Finlay Beverages Limited
Directors' Report and Financial Statements

31 December 2007
Registered No 47601 England

Contents

OFFICERS AND PROFFESSIONAL ADVISORS

DIRECTORS

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

Caroline des Forges was appointed Managing Director on 1 January 2008

SECRETARIES

James Finlay Limited
Swire House
59 Buckingham Gate
London SW1E 6AJ

REGISTERED OFFICE

Elmsall Way
South Elmsall
Pontefract
West Yorkshire WF9 2XS

AUDITORS

KPMG LLP
1, The Embankment
Neville Street
Leeds LS1 4DW

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 year ended 31 December 2007

RESULTS AND DIVIDENDS

The profit and loss account for the year shows a profit on ordinary activities after taxation of £2,281,637 The directors declared and paid an interim dividend totalling £587,000 leaving a balance of £1,694,637 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 future

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

	2007 £'000	2006 £'000	Change %
Turnover	**38,807**	36,339	7%
Gross profit	**7,712**	5,583	38%
Total operating profit	**2,745**	1,910	44%
Shareholders' funds	**18,804**	17,110	10%
Average number of employees	**242**	244	(1%)
Gross profit as % of turnover	**19.9**	15 4	
Operating profit as % of turnover	**7.1**	5 3	
Return on capital employed	**12.8**	9 9	

The company's performance during the year was generally satisfactory Turnover increased by 7% 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 full year trading of new customers and the reorganization of its tea packing facility

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

FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

The principle risks 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 and group 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 2007 were as follows

T J Blackburn
S M Copley
R A Darlington
R G Fowlkes
C des Forges
P R Henson
R B Hogg
P W Jasper
N R Willsher (resigned 31 December 2007)

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

During the year Ernst & Young LLP resigned as auditors of the company and KPMG LLP were appointed to fill the vacant position

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board,

James Finlay Limited
Secretaries
South Elmsall
2nd April 2008

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINLAY BEVERAGES LIMITED

We have audited the financial statements of Finlay Beverages Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 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 auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5

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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year 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

KPMG LLP

KPMG LLP
Chartered Accountants and Registered Auditors

2 April 2008

PROFIT AND LOSS ACCOUNT
for the period ended 31 December 2007

	Note	2007 £	2006 £
TURNOVER	2	**38,807,396**	36,338,754
Cost of sales		**(31,095,470)**	(30,755,443)
GROSS PROFIT		**7,711,926**	5,583,311
Distribution costs		**(1,058,068)**	(1,020,614)
Administrative expenses		**(3,909,088)**	(2,652,702)
		(4,967,156)	(3,673,316)
OPERATING PROFIT	3	**2,744,770**	1,909,995
Bank interest payable		**(346,584)**	(222,741)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**2,398,186**	1,687,254
Tax on profit on ordinary activities	6	**(116,549)**	(513,056)
PROFIT FOR THE FINANCIAL YEAR		**2,281,637**	1,174,198

There are no recognised gains or losses other than the profit for the year

BALANCE SHEET
at 31 December 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Tangible assets	8	**16,894,922**	14,226,756
CURRENT ASSETS			
Stocks	9	**6,581,225**	7,830,929
Debtors	10	**6,053,478**	6,332,142
Cash at bank and in hand		**525**	525
		12,635,228	14,163,596
CREDITORS Amounts falling due within one year	11	**(9,654,571)**	(10,432,558)
NET CURRENT ASSETS		**2,980,657**	3,731,038
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,875,579**	17,957,794
PROVISION FOR LIABILITIES			
Deferred taxation liabilities	12	**(1,071,252)**	(848,104)
		18,804,327	17,109,690
CAPITAL AND RESERVES			
Called up share capital	13	**2,925,150**	2,925,150
Profit and loss account	14	**15,879,177**	14,184,540
		18,804,327	17,109,690

These financial statements were approved by the board of directors on 2nd April 2008 and were signed on its behalf by

C des Forges
Director

P W Jasper
Director

NOTES

(forming part of the financial statements)

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a subsidiary of John Swire & Sons Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of John Swire & Sons Limited, within which this Company is included, can be obtained from the address given in note 18

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

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

No depreciation is provided on freehold land

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 expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

NOTES *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Post-retirement benefits

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

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 packing and sale of tea and coffee

An analysis of turnover by geographical market is given below

	2007	*2006*
	£	*£*
United Kingdom	**38,807,396**	36,338,754

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2007	*2006*
	£	*£*
Auditors' remuneration – audit of these financial statements	**22,200**	22,200
Depreciation	**1,102,377**	958,555
Hire of plant and machinery	**106,084**	90,375
Operating lease rentals - land and buildings	**330,026**	198,100
Foreign exchange gain	**(6,299)**	-

NOTES *(continued)*

4. DIRECTORS' EMOLUMENTS

	2007 £	2006 £
Directors' emoluments (excluding pension contributions)	**532,178**	506,377
Company contributions paid to defined benefit pension scheme	**83,252**	85,364
	No.	*No*
Members of defined benefit pension scheme	**5**	5
	£	£
Pensions to former directors	**825**	1,207

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

	2007 £	2006 £
Emoluments	**132,820**	128,377
Accrued pension under defined pension scheme	**10,299**	8,513
Accrued lump sum under defined pension scheme	**23,173**	19,154

5. STAFF COSTS

	2007 £	2006 £
Wages and salaries	**5,103,450**	4,749,903
Social security costs	**489,239**	461,747
Other net pension costs	**938,178**	800,357
	6,530,867	6,012,007

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	2007 No.	2006 No
Office and management	**27**	22
Manufacturing	**215**	222
	242	244

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

NOTES *(continued)*

6. TAXATION

(a) Tax on profit on ordinary activities.

	2007	*2006*
	£	£
The tax charge is made up as follows		
Corporation tax	**261,196**	477,760
Corporation tax (over)/under provided in previous years	**(367,795)**	158,263
Total current tax (credit)/charge (note 6(b))	**(106,599)**	636,023
Deferred taxation—origination and reversal of timing differences (note 12)	**223,148**	(122,967)
	116,549	513,056

(b) Factors affecting current tax charge:

An explanation of the reasons why the current tax (credit)/charge for the year is lower *(2006 higher)* than the standard rate of corporation tax in the UK of 30% *(2006, 30%)* is shown below

	2007	*2006*
	£	£
Profit on ordinary activities before tax	**2,398,186**	1,687,254
Profit on ordinary activities at standard corporation tax rate in the UK of 30% *(2006 30%)*	**719,456**	506,176
Capital allowances for period in excess of depreciation	**(463,550)**	(35,685)
Expenses not deductible for tax purposes	**5,290**	7,269
Adjustments to tax charge in respect of previous periods	**(367,795)**	158,263
Total current tax charge (note 6(a))	**(106,599)**	636,023

7 DIVIDENDS

	2007	*2006*
	£	£
Interim dividend paid in respect of the current year – 20p per share *(2006 24p)*	**587,000**	690,000

NOTES *(continued)*

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	*Plant and machinery fixtures and fittings* £	*Total* £
Cost			
At beginning of year	7,065,524	31,414,164	38,479,688
Additions	348,154	3,443,298	3,791,452
Disposals	-	(79,572)	(79,572)
At end of year	**7,413,678**	**34,777,890**	**42,191,568**
Depreciation			
At beginning of year	1,405,502	22,847,430	24,252,932
Charge for year	117,304	985,073	1,102,377
Disposals	-	(58,663)	(58,663)
At end of year	**1,522,806**	**23,773,840**	**25,296,646**
Net book value			
At 31 December 2006	5,660,022	8,566,734	14,226,756
At 31 December 2007	**5,890,872**	**11,004,050**	**16,894,922**

9. STOCKS

	2007 **£**	*2006* £
Raw materials and consumables	**4,730,427**	6,436,863
Work in progress	**195,658**	147,034
Finished goods and goods for resale	**1,655,140**	1,247,032
	6,581,225	7,830,929

NOTES *(continued)*

10. DEBTORS

	2007 £	2006 £
Trade debtors	**5,143,438**	5,093,142
Amounts owed by group undertakings	**207,566**	-
Prepayments and accrued income	**702,474**	1,239,000
	6,053,478	6,332,142

11 CREDITORS amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts	**4,092,984**	3,750,380
Trade creditors	**2,981,472**	3,237,112
Amounts owed to group undertakings	**242,284**	592,552
Current corporation tax	**327,424**	636,023
Other taxes and social security	**156,265**	166,521
Other creditors	**558,472**	1,469,015
Accruals	**1,295,670**	580,955
	9,654,571	10,432,558

Included in trade creditors are amounts totalling £1,898,150 (*2006, £2,118,723*) due in respect of goods for which title does not pass until payment is made

12. DEFERRED TAXATION LIABILITIES

Deferred taxation liabilities included in the balance sheet are as follows

	2007 £	2006 £
Capital allowances in advance of depreciation	**1,071,252**	848,104

NOTES *(continued)*

12. DEFERRED TAXATION LIABILITIES *(continued)*

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

	2007	*2006*
	£	*£*
At beginning of period	**848,104**	971,071
Charge to profit and loss account during the period (note 6(a))	**223,148**	(122,967)
At end of period	**1,071,252**	848,104

13. SHARE CAPITAL

	Authorised, allotted, called up and fully paid	
	2007	*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 1 January 2007	2,925,150	14,184,540	17,109,690
Profit for the period	-	2,281,637	2,281,637
Dividends on shares classified in shareholders' funds	-	(587,000)	(587,000)
At 31 December 2007	**2,925,150**	**15,879,177**	**18,804,327**

15. CAPITAL COMMITMENTS

	2007	*2006*
	£	*£*
Contracted but not provided for	-	2,814,703

NOTES *(continued)*

16. OTHER FINANCIAL COMMITMENTS

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007 Land and buildings £	2006 Land and buildings £
Operating leases which expire		
Within one year	**41,033**	-
In the second to fifth years inclusive	**125,460**	-
Over five years	**275,700**	315,700
	442,193	315,700

17. 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 2007 there is an overall surplus of £3,450,000 *(2006 £2,041,000)* in this pension plan This is reflected in the consolidated accounts of James Finlay Ltd for the period ended 31 December 2007
The latest full actuarial valuation of The Finlays Pension Fund was as at 31 December 2006 and this has been adjusted by Hymans Robertson, a qualified independent actuary, to reflect the position at the 31 December 2007

The financial assumptions used by the actuary were

	2007	2006	2005
Discount rate	5 8%	5 1%	4 7%
Salary increases	4 3%	4 9%	4 6%
Pension increases	3 3%	2 9%	2 6%
Price inflation	3 3%	2 9%	2 6%

NOTES *(continued)*

17. 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 07 £'000	Long term return % p a	Fund value at 31 12 06 £'000	Long term return % p a	Fund value at 31 12 05 £'000
Equities	7 00	32,380	6 90	32,923	6 50	30,319
Corporate bonds	5 80	11,728	5 10	8,991	4 70	8,203
Government bonds	4 40	7,183	4 40	8,036	4 00	7,450
Cash	5 50	1,049	5 25	732	4 50	1,048
Fair value of scheme assets		52,340		50,682		47,020
Actuarial value of liabilities		(48,890)		(48,641)		(47,955)
Surplus/(deficit) in the fund		3,450		2,041		(935)
Related deferred tax (liability)/asset		(966)		(612)		280
Net pension asset /(liability)		2,484		1,429		(655)

The movement during the year is analysed as follows

	2007 £'000	2006 £'000
Surplus/deficit at beginning of year	2,041	(935)
Current service cost	(1,285)	(1,079)
Employer contributions	1,043	2,494
Net return	747	516
Actuarial gain	904	1,045
Surplus at end of year	3,450	2,041

18 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