

Company Registration No. 07282017 (England and Wales)

**ENGLISH TEA SHOP (UK) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**



# ENGLISH TEA SHOP (UK) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	G. Jayaweera S.B. Herath D.L.R. De Silva
<b>Company number</b>	07282017
<b>Registered office</b>	Devonshire House 1 Devonshire Street London W1W 5DR
<b>Auditor</b>	Citroen Wells Devonshire House 1 Devonshire Street London W1W 5DR
<b>Business address</b>	Billington Road Leighton Buzzard Bedfordshire LU7 4AJ

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# ENGLISH TEA SHOP (UK) LIMITED

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# ENGLISH TEA SHOP (UK) LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2019

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The directors present the strategic report for the year ended 31 March 2019.

#### **Fair review of the business**

The principal activity of English Tea Shop (UK) Limited and its subsidiary undertakings ("the group") during the period under review continued to be that of the import and sale of a variety of English Tea Shop branded organic tea and tisanes manufactured in Sri Lanka. The group continued to focus on premium, natural and organic food markets, both domestically and internationally.

This is the first year that the directors have reported on their consolidated group position and results for the English Tea Shop Group, including the English Tea Shop UK Limited, English Tea Shop (USA) Corp and Joe's Tea Company Ltd.

The directors are pleased to report, that despite Brexit uncertainty and the impact of exchange rate fluctuations, the financial statements for the year ended 31 March 2019 show the group achieved sales growth from £11.43m in 2018 to £12.36m in 2019. The directors consider that revenue and profitability are the financial key performance indicators of the group. The group made a pre-tax profit of £125k (2018: £545k) and the gross profit margin held steady at 18.98% from 18.32% in 2018. The growth in sales was driven by tea sales within the UK and across international markets.

The group Statement of Comprehensive Income for the year ended 31 March 2019 shows £184k of exceptional costs relating to a complete rebrand and revamp of our designs, packaging and communications. Further to the costs of this rebrand, the group increased marketing and advertising expenditure during the year to boost brand awareness with a new corporate video, brand books, communications, PR and promotions. The rebranded product lines were very well received by all of the markets and have provided us with a platform to continue growing the brand into the future.

The group 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 group'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 group's turnover by the financial year ended 31 March 2021, 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 group intends to deliver the widest variety of organic tea products at very competitive prices.

The group is a member of a wider collection of companies ("the collective"), 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 collective. This has enabled the group to grow quite rapidly since its 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 collective 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 collective is committed to enhancing 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 group 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".

# ENGLISH TEA SHOP (UK) LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2019**

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The Big Game resulted in a productivity increase of 31%, for the collective, 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 2018/19 the collective invested £150k (\$186k) in 3 districts of Sri Lanka, covering 1,352 organic farmers and their families. In addition, we had spent £69k (\$86k) for Fairtrade premiums to small farmers. Fairtrade farmers we work with grew from 730 to 842. The investment 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 group 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 group takes a proactive approach to the management of the various risks that it faces whilst always maintaining the values of the group, in particular ensuring an environmentally sustainable business.

### **Financial risks**

The group's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and foreign exchange risk. The group 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 group's bankers where it is appropriate and available. The invoice financing facility provides the group with credit insurance over its trade debtors, ensuring that credit risk is minimised.

#### **Liquidity risk**

The group sufficient working capital to ensure the group always has the liquidity required to meet liabilities as they fall due, together with the general operational needs of the group. Detailed cash flow forecasts and utilising the invoice financing facility ensures strong management over the cash resources of the group, whilst providing the flexibility required for the seasonal nature of the business.

#### **Foreign exchange risk**

The group 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 group, from time to time, takes out forward currency contracts to mitigate this risk. In addition to this the group 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.

### **Brexit**

Brexit is one of the most momentous economic events for the UK, and at the date of this report, its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. There are significant challenges involved in preparing for a no deal outcome. At English Tea Shop we have considered the possible preparations for these various outcomes. We have conducted a detailed analysis of the risks and operational challenges to our business. Risks have been categorised as direct risks that will directly affect the costs and operations and indirect risks that may affect the business via the general economic environment. We do not expect significant adverse impacts on our business or costs due to the fact that our goods are manufactured in Sri Lanka and can be directly sold to the European Union in case cross-border transactions become cumbersome, in the short run.

# ENGLISH TEA SHOP (UK) LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2019**

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### Other information and explanations

#### Awards & Nominations

English Tea Shop was listed as one of Alantra's 50 fastest growing food and beverage companies in 2019 in the UK and was also listed in 2019's London Stock Exchange Group's 1,000 companies to inspire Britain. The initiatives that led to these selections 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.

#### Certifications

All of the group's tea products are certified organic by Soil Association Ltd as well as by Control Union of the Netherlands. In addition, all of the group'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

20-12-19

# ENGLISH TEA SHOP (UK) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2019

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The directors present their annual report and financial statements for the year ended 31 March 2019.

#### 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 9.

Ordinary dividends were paid during the year, amounting to £52,503. The directors do not recommend payment of a further 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 group and company, and of the profit or loss of the group 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management and objectives with regards to financial instruments.

# ENGLISH TEA SHOP (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED)

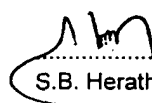
FOR THE YEAR ENDED 31 MARCH 2019

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### 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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board

  
S.B. Herath  
Director

Date: 20-12-19



# ENGLISH TEA SHOP (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF ENGLISH TEA SHOP (UK) LIMITED

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#### Opinion

We have audited the financial statements of English Tea Shop (UK) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2019 and of the group's 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.

#### Basis for opinion

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

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

#### Other information

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

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

We have nothing to report in this regard.

# ENGLISH TEA SHOP (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF ENGLISH TEA SHOP (UK) LIMITED

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#### **Opinions 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.

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

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

#### **Other matters which we are required to address**

The year ended 31 March 2019 is the first year that the group has opted to prepare consolidated accounts. Accordingly, the comparative consolidated figures have not been audited.

# ENGLISH TEA SHOP (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF ENGLISH TEA SHOP (UK) LIMITED

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#### 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.

*Citroen Wells*

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

23 December 2019

Chartered Accountants  
Statutory Auditor

Devonshire House  
1 Devonshire Street  
London  
W1W 5DR

# ENGLISH TEA SHOP (UK) LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Revenue	3	12,363,920	11,432,319
Cost of sales		(10,017,685)	(9,338,362)
<b>Gross profit</b>		<b>2,346,235</b>	<b>2,093,957</b>
Distribution costs		(179,513)	(172,959)
Administrative expenses		(1,793,855)	(1,321,810)
Other operating income		12,041	5,893
Exceptional item	4	(183,722)	-
<b>Operating profit</b>	5	<b>201,186</b>	<b>605,081</b>
Investment income	9	2,228	46
Finance costs	10	(78,940)	(59,835)
<b>Profit before taxation</b>		<b>124,474</b>	<b>545,292</b>
Tax on profit	11	(45,091)	(163,359)
<b>Profit for the financial year</b>		<b>79,383</b>	<b>381,933</b>
<b>Other comprehensive income</b>			
Currency translation differences		13,528	(16,899)
<b>Total comprehensive income for the year</b>		<b>92,911</b>	<b>365,034</b>
Profit for the financial year is attributable to:			
- Owners of the parent company		110,399	423,472
- Non-controlling interests		(31,016)	(41,539)
		<b>79,383</b>	<b>381,933</b>
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		123,927	406,573
- Non-controlling interests		(31,016)	(41,539)
		<b>92,911</b>	<b>365,034</b>

# ENGLISH TEA SHOP (UK) LIMITED

## GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
<b>Non-current assets</b>					
Goodwill	13		35,600		44,500
Negative goodwill	13		-		(125,833)
Net goodwill			35,600		(81,333)
Other intangible assets	13		10,181		12,245
Total intangible assets			45,781		(69,088)
Property, plant and equipment	14		13,597		3,948
			59,378		(65,140)
<b>Current assets</b>					
Inventories	18	1,403,712		1,295,548	
Trade and other receivables	19	2,005,721		1,955,470	
Cash and cash equivalents		318,388		130,471	
		3,727,821		3,381,489	
<b>Current liabilities</b>	20	(2,645,314)		(2,622,470)	
<b>Net current assets</b>			1,082,507		759,019
<b>Total assets less current liabilities</b>			1,141,885		693,879
<b>Non-current liabilities</b>	21		(407,598)		-
<b>Net assets</b>			734,287		693,879
<b>Equity</b>					
Called up share capital	24		1,000		1,000
Retained earnings			805,842		734,418
<b>Equity attributable to owners of the parent company</b>			806,842		735,418
<b>Non-controlling interests</b>			(72,555)		(41,539)
			734,287		693,879

The financial statements were approved by the board of directors and authorised for issue on 20-12-17 and are signed on its behalf by:

S.B. Herath  
Director

# ENGLISH TEA SHOP (UK) LIMITED

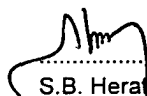
## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
<b>Non-current assets</b>					
Intangible assets	13		6,677		11,295
Property, plant and equipment	14		12,089		430
Investments	15		105,524		105,524
			<u>124,290</u>		<u>117,249</u>
<b>Current assets</b>					
Inventories	18	986,955		1,003,382	
Trade and other receivables	19	2,059,888		1,723,648	
Cash and cash equivalents		223,589		70,795	
		<u>3,270,432</u>		<u>2,797,825</u>	
<b>Current liabilities</b>	20	(2,389,588)		(2,200,678)	
<b>Net current assets</b>			<u>880,844</u>		<u>597,147</u>
<b>Total assets less current liabilities</b>			<u>1,005,134</u>		<u>714,396</u>
<b>Non-current liabilities</b>	21		(407,598)		-
<b>Net assets</b>			<u>597,536</u>		<u>714,396</u>
<b>Equity</b>					
Called up share capital	24		1,000		1,000
Retained earnings			596,536		713,396
<b>Total equity</b>			<u>597,536</u>		<u>714,396</u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £64,357 (2018 - £385,551 profit).

The financial statements were approved by the board of directors and authorised for issue on 20-12-19 and are signed on its behalf by:

  
S.B. Herath  
Director

Company Registration No. 07282017

# ENGLISH TEA SHOP (UK) LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Retained earnings £	Total controlling interest £	Non-controlling interest £	Total £
<b>Balance at 1 April 2017</b>		1,000	522,233	523,233	-	523,233
<b>Year ended 31 March 2018:</b>						
Profit for the year		-	423,472	423,472	(41,539)	381,933
Other comprehensive income:						-
Currency translation differences		-	(16,899)	(16,899)	-	(16,899)
Total comprehensive income for the year		-	406,573	406,573	(41,539)	365,034
Dividends	12	-	(194,388)	(194,388)	-	(194,388)
<b>Balance at 31 March 2018</b>		1,000	734,418	735,418	(41,539)	693,879
<b>Year ended 31 March 2019:</b>						
Profit for the year		-	110,399	110,399	(31,016)	79,383
Other comprehensive income:						
Currency translation differences		-	13,528	13,528	-	13,528
Total comprehensive income for the year		-	123,927	123,927	(31,016)	92,911
Dividends	12	-	(52,503)	(52,503)	-	(52,503)
<b>Balance at 31 March 2019</b>		1,000	805,842	806,842	(72,555)	734,287

# ENGLISH TEA SHOP (UK) LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 April 2017		1,000	522,233	523,233
<b>Year ended 31 March 2018:</b>				
Profit and total comprehensive income for the year		-	385,551	385,551
Dividends	12	-	(194,388)	(194,388)
<b>Balance at 31 March 2018</b>		1,000	713,396	714,396
<b>Year ended 31 March 2019:</b>				
Loss and total comprehensive deficit for the year		-	(64,357)	(64,357)
Dividends	12	-	(52,503)	(52,503)
<b>Balance at 31 March 2019</b>		1,000	596,536	597,536



# ENGLISH TEA SHOP (UK) LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	28		457,418		(1,057,834)
Interest paid			(78,940)		(59,835)
Income taxes paid			(176,265)		(114,042)
<b>Net cash inflow/(outflow) from operating activities</b>			202,213		(1,231,711)
<b>Investing activities</b>					
Purchase of intangible assets		(24,812)		116,937	
Purchase of property, plant and equipment		(25,639)		(6,182)	
Proceeds on disposal of property, plant and equipment		772		-	
Payments to directors		(89,500)		(2,000)	
Interest received		2,228		46	
<b>Net cash (used in)/generated from investing activities</b>			(136,951)		108,801
<b>Financing activities</b>					
Proceeds from new bank loans		500,000		798,129	
Repayment of bank loans		(338,370)		-	
Dividends paid to equity shareholders		(52,503)		(194,388)	
<b>Net cash generated from financing activities</b>			109,127		603,741
<b>Net increase/(decrease) in cash and cash equivalents</b>			174,389		(519,169)
Cash and cash equivalents at beginning of year			130,471		666,539
Effect of foreign exchange rates			13,528		(16,899)
<b>Cash and cash equivalents at end of year</b>			318,388		130,471

# ENGLISH TEA SHOP (UK) LIMITED

## COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	29		335,440		(960,482)
Interest paid			(78,940)		(59,835)
Income taxes paid			(87,579)		(110,478)
<b>Net cash inflow/(outflow) from operating activities</b>			168,921		(1,130,795)
<b>Investing activities</b>					
Purchase of intangible assets		(21,013)		-	
Purchase of property, plant and equipment		(23,727)		(860)	
Purchase of subsidiaries		-		(65,876)	
Payments to directors		(89,500)		(2,000)	
Interest received		8,986		46	
<b>Net cash used in investing activities</b>			(125,254)		(68,690)
<b>Financing activities</b>					
Proceeds from new bank loans		500,000		798,129	
Repayment of bank loans		(338,370)		-	
Dividends paid to equity shareholders		(52,503)		(194,388)	
<b>Net cash generated from financing activities</b>			109,127		603,741
<b>Net increase/(decrease) in cash and cash equivalents</b>			152,794		(595,744)
Cash and cash equivalents at beginning of year			70,795		666,539
<b>Cash and cash equivalents at end of year</b>			223,589		70,795

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2019

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#### 1 Accounting policies

##### Company information

English Tea Shop (UK) Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Devonshire House, 1 Devonshire Street, London, W1W 5DR. The business trading address is Billington Road, Leighton Buzzard, Bedfordshire, LU7 4AJ.

The group consists of English Tea Shop (UK) Limited and all of its subsidiaries.

##### 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 pound 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, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

##### 1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Where the consideration of the business combination does not exceed the fair value of the group's interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. The group, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and releases this to profit and loss, up to the fair value of non-monetary assets acquired, over the years in which the non-monetary assets are recovered and any excess over the fair value of non-monetary assets in the income statement over the year expected to benefit.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

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#### 1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of English Tea Shop (UK) Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### 1.3 Going concern

In adopting the going concern basis for preparing the financial statements the directors have considered the business activities and principal risks and uncertainties as set out in the strategic report.

At the time of approving the financial statements, the directors have a reasonable expectation that based upon the group's statement of financial position, forecasts and projections and the continued support of the groups' key supplier, Amazon Trading (Pvt) Ltd, a company under common control, the group has adequate resources to continue in operational existence for the foreseeable future. The directors have further considered the impact of Brexit when making their assessment, and do not believe it creates a material uncertainty with regard to going concern, and thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.4 Revenue

Revenue represents amounts receivable for goods sold net of VAT (where applicable). Revenue for sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. The point of sale is dictated by the shipping terms agreed with customers for wholesale or when the product is delivered to the customer for direct sales.

#### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

In circumstances when the fair value of the assets acquired exceeds the consideration paid negative goodwill arises, which is subsequently written back over the period in which the non-monetary assets of the acquired business are utilised.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

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#### 1 Accounting policies

(Continued)

##### 1.6 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.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

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 life of 3 years
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##### 1.7 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
--------------------------------	-------------------

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of comprehensive income.

##### 1.8 Non-current investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### 1.9 Impairment of non-current assets

At each reporting period end date, the group 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.

##### 1.10 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition.

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

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#### 1 Accounting policies

(Continued)

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.

##### 1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks.

##### 1.12 Financial instruments

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

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

Financial assets and liabilities are offset and 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 group after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group, 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.

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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### 1 Accounting policies

(Continued)

#### *Invoice discounting*

Amounts due in respect of invoice discounting are separately disclosed within current liabilities as bank loans.

The invoice discounting facility allows the company to draw down a percentage of the value of certain sales invoices. The management and collection of trade receivables remains with the company.

#### 1.13 Equity instruments

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

#### 1.14 Taxation

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

##### *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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

#### 1.15 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 group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.16 Retirement benefits

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

#### 1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the statement of comprehensive income for the period.

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Valuation of inventories

At the end of each reporting period the directors consider the valuation of inventories held, to ensure that the balance is stated at the lower of cost and estimated selling price. In doing so, the directors look at inventory ageing, the selling prices after the year end and use their experience in the industry to ensure that they are satisfied the inventories are fairly stated. Where appropriate, the directors make an estimate for non-saleability of inventories and a provision is recognised in the financial statements.

#### Valuation of investments

At the end of each reporting period the directors consider the valuation of investments held and consider whether there is any evidence of impairment of the assets. In doing so they review the recent financial performance, current position and expected future performance of the investments to form a view of the inherent value of the underlying assets. Where appropriate the directors make an estimate of impairment to ensure that the investment is not held above its inherent value in the financial statements.

#### Recoverability of trade receivables

At the end of each reporting period the directors consider the likelihood of recovery of the outstanding trade receivables, after deducting provisions for credit notes and trade discounts. In doing so, the directors look at a customer's past history of payments, after date movements and any other knowledge they have of the customer at the time in order to assess whether they believe the debtor to be recoverable. Where required, the directors make a provision for the debtors that are considered to be doubtful.

### 3 Revenue

	2019 £	2018 £
Revenue analysed by geographical market		
UK	3,350,086	4,432,167
Europe	4,198,750	3,844,373
Rest of world	4,815,084	3,155,779
	<u>12,363,920</u>	<u>11,432,319</u>



# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

4	Exceptional costs	2019 £	2018 £
	Rebranding costs	183,722	-

During the year, the group incurred £183,722 of exceptional costs for a complete rebranding of the design, packaging and corporate communications of the English Tea Shop Label.

5	Operating profit	2019 £	2018 £
	Operating profit for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	127,694	(191,082)
	Depreciation of owned property, plant and equipment	15,539	2,532
	Profit on disposal of property, plant and equipment	(321)	-
	Amortisation of intangible assets	35,776	25,842
	Impairment of intangible assets	-	33,375
	Release of negative goodwill	(125,833)	(81,054)
	Cost of inventories recognised as an expense	10,017,685	9,338,362

6	Auditor's remuneration	2019 £	2018 £
	Fees payable to the company's auditor and associates:		
	<b>For audit services</b>		
	Audit of the financial statements of the group and company	20,000	22,000
	Audit of the financial statements of the company's subsidiaries	5,500	-
		25,500	22,000
	<b>For other services</b>		
	All other non-audit services	30,202	34,385

## 7 Employees

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

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Management and administration	11	11	8	8

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 7 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	469,292	440,448	295,666	285,266
Social security costs	43,565	42,369	31,894	30,386
Pension costs	6,745	5,560	5,159	5,393
	<u>519,602</u>	<u>488,377</u>	<u>332,719</u>	<u>321,045</u>

### 8 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	<u>124,574</u>	<u>114,946</u>

### 9 Investment income

	2019 £	2018 £
<b>Interest income</b>		
Interest on bank deposits	172	46
Other interest income	2,056	-
Total income	<u>2,228</u>	<u>46</u>

Other interest received consists of interest charged to a director on loan advances during the year.

### 10 Finance costs

	2019 £	2018 £
<b>Other finance costs:</b>		
Other interest	<u>78,940</u>	<u>59,835</u>

Other interest paid consists of interest charged on the invoice financing facility.

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 11 Taxation

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	(9,500)	65,816
Adjustments in respect of prior periods	1,079	1,978
Total UK current tax	(8,421)	67,794
Foreign current tax on profits for the current period	53,512	95,565
Total current tax	45,091	163,359

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:

	2019 £	2018 £
Profit before taxation	124,474	545,292
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	23,650	103,605
Tax effect of expenses that are not deductible in determining taxable profit	1,723	13,072
Unutilised tax losses carried forward	21,118	-
Amortisation on assets not qualifying for tax allowances	6,798	2,479
Other permanent differences	(2,029)	(1,080)
Effect of overseas tax rates	16,660	43,305
Under/(over) provided in prior years	1,079	1,978
Negative goodwill released	(23,908)	-
Taxation charge	45,091	163,359

### 12 Dividends

	2019 £	2018 £
Interim paid	52,503	194,388

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

#### 13 Intangible fixed assets

Group	Goodwill	Negative Trademarks goodwill	Total
	£	£	£
<b>Cost</b>			
At 1 April 2018	89,000	(206,887)	102,859
Additions - separately acquired	-	-	24,812
At 31 March 2019	89,000	(206,887)	127,671
<b>Amortisation and impairment</b>			
At 1 April 2018	44,500	(81,054)	90,614
Amortisation charged for the year	8,900	(125,833)	26,876
At 31 March 2019	53,400	(206,887)	117,490
<b>Carrying amount</b>			
At 31 March 2019	35,600	-	10,181
At 31 March 2018	44,500	(125,833)	12,245

Negative goodwill arose on the acquisition of English Tea Shop (USA) Corp. and was written back over the period in which the related non-monetary assets of the acquired business were utilised.

Company	Trademarks
	£
<b>Cost</b>	
At 1 April 2018	101,909
Additions - separately acquired	21,013
At 31 March 2019	122,922
<b>Amortisation and impairment</b>	
At 1 April 2018	90,614
Amortisation charged for the year	25,631
At 31 March 2019	116,245
<b>Carrying amount</b>	
At 31 March 2019	6,677
At 31 March 2018	11,295

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 14 Property, plant and equipment

Group	Fixtures, fittings & equipment £
<b>Cost</b>	
At 1 April 2018	34,954
Additions	25,639
Disposals	(700)
	<hr/>
At 31 March 2019	59,893
	<hr/>
<b>Depreciation and impairment</b>	
At 1 April 2018	31,006
Depreciation charged in the year	15,539
Eliminated in respect of disposals	(249)
	<hr/>
At 31 March 2019	46,296
	<hr/>
<b>Carrying amount</b>	
At 31 March 2019	13,597
	<hr/>
At 31 March 2018	3,948
	<hr/>
<b>Company</b>	
	Fixtures, fittings & equipment £
<b>Cost</b>	
At 1 April 2018	29,632
Additions	23,727
	<hr/>
At 31 March 2019	53,359
	<hr/>
<b>Depreciation and impairment</b>	
At 1 April 2018	29,202
Depreciation charged in the year	12,068
	<hr/>
At 31 March 2019	41,270
	<hr/>
<b>Carrying amount</b>	
At 31 March 2019	12,089
	<hr/>
At 31 March 2018	430
	<hr/>

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 15 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	16	-	-	105,524	105,524

#### Movements in non-current investments Company

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 April 2018 and 31 March 2019	211,049
<b>Impairment</b>	
At 1 April 2018 and 31 March 2019	105,525
<b>Carrying amount</b>	
At 31 March 2019	105,524
At 31 March 2018	105,524

### 16 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held Direct
Joe's Tea Company Ltd	1	Tea wholesaler	Ordinary shares	75.00
English Tea Shop (USA) Corp.	2	Tea wholesaler	Ordinary shares	100.00

#### Registered Office addresses:

- Devonshire House, 1 Devonshire Street, London, W1W 5DR
- Unit 864, 18311 Oakmont Drive, Canyon, CA 91387, USA

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 17 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	1,800,337	1,780,070	1,890,392	1,651,298
Equity instruments measured at cost less impairment	-	-	-	105,524
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	3,038,560	2,486,444	2,790,477	2,107,469
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 18 Inventories

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	1,403,712	1,295,548	986,955	1,003,382
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 19 Trade and other receivables

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Amounts falling due within one year:</b>				
Trade receivables	1,685,993	1,762,199	1,391,759	1,488,572
Corporation tax recoverable	9,500	-	9,500	-
Amounts owed by group undertakings	-	-	259,924	75,222
Other receivables	159,323	61,979	146,672	54,080
Prepayments and accrued income	150,905	131,292	119,533	105,774
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	2,005,721	1,955,470	1,927,388	1,723,648
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Amounts falling due after more than one year:</b>				
Amounts owed by group undertakings	-	-	132,500	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total debtors</b>	<u>2,005,721</u>	<u>1,955,470</u>	<u>2,059,888</u>	<u>1,723,648</u>

Amounts owed by group undertakings include a loan of £265,000 (2018: £nil) which bears interest at 5% and is repayable in instalments over a two year period. Further amounts owed by group undertakings are interest free and repayable on demand.

Other receivables includes a directors loan (see note 27).

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 20 Current liabilities

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	22	888,736	1,134,704	888,736	1,134,704
Trade payables		1,627,890	1,279,679	1,409,525	937,602
Corporation tax payable		7,643	129,317	-	86,500
Other taxation and social security		6,709	6,709	6,709	6,709
Other payables		30,306	38,047	7,863	9,243
Accruals and deferred income		84,030	34,014	76,755	25,920
		<u>2,645,314</u>	<u>2,622,470</u>	<u>2,389,588</u>	<u>2,200,678</u>

### 21 Non-current liabilities

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	22	<u>407,598</u>	<u>-</u>	<u>407,598</u>	<u>-</u>

### 22 Borrowings

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	<u>1,296,334</u>	<u>1,134,704</u>	<u>1,296,334</u>	<u>1,134,704</u>
Payable within one year	888,736	1,134,704	888,736	1,134,704
Payable after one year	<u>407,598</u>	<u>-</u>	<u>407,598</u>	<u>-</u>

Bank financing consists of a term loan and an invoice discounting facility. In the prior year, the company had a trade financing facility which ceased in December 2018.

The term loan is payable over 5 years and attracts interest at 3.14% over the bank's interest currency base rate. Subsequently, the company is exposed to cash flow interest rate risk.

The company's bankers hold a fixed and floating charge over all assets of the company in respect of these facilities.

### 23 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>6,745</u>	<u>5,560</u>



# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 23 Retirement benefit schemes

(Continued)

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 24 Share capital

	Group and company	
	2019	2018
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
- Ordinary A Shares of £1 each	900	900
- 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.

### 25 Acquisition - prior year

On 19 June 2017 the group acquired 100% percent of the issued capital of English Tea Shop (USA) Corp.

	Book Value	Adjustments	Fair Value
	£	£	£
Inventories	389,245	-	389,245
Trade and other receivables	350,993	-	350,993
Cash and cash equivalents	361,179	-	361,179
Trade and other payables	(873,846)	-	(873,846)
Tax liabilities	(20,684)	-	(20,684)
	<u>206,887</u>	<u>-</u>	<u>206,887</u>
Total identifiable net assets			
	<u>206,887</u>	<u>-</u>	<u>206,887</u>
Negative goodwill			(206,887)
			<u>-</u>
Total consideration			<u>-</u>

Contribution by the acquired business for the period from the acquisition date to 31 March 2018 included in the prior year consolidated statement of comprehensive income since acquisition:

	£
Revenue	1,790,064
Profit after tax	<u>8,345</u>

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 26 Related party transactions

#### Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Purchases 2019 £	2018 £
<b>Group</b>		
Entities with control, joint control or significant influence over the group	9,951,271	9,388,443

The following amounts were outstanding at the reporting end date:

	2019 £	2018 £
<b>Amounts due to related parties</b>		
<b>Group</b>		
Entities with control, joint control or significant influence over the group	1,469,680	1,109,564

### 27 Directors' transactions

Dividends totalling £52,503 (2018 - £194,388) were paid in the year in respect of shares held by the company's directors.

Description	% Rate	Opening balance £	Amounts advanced £	Interest charged £	Amounts repaid £	Closing balance £
Directors loans	2.50	10,000	100,000	2,506	(10,500)	102,006
		10,000	100,000	2,506	(10,500)	102,006

# ENGLISH TEA SHOP (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 28 Cash generated from group operations

	2019 £	2018 £
Profit for the year after tax	79,383	381,933
Adjustments for:		
Taxation charged	45,091	163,359
Finance costs	78,940	59,835
Investment income	(2,228)	(46)
Gain on disposal of property, plant and equipment	(321)	-
Amortisation and impairment of intangible assets	(90,057)	(21,837)
Depreciation and impairment of property, plant and equipment	15,539	2,532
Movements in working capital:		
(Increase) in inventories	(108,164)	(176,015)
Decrease/(increase) in trade and other receivables	48,749	(21,149)
Increase/(decrease) in trade and other payables	390,486	(1,446,446)
<b>Cash generated from/(absorbed by) operations</b>	<b>457,418</b>	<b>(1,057,834)</b>

### 29 Cash generated from operations - company

	2019 £	2018 £
(Loss)/profit for the year after tax	(64,357)	385,551
Adjustments for:		
Taxation (credited)/charged	(8,421)	116,978
Finance costs	78,940	59,835
Investment income	(8,986)	(46)
Amortisation and impairment of intangible assets	25,631	14,717
Depreciation and impairment of property, plant and equipment	12,068	728
Other gains and losses	-	105,525
Movements in working capital:		
Decrease in inventories	16,427	116,151
(Increase)/decrease in trade and other receivables	(237,240)	43,190
Increase/(decrease) in trade and other payables	521,378	(1,803,111)
<b>Cash generated from/(absorbed by) operations</b>	<b>335,440</b>	<b>(960,482)</b>