Finlay Beverages Limited
Report and Financial Statements

31 December 2006
Registered No 47601 England

Registered No 47601 England

DIRECTORS

R B Hogg	(Chairman)
N R Willsher	(Managing Director)
T J Blackburn	
S M Copley	
R A Darlington	
C des Forges	
R G Fowlkes	
R B Gray	
P R Henson	
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 31 December 2006

RESULTS AND DIVIDENDS

The profit and loss account for the period shows a profit on ordinary activities after taxation of £1,174,198 The directors have declared interim dividends totalling £690,000 leaving a balance of £484,198 to be transferred to reserves

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is the packing of tea and coffee products for a range of retail multiples In addition the company has a food service division which also packs tea and coffee for a number of smaller customers The company's facilities are all located at South Elmsall near Pontefract

The directors do not envisage any change in the nature of the company's business in the foreseeable futue

The company's key financial and other performance indicators during the year were as follows

	2006 £'000	2005 £'000	Change %
Turnover	36,339	29,237	24%
Gross profit	5,583	5,072	10%
Total operating profit	1,910	2,022	(6%)
Shareholders' funds	17,110	16,625	3%
Average number of employees	244	215	14%
Gross profit as % of turnover	15 4	17 3	
Operating profit as % of turnover	5 3	6 9	
Return on capital employed	9 9	12 3	

The company's performance during the year was genaally satisfactory Turnover increased by 24% while gross profit and operating profit as a percentage of sales were satisfactory

Good progress was made this year against volume and sales growth targets due to the acquisition of newcustomers and to meet their requirements the company has invested in a major expansion and reorganization of its tea packing facility

The company cares greatly about the environment and conducts business in an ethicaland responsible fashion

FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

The principle risks and opportunities facing the company are credit risk, liquidity risk and foreign currency risk The way in which these risks are managed is summarised below

Credit Risk
The company aims to limit undue counterparty exposure by ensuring proper procedures are followed before starting to trade with a new customer and material ongoing exposure is monitored at business unit andgroup level

Liquidity Risk
Investments in fixed assets and working capital are carefully controlled, with authorisation limits operating at different levels up to board level and with the rates of return and cash payback periods applied as part of a defined investment appraisal process The group also manages liquidity risk via revolving credit facilities and cash-pooling

Foreign Currency Risk
Subject to strict controls, the company undertakes limited trading in financial instruments in order to mitigate currency risks arising during the normal course of business

DIRECTORS' REPORT

FUTURE DEVELOPMENTS

The directors aim to maintain the management policies which have resulted in the successful development of the company in recent years

DIRECTORS

The directors during the period ended 31 December 2006 were as undernoted

T J Blackburn (appointed 12 July 2006)
S M Copley
R A Darlington
R G Fowlkes
C des Forges (appointed 12 July 2006)
R B Gray (resigned 12 July 2006)
R B Hogg
P W Jasper
P G Lockett (resigned 31 December 2006)
N R Willsher

P R Henson was appointed a director of the company on 22 January 2007

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

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who is a director at the date of approval of this report is aware, there is no relevant audit information, being information required by the auditor in connection with the preparation of this report, of which the auditor is unaware Each director has taken all steps that he or she is obliged to take as a director, in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of such information

AUDITORS

Ernst & Young LLP have indicated their intention to resign as the Company's auditors following the issue of their opinion on the financial statements of the Company A resolution to appoint KPMG 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 – 11th May 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and 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) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 statement and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that 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 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 19 These financial statements have been prepared under 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 Companies 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions 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 judgments made by the directors in the preparation of the financial statements, 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 the company's affairs as at 31 December 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Leeds
14 May 2007

PROFIT AND LOSS ACCOUNT
for the period ended 31 December 2006

	Notes	2006 £	2005 £
TURNOVER	2	36,338,754	29,237,469
Cost of sales		(30,755,443)	(24,165,956)
GROSS PROFIT		5,583,311	5,071,513
Distribution costs		(1,020,614)	(757,478)
Administrative expenses		(2,652,702)	(2,291,941)
		(3,673,316)	(3,049,419)
OPERATING PROFIT	3	1,909,995	2,022,094
Bank interest payable		222,741	-
Bank interest receivable		-	21,467
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,687,254	2,043,561
Tax on profit on ordinary activities	6	(513,056)	(620,671)
PROFIT FOR THE FINANCIAL YEAR		1,174,198	1,422,890

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the period ended 31 December 2006

There are no recognised gains or losses other than the profit for the period, of £1,174,198 (2005 - £1,422,890)

BALANCE SHEET
at 31 December 2006

	Notes	*As at 31 December 2006* £	*As at 1 January 2006* £
FIXED ASSETS			
Tangible assets	8	14,226,756	10,519,341
CURRENT ASSETS			
Stocks	9	7,830,929	6,177,335
Debtors	10	6,332,142	3,818,101
Cash at bank and in hand		525	1,507,960
		14,163,596	11,503,396
CREDITORS Amounts falling due within one year	11	(10,432,558)	(4,426,174)
NET CURRENT ASSETS		3,731,038	7,077,222
TOTAL ASSETS LESS CURRENT LIABILITIES		17,957,794	17,596,563
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	(848,104)	(971,071)
		17,109,690	16,625,492
CAPITAL AND RESERVES			
Called up share capital	13	2,925,150	2,925,150
Profit and loss account	14	14,184,540	13,700,342
		17,109,690	16,625,492

Signed on behalf of the Board

N R Willsher Director

P W Jasper Director

Date Signed 11th May 2007

~~NOTES TO THE ACCOUNTS~~

NOTES TO THE ACCOUNTS
at 31 December 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 31 December 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 Foreign currency transactions are covered by forward contracts 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

	2006	*2005*
	£	*£*
United Kingdom	36,338,754	29,237,469

3. OPERATING PROFIT

This is stated after charging/(crediting)

	2006	*2005*
	£	*£*
Auditors' remuneration – audit of financial statements	22,200	20,500
Depreciation	958,555	900,467
Hire of plant and machinery	17,034	34,311
Operating lease rentals - land and buildings	271,441	82,371
Foreign exchange gain	-	(892)

NOTES TO THE ACCOUNTS
at 31 December 2006

4. DIRECTORS' EMOLUMENTS

	2006	*2005*
	£	*£*
Emoluments (excluding pension contributions)	506,377	392,203
Company contributions paid to defined benefit pension scheme	85,364	59,296
	No	*No*
Members of defined benefit pension scheme	5	4
	£	*£*
Pensions to former directors	1,207	1,590

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

	2006	*2005*
	£	*£*
Emoluments	128,377	122,396
Accrued pension under defined pension scheme	8,513	6,833
Accrued lump sum under defined pension scheme	19,154	15,374

5. STAFF COSTS

	2006	*2005*
	£	*£*
Wages and salaries	4,749,903	3,830,489
Social security costs	461,747	382,948
Other net pension costs (see note 18)	800,357	870,018
	6,012,007	5,083,455

The average monthly number of employees during the period was madeup as follows

	2006	*2005*
	No	*No*
Office and management	22	20
Manufacturing	222	195
	244	215

Part time staff are classified as full time employees for the above disclosure

NOTES TO THE ACCOUNTS
at 31 December 2006

6. TAX

(a) Tax on profit on ordinary activities

	2006 £	*2005* £
The tax charge is made up as follows		
Corporation tax	477,760	498,214
Corporation tax under provided in previous years	158,263	21,327
Total current tax (note 6(b))	636,023	519,541
Deferred taxation—origination and reversal of timing differences (note 12)	(122,967)	101,130
	513,056	620,671

(b) Factors affecting current tax charge:

An explanation of the reasons why the current tax charge for the year is higher than the standard rate of corporation tax in the UK of 30% (2005–30%) is shown below

	2006 £	*2005* £
Profit on ordinary activities before tax	1,687,254	2,043,561
Profit on ordinary activities at standard corporation tax rate in the UK at 30% (2005–30%)	506,176	613,068
Capital allowances for the period in excess of depreciation and other property related timing differences	(35,685)	(122,978)
Expenses not deductible for tax purposes	7,269	8,124
Adjustments to tax charge in respect of prior periods	158,263	21,327
Current tax charge (note 6(a))	636,023	519,541

7. DIVIDENDS

	2006 £	*2005* £
Equity dividends on ordinary shares paid 24p per share (2005 – 34p)	690,000	1,000,000

NOTES TO THE ACCOUNTS
at 31 December 2006

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	*Plant and machinery fixtures and fittings* £	*Total* £
Cost			
At 2 January 2006	6,754,937	26,693,064	33,448,001
Additions	310,587	4,771,163	5,081,750
Disposals	-	(50,063)	(50,063)
At 31 December 2006	7,065,524	31,414,164	38,479,688
Depreciation			
At 2 January 2006	1,289,403	21,639,257	22,928,660
Provided during the period	116,099	842,456	958,555
Disposals	-	(47,198)	(47,198)
Permanent diminution in value	-	412,915	412,915
At 31 December 2006	1,405,502	22,847,430	24,252,932
Net book value			
At 2 January 2006	5,465,534	5,053,807	10,519,341
At 31 December 2006	5,660,022	8,566,734	14,226,756

The permanent diminution in value relates to the writing down ofassets which are currently not being utilized

9. STOCKS

	As at 31 December 2006 £	*As at 1 January 2006* £
Raw materials and consumables	6,436,863	4,715,536
Work in progress	147,034	89,097
Finished goods and goods for resale	1,247,032	1,372,702
	7,830,929	6,177,335

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

NOTES TO THE ACCOUNTS
at 31 December 2006

10. DEBTORS

	As at 31 December 2006 £	*As at 1 January 2006* £
Trade debtors	5,093,142	3,398,492
Prepayments and sundry debtors	1,239,000	419,609
	6,332,142	3,818,101

11 CREDITORS: amounts falling due within one year

	As at 31 December 2006 £	*As at 1 January 2006* £
Bank overdraft	3,750,380	-
Trade creditors	3,237,112	1,634,865
Amount owed to parent undertaking and fellow subsidiary undertakings	592,552	762,348
Current corporation tax	636,023	519,541
Other taxes and social security costs	166,521	132,433
Other creditors	1,469,015	791,713
Accruals	580,955	585,274
	10,432,558	4,426,174

Included in trade creditors are amounts totalling £2,118,723 (2005 - £779,719) 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 31 December 2006 £	*As at 1 January 2006* £
Capital allowances in advance of depreciation	848,104	971,071
	848,104	971,071

NOTES TO THE ACCOUNTS
at 31 December 2006

12. DEFERRED TAXATION (continued)

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

	As at 31 December 2006 £	*As at 1 January 2006 £*
At beginning of period	971,071	869,941
(Credit)/charge to profit and loss account during the period	(122,967)	101,130
At end of period	848,104	971,071

13. SHARE CAPITAL

	Authorised, allotted, called up and fully paid	
	As at 31 December 2006 £	*As at 1 January 2006 £*
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 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
Profit for the period	-	1,174,198	1,174,198
Dividends	-	(690,000)	(690,000)
At 1 January 2006	2,925,150	14,184,540	17,109,690

15. CAPITAL COMMITMENTS

	2006 £	*2005 £*
Contracted but not provided for	2,814,703	-

NOTES TO THE ACCOUNTS
at 31 December 2006

16. OTHER FINANCIAL COMMITMENTS

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006	*2005*
	Land and buildings	*Land and buildings*
Operating leases which expire	£	£
Within one year	-	5,063
In over five years	315,700	40,000
	315,700	45,063

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 2006 there is an overall surplus of £2,009,000 (2005 £935,000 deficit) in this pension plan This is reflected in the consolidated accounts of James Finlay Ltd for the period ended 31 December 2006
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 2006, 2005 and 2004 year ends

The financial assumptions used by the actuary were

	2006	2005	2004
Discount rate	5 1%	4 7%	5 3%
Salary increases	4 9%	4 6%	4 6%
Pension increases	2 9%	2 6%	2 6%
Price inflation	2 9%	2 6%	2 6%

NOTES TO THE ACCOUNTS
at 31 December 2006

18. PENSION COMMITMENTS (continued)

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 06 £'000	Long term return % p a	Fund value at 31 12 05 £'000	Long term return % p a	Fund value at 31 12 04 £'000
Equities	6 90	32,923	6 50	30,319	7 00	23,288
Corporate bonds	5 10	8,991	4 70	8,203	5 30	7,629
Government bonds	4 40	8,036	4 00	7,450	4 50	5,029
Cash	5 25	732	4 50	1,048	4 80	2,311
Fair value of scheme assets		50,682		47,020		38,257
Actuarial value of liabilities		48,673		47,955		43,141
Surplus/(deficit) in the fund		2,009		(935)		(4,884)
Related deferred tax (liability)/asset		(603)		280		1,465
Net pension asset /(liability)		1,406		(655)		(3,419)

The movement during the year is analysed as follows

	2006 £'000	2005 £'000
Deficit at beginning of year	(935)	(4,884)
Current service cost	(1,039)	(938)
Employer contributions	2,494	3,886
Net return	441	79
Actuarial gain	1,048	922
Surplus/(deficit) at end of year	2,009	(935)

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