Finlay Beverages Limited
Report and Financial Statements

1 January 2006
Registered No. 47601 England

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DIRECTORS

R B Hogg	(Chairman)
N R Willsher	(Managing Director)
S M Copley	
R A Darlington	
R G Fowlkes	
R B Gray	
P W Jasper	
P G Lockett	

SECRETARIES

James Finlay Limited
163 West George Street
Glasgow G2 2JJ

REGISTERED OFFICE

Elmsall Way
South Elmsall
Pontefract
West Yorkshire WF9 2XS

AUDITORS

Ernst & Young LLP
Cloth Hall Court
Leeds LS1 2JN

BANKERS

National Westminster Bank PLC
City of London Office
P O Box 12258
1 Princes Street
London EC2R 8PA

SOLICITORS

Chadwick Lawrence
54 Bradford Road
Dewsbury
West Yorkshire WF13 2DY

DIRECTORS' REPORT

The directors submit their report and financial statements for the 52 weeks ended 1 January 2006.

RESULTS AND DIVIDENDS

The profit and loss account for the period shows a profit on ordinary activities after taxation of £1,422,890. The directors have declared interim dividends totalling £1,000,000 leaving a balance of £422,890 to be transferred to reserves.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity is the packing of tea and coffee products. The directors do not envisage any change in the nature of the company's business in the foreseeable future.

FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and borrowings. Subject to strict controls, the Company undertakes limited trading in financial instruments in order to mitigate currency and other risks arising during the normal course of business.

The Company has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risk arising from the Company's financial instruments is the recovery of trade debt which is the subject of active monitoring processes.

DIRECTORS

The directors at any time throughout the period ended 1 January 2006 were as undernoted.

S M Copley
R A Darlington
R G Fowlkes
R B Gray
R B Hogg
P W Jasper
P G Lockett
N R Willsher

DIRECTORS' INTERESTS

No director at the end of the period had any beneficial interest in the capital of the company or any other group company.

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors of the company will be put to the members at the Annual General Meeting.

By Order of the Board,

James Finlay Limited
Secretaries

South Elmsall—4 April 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare financial statements for each financial period which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FINLAY BEVERAGES LIMITED

We have audited the company's financial statements for the period ended 1 January 2006, which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Company's Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 1 January 2006 and of its profit for the period the ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

24 April 2006

PROFIT AND LOSS ACCOUNT
for the period ended 1 January 2006

	Notes	2005 £	2004 £
TURNOVER	2	29,237,469	29,735,012
Cost of sales		(24,165,956)	(25,813,993)
GROSS PROFIT		5,071,513	3,921,019
Distribution costs		(757,478)	(957,781)
Administrative expenses		(2,291,941)	(1,872,126)
		(3,049,419)	(2,829,907)
OPERATING PROFIT	3	2,022,094	1,091,112
Bank interest receivable		21,467	174,951
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,043,561	1,266,063
Tax on profit on ordinary activities	6	(620,671)	(786,355)
PROFIT FOR THE FINANCIAL YEAR		1,422,890	479,708
Dividends	7	(1,000,000)	(6,600,000)
PROFIT/(DEFICIT) RETAINED FOR THE FINANCIAL YEAR		422,890	(6,120,292)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the period ended 1 January 2006.

There are no recognised gains or losses other than the profit for the period, of £1,422,890 (2004 - £479,708).

BALANCE SHEET
at 1 January 2006

	Notes	*As at I January 2006* £	*As at 31December 2004* £
FIXED ASSETS			
Tangible assets	8	10,519,341	10,452,372
CURRENT ASSETS			
Stocks	9	6,177,335	6,418,555
Debtors	10	3,818,101	2,260,497
Cash at bank and in hand		1,507,960	2,024,516
		11,503,396	10,703,568
CREDITORS: Amounts falling due within one year	11	(4,426,174)	(4,083,397)
NET CURRENT ASSETS		7,077,222	6,620,171
TOTAL ASSETS LESS CURRENT LIABILITIES		17,596,563	17,072,543
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	(971,071)	(869,941)
		16,625,492	16,202,602
CAPITAL AND RESERVES			
Called up share capital	13	2,925,150	2,925,150
Profit and loss account	14	13,700,342	13,277,452
SHAREHOLDERS' FUNDS EQUITY		16,625,492	16,202,602

Signed on behalf of the Board

N R Willsher .... Director

P W Jasper .... Director

Date Signed ....4 April 2006............

NOTES TO THE ACCOUNTS

at 1 January 2006

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared in accordance with applicable accounting standards and under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 50 years
Plant and machinery	-	over 4 to 14 years
Fixtures and fittings	-	over 3 to 10 years

Stocks

Raw materials and consumables

Lower of actual cost and net realisable value. Actual cost being the purchase cost incurred in bringing each material to its present location and condition.

Work in progress and finished goods

Lower of standard cost and net realisable value. Standard cost being the standard cost of direct materials and labour plus attributable overhead based on normal level of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. However, deferred tax assets are recognised to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE ACCOUNTS
at 1 January 2006

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Pension costs

The company and other major UK subsidiaries of James Finlay Ltd participate in a multi-employer defined benefit pension plan. This plan is operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities so in accordance with FRS 17 the company accounts for its contributions to the plan as if it were a defined contribution plan. Contributions to defined contribution plans are charged to the profit and loss account when they become payable.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

2. TURNOVER

Turnover represents the invoiced amount of goods sold net of value added tax. Turnover and pre tax profit arises from one continuing activity, the manufacture and sale of tea and coffee.

An analysis of turnover by geographical market is given below:

	2005	*2004*
	£	*£*
United Kingdom	29,237,469	29,735,012

3. OPERATING PROFIT

This is stated after charging/(crediting)

	2005	*2004*
	£	*£*
Auditors' remuneration	20,500	19,570
Depreciation	900,467	718,865
Hire of plant and machinery	34,311	46,263
Operating lease rentals - land and buildings	82,371	640,597
Foreign exchange gain	(892)	(1,257)

NOTES TO THE ACCOUNTS
at 1 January 2006

4. DIRECTORS' EMOLUMENTS

	2005	2004
	£	£
Other emoluments (excluding pension contributions)	392,203	335,330
Company contributions paid to defined benefit pension scheme	59,296	61,531
	No.	No.
Members of defined benefit pension scheme	4	3
	£	£
Pensions to former directors	1,590	2,819

The amounts in respect of the highest paid director are as follows:

	2005	2004
	£	£
Emoluments	122,396	108,337
Accrued pension under defined pension scheme	6,833	4,829
Accrued lump sum under defined pension scheme	15,374	10,866

5. STAFF COSTS

	2005	2004
	£	£
Wages and salaries	3,830,489	3,449,261
Social security costs	382,948	334,959
Other net pension costs (see note 18)	870,018	787,125
	5,083,455	4,571,345

The average weekly number of employees during the period was made up as follows:

	2005	2004
	No.	No.
Office and management	20	19
Manufacturing	195	185
	215	204

The staff number split has been restated for 2004 to reflect the nature of the resource. Previously the split was by payment method. Part time staff are classified as full time employees for the above disclosure.

NOTES TO THE ACCOUNTS
at 1 January 2006

6. TAX

(a) Tax on profit on ordinary activities.

	2005 £	*2004* £
The tax charge is made up as follows:		
Corporation tax	498,214	255,297
Corporation tax under provided in previous years	21,327	61,547
Total current tax (note 6(b))	519,541	316,844
Deferred taxation—origination and reversal of timing differences (note 12)	101,130	469,511
	620,671	786,355

(b) Factors affecting current tax charge:

An explanation of the reasons why the current tax charge for the year is lower than the standard rate of corporation tax in the UK of 30% (2004–30%) is shown below:

	2005 £	*2004* £
Profit on ordinary activities before tax	2,043,561	1,266,063
Profit on ordinary activities at standard corporation tax rate in the UK at 30% (2004–30%)	613,068	379,818
Capital allowances for the period in excess of depreciation and other property related timing differences	(122,978)	(177,640)
Expenses not deductible for tax purposes	8,124	53,119
Adjustments to tax charge in respect of prior periods	21,327	61,547
Current tax charge (note 6(a))	519,541	316,844

7. DIVIDENDS

	2005 £	*2004* £
Equity dividends on ordinary shares paid 34p per share (2004 – 226p)	1,000,000	6,600,000

NOTES TO THE ACCOUNTS
at 1 January 2006

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	*Plant and machinery fixtures and fittings* £	*Total* £
Cost:			
At 31 December 2004	6,754,937	25,725,628	32,480,565
Additions	-	967,436	967,436
At 1 January 2006	6,754,937	26,693,064	33,448,001
Depreciation:			
At 31 December 2004	1,173,304	20,854,889	22,028,193
Provided during the period	116,099	784,368	900,467
At 1 January 2006	1,289,403	21,639,257	22,928,660
Net book value:			
At 31 December 2004	5,581,633	4,870,739	10,452,372
At 1 January 2006	5,465,534	5,053,807	10,519,341

9. STOCKS

	As at I January 2006 £	*As at 31December 2004* £
Raw materials and consumables	4,715,536	5,275,988
Work in progress	89,097	145,210
Finished goods and goods for resale	1,372,702	997,357
	6,177,335	6,418,555

The difference between purchase price or production cost of stocks and their replacement cost is not material.

NOTES TO THE ACCOUNTS
at 1 January 2006

10. DEBTORS

	As at 1 January 2006 £	*As at 31December 2004* £
Trade debtors	3,398,492	1,833,080
Prepayments and sundry debtors	419,609	427,417
	3,818,101	2,260,497

11. CREDITORS: Amounts falling due within one year

	As at 1 January 2006 £	*As at 31December 2004* £
Trade creditors	1,634,865	2,489,582
Amount owed to parent undertaking and fellow subsidiary undertakings	762,348	465,901
Current corporation tax	519,541	316,844
Other taxes and social security costs	132,433	115,203
Other creditors	791,713	22,605
Accruals	585,274	673,262
	4,426,174	4,083,397

Included in trade creditors are amounts totalling £779,719 (2004 - £1,015,124) due in respect of goods for which title does not pass until payment is made.

12. DEFERRED TAXATION

Deferred taxation included in the balance sheet is as follows:

	As at 1 January 2006 £	*As at 31December 2004* £
Capital allowances in advance of depreciation	971,071	869,941
	971,071	869,941

NOTES TO THE ACCOUNTS
at 1 January 2006

The movement in deferred taxation during the current and previous period is as follows:

	As at I January 2006 £	*As at 31December 2004* £
At beginning of period	869,941	629,289
Transfer to group company	-	(228,859)
Charge to profit and loss account during the period	101,130	469,511
At end of period	971,071	869,941

13. SHARE CAPITAL

	Authorised,allotted, called up and fully paid	
	As at I January 2005 £	*As at 31December 2004* £
Ordinary shares of £1 each	2,925,150	2,925,150

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	*Profit and loss account* £	*Total* £
At 27 December 2003	2,925,150	19,397,744	22,322,894
Profit for the period	-	479,708	479,708
Dividends	-	(6,600,000)	(6,600,000)
At 31 December 2004	2,925,150	13,277,452	16,202,602
Profit for the period	-	1,422,890	1,422,890
Dividends	-	(1,000,000)	(1,000,000)
At 1 January 2006	2,925,150	13,700,342	16,625,492

15. CAPITAL COMMITMENTS

	2005 £	*2004* £
Contracted but not provided for	-	607,155

NOTES TO THE ACCOUNTS
at 1 January 2006

16. OTHER FINANCIAL COMMITMENTS

At 1 January 2006 the company had annual commitments under non-cancellable operating leases as set out below:

	2005	*2004*
	Land and buildings	*Land and buildings*
Operating leases which expire :	£	£
Within one year	5,063	16,875
In over five years	40,000	40,000
	45,063	56,875

17. RELATED PARTIES

The company has taken advantage of the exemption in paragraph 3(c) of FRS 8 from disclosing transactions with related parties which are part of the James Finlay Limited Group.

18. PENSION COMMITMENTS

The Company participates in the defined benefit plan arrangement within The Finlays Pension Fund. This defined benefit plan is a multi-employer plan which is operated by James Finlay Ltd (the Group) and which is run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities. In accordance with FRS 17 the company accounts for its contributions to the plan as if it were a defined contribution plan.

As at 31 December 2005 there is an overall deficit of £935,000 (2004: £4,884,000) in this pension plan. This is reflected in the consolidated accounts of James Finlay Ltd for the period ended 31 December 2005.
The latest full actuarial valuation of The Finlays Pension Fund was as at 31 December 2003 and this has been adjusted by Hymans Robertson, a qualified independent actuary, to reflect the position at the 2005 and 2004 year ends.

The financial assumptions used by the actuary were:

	2005	2004	2003
Discount rate	4.7%	5.3%	5.4%
Salary increases	4.6%	4.6%	4.6%
Pension increases	2.6%	2.6%	2.6%
Price inflation	2.6%	2.6%	2.6%

NOTES TO THE ACCOUNTS
at 1 January 2006

The assets and liabilities of the plan and the long term expected rates of return are:

	Long term return % p.a.	Fund value at 31.12.05 £'000	Long term return % p.a.	Fund value at 31.12.04 £'000	Long term return % p.a.	Fund valu at 31.12.0 £'00
Equities	6.50	30,319	7.00	23,288	7.30	21,64
Corporate bonds	4.70	8,203	5.30	7,629	5.40	5,74
Government bonds	4.00	7,450	4.50	5,029	4.80	4,81
Cash	4.50	1,048	4.80	2,311	3.80	26
Fair value of scheme assets		47,020		38,257		32,47
Actuarial value of liabilities		47,955		43,141		41,36
Deficit in the fund		(935)		(4,884)		(8,893
Related deferred tax asset		280		1,465		2,66
Net pension liability		(655)		(3,419)		(6,225

The movement in the deficit during the year is analysed as follows:

	2005 £'000	2004 £'000
Deficit at beginning of year	(4,884)	(8,893)
Current service cost	(938)	(850)
Employer contributions	3,886	4,379
Net return	79	7
Actuarial gain	922	473
Deficit at end of year	(935)	(4,884)

19. PARENT COMPANY

The Company's parent company is James Finlay Limited which is registered in Scotland. The Company's ultimate parent company is John Swire & Sons Limited which is registered in England.

The company's financial statements are consolidated within the group accounts of John Swire & Sons Limited. Copies of its group accounts, which include the company, are available from John Swire & Sons Limited, 59 Buckingham Gate, London, SW1E 6AJ.