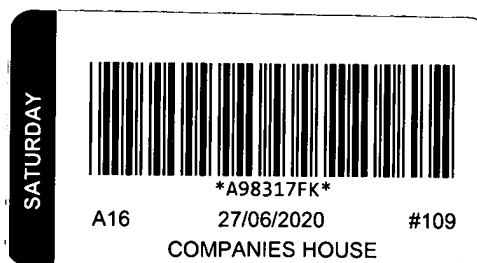


Keith Spicer Limited

Registered number: 00348565

Directors' report and financial statements

For the year ended 31 December 2019



KEITH SPICER LIMITED

COMPANY INFORMATION

Directors	A Shah K Shah M Roberts H Shah C Borooah P N Unsworth
Registered number	00348565
Registered office	5 Cobham Road Ferndown Industrial Estate Wimborne Dorset BH21 7PN
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor Merck House Seldown Lane Poole Dorset BH15 1TW
Bankers	Wells Fargo Bank, N A One Plantation Place 30 Fenchurch Street London EC3M 3BD

KEITH SPICER LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditors' Report	6 - 8
Statement of Comprehensive Income	9
Balance Sheet	10 - 11
Statement of Changes in Equity	12
Statement of Cash Flows	13 - 14
Notes to the Financial Statements	15 - 34

KEITH SPICER LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors present their strategic report for Keith Spicer Limited for the year ended 31st December 2019.

Keith Spicer Limited is one of the UK's premier suppliers of tea. Operating in the Private Label and Branded Sectors of the category and with a number of key contracts with Specialist Tea Retailers. The company has a large and well invested production site in North Shields, on the port of Tyne, where many of its raw material and blend components are imported to the country. There is a commercial office in Ferndown, Dorset from where commercial administration, sales and marketing are managed. The company blends and packs a full range of black, speciality and fruit & herb teas in a wide variety of formats and are BRC certified.

Principal activities

The principal activity of the company continues to be that of tea importers, blenders, and packers. The Directors do not envisage any change in the nature of this business for the foreseeable future.

We aim to provide our customers, both own label and contract, with quality products and exceptional service and to be thought leaders in tea and infusions, meeting the current needs of both customers and consumers and innovating to develop and grow the tea category in and out of home.

Business review and future developments

We are part of the Harris Freeman Group. The strength of our business comes from our and the wider Groups extensive knowledge and experience in the global tea market and in the handling and packing of tea, fruits, and herbs. We also excel in beverage innovation, where appropriate drawing on the wider capabilities in other drink formats across the Group to allow the development of blends and products that exactly meet our customer's requirements. A competitive strength is the breadth of our customer and product base and processing capability. With growing brands and strong contractual relationships in main-stream and speciality retail and out of home.

The UK tea market continues to be extremely competitive, particularly in mainstream black tea, which is in long term volume decline. Though with strong value offerings from key players has been relatively flat more recently. Going forward, competition is likely to remain strong in main-stream black tea with large well-established national brands and strong, committed own label packers all competing for share. The non-black tea sectors continue to grow in both volume and value, with consumers looking for, and being willing to pay for, innovation. This willingness to pay more per serving will over time drive the value of the category up, even with a slight decline in overall consumption.

These trends mean that our strategic focus is on cost efficiency and innovation as the core plans of our strategy. All of our production is now consolidated at the North East site, close to the port and key distribution links and we continue to look to drive supply chain and overhead efficiency when possible. Our commercial strategy seeks to focus on products and sectors where value per serving is greater, with customer and product mix optimisation being crucial capabilities. We continue to play a key role in the own label sector but apply strong discipline in our costing and contracting processes ensuring that we only bid for sustainable contracts.

Our dedicated co-workers both operational and commercial, continue to work hard and, as ever, we are grateful for their ongoing commitment.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Our corporate social responsibility within the UK, and in countries where tea is grown, is embedded in our end to end processes. This extends to environmental stewardship and safe business practices. Sustainability projects are focused on eliminating waste, reducing energy usage, and packaging and increasing the use of biodegradable paper and renewable energy sources.

Our Harris Freeman Foundation is a non-profit organisation that provides philanthropic services or monetary donations to aid under-developed communities, victims of natural disasters, and supporting other charity organisation.

Principal risks and uncertainties

Tea like other traded commodities is affected by market and currency fluctuations and we have well developed processes for managing and mitigating these risks, where possible and appropriate hedging economically or financially.

Changes in the Retail Landscape -

The UK grocery market in general and tea in particular remains extremely competitive. Our operational efficiency and capabilities, product and customer strategy, commercial discipline and the Groups scale all help us to develop strategies to cope in this competitive landscape

Product Safety Risks -

We pride ourselves in the quality, consistency, and safety of our products. Tea is generally a very safe product to consume and therefore of low risk.

Changes in Raw Material or Energy Costs -

Movements in our raw material costs or energy costs could impact our financial results. Tea like other traded commodities is affected by market and currency fluctuations.

COVID-19 Pandemic Impact-

Post our year end, the world has been hit by the COVID-19 pandemic. This has adversely impacted some of our customers and, as a result our sales to them. We are working closely with them to minimise the Covid19 impact, proactively planning production and our operations base to reduce costs and so offset the impact of sales shortfalls. The safety of our employees has been a prime concern, we have reorganised the factory to ensure they are protected as much as possible. We have also made appropriate use of government support through this difficult time. The environment is now stabilising and, whilst we will have seen a drop in growth through 2020, we are confident that our proactive actions will ensure that we are well placed as activity returns to more normal levels post the pandemic.

Impact of Brexit -

With regards to Brexit the directors have assessed the risks to the business as being relatively low impact. All customers are being regularly contacted with a view to potentially building inventories should they wish to. With the Herbs and Flavours being purchased from Europe the business has built up its inventories to cope with any unforeseen issues.

KEITH SPICER LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

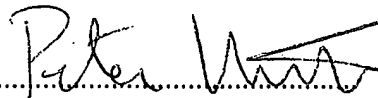
Financial key performance indicators

Our financial results are as shown below:

	2019 £'000	Restated 2018 £'000	Change %
Turnover	21,013	19,126	10%
Gross profit	2,316	2,154	8%
Operating profit	(317)	(1,118)	72%
EBITDA	260	(533)	149%
Turnover/employee	144	143	0%

The Company's defined salary scheme is in surplus by £737k (2018 - £525k). Full disclosure of relevant information is included in note 24.

This report was approved by the board and signed on its behalf.



P N Unsworth
Director

Date: 22/06/2020

KEITH SPICER LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 to 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.

Results and dividends

The loss for the year, after taxation, amounted to £633,072 (2018 - loss £1,511,182).

The directors do not recommend payment of a dividend in the current year.

Directors

The directors who served during the year were:

A Shah
K Shah
M Roberts
H Shah
C Borooah
P N Unsworth

KEITH SPICER LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Going concern

In determining whether the company's financial statements can be prepared on a going concern basis, the directors considered the business activities, together with the factors likely to affect its future development, performance and position; these are set out in the Strategic Report.

The business forecasts and projections, taking account of reasonably possible changes in trading performance and the potential impact of the COVID-19 coronavirus, show that the company should be able to operate within the level of its current cash resources and continued support of the parent company.

As at the date of this report, the directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Matters covered in the strategic report

The mandatory disclosures in relation to the principal risks and uncertainties and the future developments of the company are considered by the directors to be of strategic importance. These have therefore been included in the Strategic Report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

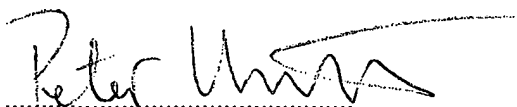
Post balance sheet events

The directors have considered the events after the year end. COVID-19 is the only event to affect the company since the year end and is considered to be a non-adjusting post balance sheet event as detailed in note 28.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



.....
P N Unsworth
Director

Date: 22/06/2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEITH SPICER LIMITED

Opinion

We have audited the financial statements of Keith Spicer Limited (the 'Company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the 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 Company's affairs as at 31 December 2019 and of its loss 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.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 2, and the consideration in the going concern basis of preparation on page 5 and non- adjusting post balance sheet events on page 34.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEITH SPICER LIMITED

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 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 the Strategic Report and the Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.

KEITH SPICER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEITH SPICER LIMITED

Responsibilities of Directors

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

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


Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit 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.


Lesley Fox (Jun 25, 2020 18:04 GMT+1)

Lesley Fox (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Date: Jun 25, 2020

KEITH SPICER LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	As restated 2018 £
Turnover	4	21,012,832	19,125,779
Cost of sales		(18,695,547)	(16,971,936)
Gross profit		<u>2,317,285</u>	<u>2,153,843</u>
Distribution costs		(816,675)	(651,932)
Administrative expenses		(1,916,646)	(2,639,266)
Other operating income		98,660	19,573
Operating loss	5	<u>(317,376)</u>	<u>(1,117,782)</u>
Interest receivable and similar income		2,715	2,291
Interest payable and expenses	8	(335,411)	(404,691)
Other finance income/(cost)	9	17,000	9,000
Loss before tax		<u>(633,072)</u>	<u>(1,511,182)</u>
Loss for the financial year		<u>(633,072)</u>	<u>(1,511,182)</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit schemes		142,000	351,000
Movements of deferred tax relating to pension deficit		(40,000)	(40,000)
		<u>102,000</u>	<u>311,000</u>
Total comprehensive income for the year		<u>(531,072)</u>	<u>(1,200,182)</u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the Statement of Comprehensive Income.

The notes on pages 15 to 34 form part of these financial statements.

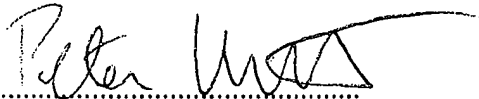
**BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	58,358	67,740
Tangible assets	12	6,054,860	7,084,039
Investments	14	4	4
Investment property	13	963,728	-
		<u>7,076,950</u>	<u>7,151,783</u>
Current assets			
Stocks	15	4,426,757	4,134,416
Debtors: amounts falling due within one year	16	2,827,571	2,944,960
Cash at bank and in hand	17	416,429	670,919
		<u>7,670,757</u>	<u>7,750,295</u>
Creditors: amounts falling due within one year	18	(1,563,956)	(2,998,957)
Net current assets		<u>6,106,801</u>	<u>4,751,338</u>
Total assets less current liabilities		<u>13,183,751</u>	<u>11,903,121</u>
Creditors: amounts falling due after more than one year	19	(12,736,344)	(10,752,642)
Provisions for liabilities			
Deferred tax	22	(129,000)	(89,000)
		<u>(129,000)</u>	<u>(89,000)</u>
Pension asset	24	737,000	525,000
Net assets		<u><u>1,055,407</u></u>	<u><u>1,586,479</u></u>
Capital and reserves			
Called up share capital	23	3,042,000	3,042,000
Share premium account		529	529
Capital redemption reserve		13,000	13,000
Profit and loss account		(2,000,122)	(1,469,050)
		<u><u>1,055,407</u></u>	<u><u>1,586,479</u></u>

KEITH SPICER LIMITED
REGISTERED NUMBER: 00348565

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



P N Unsworth
Director

Date: 22/06/2020

The notes on pages 15 to 34 form part of these financial statements.

KEITH SPICER LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2018	2,042,000	529	13,000	(268,868)	1,786,661
Comprehensive income for the year					
Loss for the year	-	-	-	(1,511,182)	(1,511,182)
Actuarial gains on pension scheme	-	-	-	311,000	311,000
Other comprehensive income for the year	-	-	-	311,000	311,000
Total comprehensive income for the year	-	-	-	(1,200,182)	(1,200,182)
Shares issued during the year	1,000,000	-	-	-	1,000,000
At 1 January 2019	3,042,000	529	13,000	(1,469,050)	1,586,479
Comprehensive income for the year					
Loss for the year	-	-	-	(633,072)	(633,072)
Actuarial gains on pension scheme	-	-	-	102,000	102,000
Other comprehensive income for the year	-	-	-	102,000	102,000
Total comprehensive income for the year	-	-	-	(531,072)	(531,072)
At 31 December 2019	3,042,000	529	13,000	(2,000,122)	1,055,407

The notes on pages 15 to 34 form part of these financial statements.

KEITH SPICER LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(633,072)	(1,511,182)
Adjustments for:		
Amortisation of intangible assets	9,382	9,383
Depreciation of tangible assets	567,518	575,630
Loss on disposal of tangible assets	-	(1,520)
Interest paid	335,411	404,691
Interest received	(2,715)	(2,291)
(Increase)/decrease in stocks	(292,341)	1,389,681
Decrease in debtors	117,389	728,909
(Decrease)/increase in creditors	(775,290)	29,052
Increase/(decrease) in provisions	-	(272,089)
Net fair value (gains) recognised in P&L	(20,473)	(360,693)
Exchange difference	-	408,902
Decrease in pension liabilities	(70,000)	115,000
Net cash generated from operating activities	<u>(764,191)</u>	<u>1,513,473</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(502,067)	(290,512)
Sale of tangible fixed assets	-	2,150
Interest received	2,715	2,291
Net cash from investing activities	<u>(499,352)</u>	<u>(286,071)</u>

KEITH SPICER LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Cash flows from financing activities		
Issue of ordinary shares	-	1,000,000
Repayment of loans	(11,499,419)	(4,537,500)
New loans from group undertakings	12,843,883	9,119,850
Repayment of loans from group undertakings	-	(6,022,743)
Interest paid	(335,411)	(404,691)
Net cash used in financing activities	<u>1,009,053</u>	<u>(845,084)</u>
Net (decrease)/increase in cash and cash equivalents	(254,490)	382,318
Cash and cash equivalents at beginning of year	670,919	288,601
Cash and cash equivalents at the end of year	<u><u>416,429</u></u>	<u><u>670,919</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	416,429	670,919
	<u><u>416,429</u></u>	<u><u>670,919</u></u>

The notes on pages 15 to 34 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

Keith Spicer Limited (No. 00348565) is a private company limited by shares incorporated in England and Wales. Its registered office is 5 Cobham Road, Ferndown Industrial Estate, Wimborne, Dorset, BH21 7PN.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. Revenue is recognised when goods are dispatched.

2.3 Going concern

When determining whether the company's financial statements can be prepared on a going concern basis, the directors considered the business activities, together with the factors likely to affect its future development, performance and position; these are set out in the Strategic Report, this includes the impact of COVID-19.

As at the date of this report, the directors have a reasonable expectation that the company has adequate resources to continue in business for the foreseeable future. The company is dependent on its parent company Harris Freeman Asia Ltd, and the directors of that company have expressed a willingness to support the company for a period of least twelve months following signing of these financial statements. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	10	years
Trademarks	-	10	years

2.5 Tangible fixed assets

Tangible fixed assets are stated at historic cost less accumulated depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases;

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	50	years straight line
Plant & machinery	-	3 - 10	years straight line
Motor vehicles	-	4 - 5	years straight line
Fixtures & fittings	-	3 - 20	years straight line

2.6 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

2.7 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.8 Operating leases

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.9 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

2.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

2.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the Balance Sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Statement of Comprehensive Income.

2.12 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 December 2019.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the Balance Sheet date less the fair value of plan

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

assets at the Balance Sheet date (if any) out of which the obligations are to be settled.

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

2.13 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the Balance Sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

2.14 Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company's subsidiaries were dormant during the year and not material for

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

the purpose of giving a true and fair view. The Company has therefore taken advantage to the exemptions provided by section 402 of the Companies Act 2006 not to prepare group accounts.

2.15 Comparatives

The comparative figures have been restated due to a reclassification of the prior expenditure between cost of sales, distribution costs and administrative expenses. There was no overall impact on the profit for the comparative financial year.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Certain reported amounts of assets and liabilities are subject to estimates and assumptions. Estimates and judgements by management are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Estimating useful life of key assets

The useful lives are estimated having regard to such factors as asset maintenance, rate of technical and commercial obsolescence, and asset usage. The useful lives of key assets are reviewed annually.

Investment property

The investment property valuation is reviewed annually by the Directors. The property is stated at fair value with changes in the fair value being recognised in the Statement of comprehensive income.

Defined benefit liabilities

Certain assumptions are used relating to the calculation of the defined benefit liabilities. These assumptions comprise the expected return on plan assets as well as future salary increases and future pension increases which have been derived from estimates based on past experience. The expected return on the plan assets takes into consideration the investment policy relating to the assets and their projected returns.

The assumptions are set out in note 24.

Deferred tax assets

Deferred tax assets are recognised for unused tax-loss carry forwards and unused tax credits to the extent that realisation of the related tax benefit is probable. The assessment of the probability with regard to the realisation of the tax benefit involves assumptions based on the history of the entity and budgeted data for the future.

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Turnover

Analysis of turnover by country of destination:

	2019	2018
	£	£
United Kingdom	16,641,709	15,379,121
Rest of Europe	2,643,830	2,473,496
Rest of the World	1,727,293	1,273,162
	<u>21,012,832</u>	<u>19,125,779</u>

5. Operating loss

The operating loss is stated after charging:

	2019	As restated
	£	2018
		£
Depreciation of tangible fixed assets	567,518	575,630
Amortisation of intangible assets	9,382	9,385
Profit/loss on disposal	-	(1,520)
Exchange differences	132,787	(75,977)
Other operating lease rentals	2,932	12,658
Defined contribution pension cost	258,421	157,735
	<u>258,421</u>	<u>157,735</u>

6. Auditors' remuneration

	2019	2018
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	31,250	30,250
Fees payable to the Company's auditor and its associates in respect of:		
Taxation compliance services	3,350	3,245
All other non-audit services not included above	4,450	5,725
	<u>4,450</u>	<u>5,725</u>

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Employees

Staff costs were as follows:

	2019	As restated
	£	2018
		£
Wages and salaries	3,773,384	3,520,610
Social security costs	303,244	289,569
Cost of defined contribution scheme	258,421	157,735
	<u>4,335,049</u>	<u>3,967,914</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019	2018
	No.	No.
Production	79	75
Distribution	24	20
Administration	36	33
Directors	7	6
	<u>146</u>	<u>134</u>

No directors were remunerated in the year.

8. Interest payable and similar expenses

	2019	2018
	£	£
Bank interest payable	6,729	4,095
Loans from group undertakings	328,682	400,596
	<u>335,411</u>	<u>404,691</u>

9. Other finance income/(costs)

	2019	2018
	£	£
Net interest on net defined benefit asset	<u>(17,000)</u>	<u>(9,000)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
(Loss)/profit on ordinary activities before tax	(633,072)	(1,511,182)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(120,284)	(287,125)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,561	2,420
Capital allowances for year in excess of depreciation	(41,969)	7,637
Increase or decrease in pension fund prepayment leading to an increase (decrease) in tax	(13,300)	21,850
Unrelieved tax losses carried forward	169,992	255,218
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Company has taxable losses to carry forward against future taxable profits of approximately £9,682,093 (2018 - £8,787,396).

No deferred tax asset has been recognised in relation to these losses due to the uncertain timing over the generation of taxable profits.

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Intangible assets

	Other intangibles £	Trademarks £	Total £
Cost			
At 1 January 2019	48,832	45,000	93,832
At 31 December 2019	<u>48,832</u>	<u>45,000</u>	<u>93,832</u>
Amortisation			
At 1 January 2019	14,092	12,000	26,092
Charge for the year on owned assets	4,882	4,500	9,382
At 31 December 2019	<u>18,974</u>	<u>16,500</u>	<u>35,474</u>
Net book value			
At 31 December 2019	<u>29,858</u>	<u>28,500</u>	<u>58,358</u>
At 31 December 2018	<u>34,740</u>	<u>33,000</u>	<u>67,740</u>

KEITH SPICER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Assets in the course of construction £	Total £
Cost or valuation						
At 1 January 2019	5,189,977	8,774,372	85,645	426,268	74,153	14,550,415
Additions	8,511	15,488	-	9,675	468,393	502,067
Disposals	-	(13,463)	-	-	-	(13,463)
Transfer	(1,014,150)	459,391	-	-	(529,564)	(1,084,323)
At 31 December 2019	4,184,338	9,235,788	85,645	435,943	12,982	13,954,696
Depreciation						
At 1 January 2019	472,555	6,510,814	76,417	406,590	-	7,466,376
Charge for the year	88,176	466,528	5,329	7,485	-	567,518
Disposals	-	(13,463)	-	-	-	(13,463)
Transfer	(120,595)	-	-	-	-	(120,595)
At 31 December 2019	440,136	6,963,879	81,746	414,075	-	7,899,836
Net book value						
At 31 December 2019	3,744,202	2,271,909	3,899	21,868	12,982	6,054,860
At 31 December 2018	4,717,422	2,263,558	9,228	19,678	74,153	7,084,039

Included in land and buildings is freehold land of £680,240 (2018 - £901,340) which is not depreciated.

KEITH SPICER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Investment property

	Freehold investment property £
Valuation	
Transfer from freehold property	963,728
At 31 December 2019	<u>963,728</u>

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £
Historic cost	1,084,323
Accumulated depreciation and impairments	(120,595)
	<u>963,728</u>

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Fixed asset investments

	Investments in subsidiary companies £	Unlisted investments £	Total £
Cost or valuation			
At 1 January 2019	4	100,000	100,004
At 31 December 2019	4	100,000	100,004
Impairment			
At 1 January 2019	-	100,000	100,000
At 31 December 2019	-	100,000	100,000
Net book value			
At 31 December 2019	4	-	4
At 31 December 2018	4	-	4

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Big T (Tea) Limited	Ordinary	100%
St James's Teas Limited	Ordinary	100%
Dorset Tea Limited	Ordinary	100%
Tea India Limited	Ordinary	100%

Each of the above subsidiaries are dormant and have made no profit or loss in the year and have equity amounting to £1.

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings was as follows:

Name
Big T (Tea) Limited
St James's Teas Limited
Dorset Tea Limited
Tea India Limited

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Stocks

	2019 £	2018 £
Raw materials and consumables	3,434,595	3,112,306
Work in progress	494,162	335,062
Finished goods and goods for resale	498,000	687,048
	<u>4,426,757</u>	<u>4,134,416</u>

16. Debtors

	2019 £	2018 £
Trade debtors	2,492,236	2,529,588
Other debtors	161,874	311,986
Prepayments and accrued income	173,461	103,386
	<u>2,827,571</u>	<u>2,944,960</u>

17. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	416,429	670,919

18. Creditors: Amounts falling due within one year

	2019 £	2018 £
Loans owed to group undertakings	-	639,238
Trade creditors	1,018,167	1,556,112
Other taxation and social security	80,703	74,633
Other creditors	27,489	77,345
Accruals and deferred income	437,597	651,629
	<u>1,563,956</u>	<u>2,998,957</u>

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Loans owed to group undertakings	12,736,344	10,752,642

20. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Loans owed to group undertakings	-	639,238
	-	639,238
Amounts falling due 1-2 years		
Loans owed to group undertakings	12,736,344	8,479,950
Amounts falling due 2-5 years		
Loans owed to group undertakings	-	2,272,692
	12,736,344	11,391,880

21. Financial instruments

	2019 £	2018 £
Financial Liabilities		
Financial liabilities measured at fair value through profit or loss	(29,930)	(50,403)

Financial liabilities measured at fair value through profit or loss comprise foreign exchange contracts.

All other financial assets and liabilities are measured at amortised cost.

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22. Deferred taxation

	2019 £
At beginning of year	(89,000)
Charged to other comprehensive income	(40,000)
At end of year	<u>(129,000)</u>

	2019 £	2018 £
Pension (asset) / deficit	(129,000)	(89,000)
	<u>(129,000)</u>	<u>(89,000)</u>

23. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
20,420 (2018 - 20,420) Ordinary shares of £100.00 each	2,042,000	2,042,000
10,000 (2018 - 10,000) Preference shares of £100.00 each	1,000,000	1,000,000
	<u>3,042,000</u>	<u>3,042,000</u>

Share premium

The reserve is the premium paid by shareholders over the notional value of the share purchases in the Company.

Capital redemption reserve

This reserve reflects amount paid by the Company to redeem shares.

Profit and loss account

This reserve reflects the accumulated consolidated results for the Company to 31 December 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £258,421 (2018 - £157,735). At the year end amounts payable to the scheme totalled £27,489 (2018 - £16,013).

Keith Spicer also operate a defined benefit pension scheme. The Scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

The liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit method. This amount is reflected in the deficit in the Balance Sheet. The projected unit method is an accrued benefits valuation method in which the Scheme's liabilities make allowance for projected earnings.

The liabilities set out in this note have been calculated based on the most recent full actuarial valuation at 1 October 2016, updated to 31 December 2019. The results of the calculations and the assumptions adopted are shown below.

Accrual of benefit within the Scheme ceased from 14 April 2014.

Reconciliation of present value of plan liabilities:

	2019 £	2018 £
At the beginning of the year	(9,157,000)	(10,442,000)
Interest cost	(263,000)	(258,000)
Actuarial gains/losses	(1,725,000)	739,000
Benefits paid	107,000	984,000
Past service cost	-	(180,000)
At the end of the year	<u><u>(11,038,000)</u></u>	<u><u>(9,157,000)</u></u>

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

24. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2019 £	2018 £
At the beginning of the year	9,682,000	10,731,000
Interest income	280,000	267,000
Actuarial gains/losses	1,867,000	(388,000)
Contributions	53,000	56,000
Benefits paid	(107,000)	(984,000)
At the end of the year	11,775,000	9,682,000
	2019 £	2018 £
Fair value of plan assets	11,775,000	9,682,000
Present value of plan liabilities	(11,038,000)	(9,157,000)
Net pension scheme asset	737,000	525,000

The amounts recognised in profit or loss are as follows:

	2019 £	2018 £
Interest on obligation	(17,000)	(9,000)
Past service cost	-	180,000
Total	(17,000)	171,000
	2019 £	2018 £
Actual return on scheme assets	2,147,000	(121,000)
	2,147,000	(121,000)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

24. Pension commitments (continued)

	2019 £	2018 £
Analysis of actuarial gain recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	1,867,000	(388,000)
Experience gains and losses arising on the scheme liabilities	(327,000)	285,000
Changes in assumptions underlying the present value of the scheme liabilities	(1,398,000)	454,000
	<u>142,000</u>	<u>351,000</u>

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2019 %	2018 %
Discount rate at 31 December	2.10	2.90
Inflation (RPI)	3.20	3.45
Inflation (CPI)	2.20	2.45
Pension increases		
- CPI min 3% pa max 5% pa	3.25	3.35
- RPI max 2.5% pa	2.20	2.25
Expected return on assets	3.30	2.90
Mortality rates		
- Base table	S3PXA	S2PXA
- Allowance for future improvements	CMI 2018 [1%]	CMI 2017 [1.0%]

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	-	6,645
	<u>-</u>	<u>6,645</u>

26. Forward exchange contracts

The Company has entered into certain forward exchange contracts and currency swaps which are unsettled at the year end. The fair value of these derivatives have been determined using valuation techniques based on market data.

At the year end the total foreign currency contracts relate to specific firm commitments to purchase \$1,338,750 (2018 - \$4,254,500) to repay loans and interest over the next 3 years, and to obtain currency for purchases of tea over the next year.

KEITH SPICER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

27. Related party transactions

During the year ended 31 December 2019 the Company had the following loans with group entities:

	Opening balance 2019 £	Capital advanced 2019 £	Capital repaid 2019 £	Closing balance 2019 £
Harris Freeman Asia loan	8,479,950	1,476,450	(8,320,050)	1,636,350
Harris Freeman & Co Inc	-	11,099,994	-	11,099,994
John Sinclair and Associates LLC	2,272,692	-	(2,272,692)	-
Harris Freeman & Co	639,238	267,439	(906,677)	-
	<u>11,391,880</u>	<u>12,843,883</u>	<u>(11,499,419)</u>	<u>12,736,344</u>

During the year ended 31 December 2019, goods were purchased from companies within the Group and under common control with Keith Spicer Limited totalling £32,740 (2018 - £36,042) and sold £1,110,302 (2018 - £614,673).

At the year end, in addition to the loan balances summarised above, £212,338 (2018 - £137,614) was due from and £35,709 (2018 - £98,537) due to companies within the Group under common control.

There are charges from a Company under common control for back office support functions of £70,443 (2018 - £87,302).

There were royalty payments made in the year of £23,526 (2018 - £53,999).

28. Post balance sheet events

Since the Balance Sheet date there has been a global outbreak of a novel strain of coronavirus (COVID-19). On 12 March 2020 the World Health Organisation declared the outbreak a pandemic. Many countries, including the UK have reacted to contain and delay the spread of the virus, which included extensive social distancing, business closures and travel bans. The Directors considered the financial impact of this pandemic and have concluded that the matter is a non-adjusting post balance sheet event. See the "Principal Risks and Uncertainties" in the Strategic Report on page 2.

29. Controlling party

The immediate parent Company is Harris Freeman Asia Limited, a Company registered in the British Virgin Islands. The ultimate parent undertaking and controlling party is Harris Freeman & Co Inc, registered in the United States of America. Group accounts are prepared and are not available to the public.