,347
Pension costs	2,093	-
	<u>216,586</u>	<u>182,555</u>

6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	<u>97,175</u>	<u>93,150</u>

7 Retirement benefit schemes

Defined contribution schemes	2017 £	2016 £
Charge to profit or loss in respect of defined contribution schemes	<u>2,093</u>	<u>-</u>

The company makes contributions to defined contribution pension schemes for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

8 Investment income

	2017 £	2016 £
Interest income		
Interest on bank deposits	<u>286</u>	<u>226</u>
Investment income includes the following:		
Interest on financial assets	<u>286</u>	<u>226</u>

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

9 Finance costs

	2017 £	2016 £
Other finance costs:		
Other interest	36,883	37,216
	<u>36,883</u>	<u>37,216</u>

10 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	80,000	53,000
Adjustments in respect of prior periods	268	21
	<u>80,268</u>	<u>53,021</u>
Total current tax		

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	<u>395,792</u>	<u>240,000</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	79,158	48,000
Tax effect of expenses that are not deductible in determining taxable profit	-	401
Permanent capital allowances in excess of depreciation	219	2,367
Other permanent differences	623	-
Under/(over) provided in prior years	<u>268</u>	<u>2,253</u>
Taxation charge for the year	<u>80,268</u>	<u>53,021</u>

11 Dividends

	2017 £	2016 £
Interim paid	<u>198,468</u>	<u>140,250</u>

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

12 Intangible fixed assets

	Trademarks £
Cost	
At 1 April 2016	74,647
Additions - separately acquired	27,262
	<hr/>
At 31 March 2017	101,909
	<hr/>
Amortisation and impairment	
At 1 April 2016	53,047
Amortisation charged for the year	22,850
	<hr/>
At 31 March 2017	75,897
	<hr/>
Carrying amount	
At 31 March 2017	26,012
	<hr/>
At 31 March 2016	21,600
	<hr/>

13 Property, plant and equipment

	Fixtures, fittings & equipment £
Cost	
At 1 April 2016	36,732
Additions	597
	<hr/>
At 31 March 2017	37,329
	<hr/>
Depreciation and impairment	
At 1 April 2016	36,512
Depreciation charged in the year	519
	<hr/>
At 31 March 2017	37,031
	<hr/>
Carrying amount	
At 31 March 2017	298
	<hr/>
At 31 March 2016	220
	<hr/>

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

14 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,882,055	1,100,297
Carrying amount of financial liabilities		
Measured at amortised cost	3,134,761	1,757,908

15 Inventories

	2017 £	2016 £
Finished goods and goods for resale	1,119,533	788,837

16 Trade and other receivables

	2017 £	2016 £
Amounts falling due within one year:		
Trade receivables	1,841,676	1,049,175
Other receivables	55,440	67,774
Prepayments and accrued income	35,205	23,839
	1,932,321	1,140,788

17 Current liabilities

	2017 £	2016 £
Trade payables	2,772,316	1,595,865
Corporation tax	80,000	53,000
Other taxation and social security	6,709	-
Other payables	340,415	141,264
Accruals and deferred income	22,030	20,779
	3,221,470	1,810,908

Included within other payables is an amount of £336,575 (2016: £139,870) advanced under an invoice discounting facility, provided by the company's bankers. The company's bankers hold a fixed and floating charge over all assets of the company.

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

18 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
900 Ordinary A Shares of £1 each	900	900
100 Ordinary B Shares of £1 each	100	100
	<u>1,000</u>	<u>1,000</u>

The company has two classes of ordinary shares, A and B, which carry equal voting rights and have no right to fixed income.

19 Financial commitments, guarantees and contingent liabilities

The company makes use of foreign exchange contracts from time to time for the purpose of hedging its exposure to changes in foreign exchange rates. At the year end there were no contractual obligations outstanding.

20 Related party transactions

During the year the company purchased goods on normal commercial terms from Amazon Trading (Pvt) Limited, a company, registered in Sri Lanka, under the control of the director, G. Jayaweera, for a total consideration of £7,127,300 (2016: £4,908,872). At the year end the company owed Amazon Trading (Pvt) Limited £2,689,719 (2016: £1,526,520).

During the year English Tea Shop USA Corp., a USA registered entity under the control of the directors, repaid in full the unsecured, interest free balance of £41,222 owed to the company at the prior year end.

21 Directors' transactions

The aggregate amount of directors' remuneration is disclosed in note 6.

During the year the director D. De Silva retained an interest free short term loan from the company of £8,000 (2016: £10,000) and £2,000 was repaid.

The directors have each given a guarantee for £75,000 to the company's bankers in respect of the invoice discounting facility referred to in Note 1.9.

Dividends totalling £198,468 (2016 - £140,250) were paid in the year in respect of shares held by the company's directors.

22 Controlling party

The company is under the ultimate control of its director Mr G. Jayaweera.

ENGLISH TEA SHOP (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

23 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	315,524	186,979
Adjustments for:		
Taxation charged	80,268	53,021
Finance costs	36,883	37,216
Investment income	(286)	(226)
Amortisation and impairment of intangible assets	22,850	16,038
Depreciation and impairment of property, plant and equipment	519	13,724
Movements in working capital:		
(Increase) in inventories	(330,696)	(45,350)
(Increase) in trade and other receivables	(795,124)	(298,646)
Increase/(decrease) in trade and other payables	1,385,153	(334,202)
Cash generated from/(absorbed by) operations	<u>715,091</u>	<u>(371,446)</u>