Finlay Beverages Limited
Directors' Report and Financial Statements

For the year ended 2 January 2011
Registered No 47601 England

Contents

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

R J Mathison	(Chairman)
C des Forges	(Managing Director)
R A Darlington	
R G Fowlkes	
P R Henson	
M J Hudson	
P W Jasper	
N R Willsher	

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 2 January 2011

RESULTS AND DIVIDENDS

The profit and loss account for the year shows a profit on ordinary activities after taxation of £353 454 (2010 £1,815 256) The directors declared and paid an interim dividend totalling £700,000 (2009 nil)

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

	2010 £'000	2009 £'000	Change %
Turnover	**51,158**	50,386	2%
Gross profit	**5,491**	6,629	(17%)
Total operating profit	**610**	2,812	(78%)
Shareholders funds	**21,521**	21,867	(2%)
Average number of employees	**210**	217	(3%)
Gross profit as % of turnover	**10 7**	13 2	
Operating profit as % of turnover	**1 2**	5 6	
Return on capital employed %	**2 8**	12 9	

The company s performance during the year was generally satisfactory Turnover increased by 2% while gross profit and operating profit as a percentage of sales are reduced as a result of higher coffee and tea prices

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

SUBSEQUENT EVENTS AND GOING CONCERN

Subsequent to 2 January 2011, the company has been notified that a major customer does not intend to renew its contract with the company for 2012 The company is actively seeking new contracts and has been successful in securing certain smaller contracts since the year end The company has also been provided with a confirmation of support from its parent James Finlay Limited Further details on going concern are provided in note 1 to the financial statements in the basis of preparation

DIRECTORS

The directors during the period ended 2 January 2011 were as follows

S M Copley (Resigned 15 February 2010)
R A Darlington
R G Fowlkes
C des Forges
P R Henson
M J Hudson
P W Jasper
R J Mathison
N R Willsher

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board,

P W Jasper
Director
South Elmsall
23 September 2011

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 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 enable them to ensure that its financial statements comply with the Companies Act 2006 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

KPMG

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINLAY BEVERAGES LIMITED

We have audited the financial statements of Finlay Beverages Limited for the year ended 2 January 2011 set out on pages 7 to 16 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB s) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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

Malcolm C Harding

Malcolm C Harding (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

23 September 2011

PROFIT AND LOSS ACCOUNT

for the year ended 2 January 2011

	Note	*2010* £	*2009* £
TURNOVER	2	**51,157,348**	50 385 997
Cost of sales		**(45,666,585)**	(43,757 243)
GROSS PROFIT		**5,490,763**	6,628 754
Selling and marketing costs		**(991,588)**	(945 638)
Administrative expenses		**(3,888,837)**	(2,871,501)
		(4,880,425)	(3 817 139)
OPERATING PROFIT	3	**610,338**	2,811,615
Bank interest payable		**(132,596)**	(116,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**477,742**	2,695,615
Tax on profit on ordinary activities	6	**(124,288)**	(880,359)
PROFIT FOR THE FINANCIAL YEAR		**353,454**	1 815 256

There are no recognised gains or losses other than the profit for the year There is no difference between the profit disclosed above and the profit under a historical cost basis

A reconciliation of movements in shareholders funds is given in note 15

Trading relates to continuing operations

BALANCE SHEET
at 2 January 2011

	Note	*2010* £	*2009* £
FIXED ASSETS			
Tangible assets	8	**13,864,000**	14 883 349
CURRENT ASSETS			
Stocks	9	**9,778,890**	11,606 415
Debtors	10	**7,767,268**	7 932 989
Cash at bank and in hand		**1,351**	603
		17,547,509	19 540 007
CREDITORS Amounts falling due within one year	11	**(8,899,988)**	(11,663,828)
NET CURRENT ASSETS		**8,647,521**	7,876,179
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,511,521**	22 759 528
CREDITORS Amounts falling due in more than one year	12	**(160,318)**	-
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation liabilities	13	**(830,412)**	(892,191)
NET ASSETS		**21,520,791**	21 867,337
CAPITAL AND RESERVES			
Called up share capital	14	**2,925,150**	2,925,150
Profit and loss account	15	**18,595,641**	18,942 187
SHAREHOLDERS' FUNDS		**21,520,791**	21,867 337

These financial statements were approved by the board of directors on 23 September 2011 and were signed on its behalf by

C des Forges
Director

P W Jasper
Director

Registered Number 47601

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

Having reviewed forecast profits and cash flows and having received a letter of support from its parent James Finlay Limited, the Directors have a reasonable expectation that the company has sufficient resources to continue to trade for the foreseeable future On this basis the Directors have adopted the going concern basis of preparation in preparing these financial statements

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

	2010	*2009*
	£	*£*
United Kingdom	**50,744,997**	49,521,954
Rest of Europe	**412,351**	864,043
	51,157,348	50 385 997

NOTES *(continued)*

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2010 £	*2009* £
Auditors' remuneration – audit of these financial statements	**22,755**	22,755
Depreciation	**1,550,563**	1,710,827
Hire of plant and machinery	**152,992**	120,422
Operating lease rentals - land and buildings	**323,915**	336 900
Foreign exchange loss/(gain)	**206,599**	22 941

4 DIRECTORS' EMOLUMENTS

	2010 £	*2009* £
Directors' emoluments (excluding pension contributions)	**370,941**	438 265
Company contributions paid to defined benefit pension scheme	**45,016**	68,644

	No	*No*
Members of defined benefit pension scheme	**4**	4

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

	2010 £	*2009* £
Emoluments	**96,039**	119,616
Accrued pension under defined pension scheme	**8,708**	6,835
Accrued lump sum under defined pension scheme	**44,113**	34,627

5 STAFF COSTS

	2010 £	*2009* £
Wages and salaries	**4,842,267**	5 039,633
Social security costs	**523,210**	499,817
Other net pension costs	**2,071,447**	1,062,876
	7,436,924	6,602,326

NOTES *(continued)*

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

	2010 *No*	*2009* *No*
Office and management	**23**	26
Manufacturing	**187**	191
	210	217

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

6 TAXATION

(a) Tax on profit on ordinary activities

	2010 *£*	*2009* *£*
The tax charge is made up as follows		
Corporation tax	**467,994**	1,071 901
Corporation tax (over)/under provided in previous years	**(281,928)**	(20 548)
Total current tax charge (note 6(b))	**186,066**	1 051,353
Deferred tax		
Origination and reversal of timing differences	**(281,623)**	(276,517)
Adjustments in respect of prior periods	**219,845**	105 523
Total deferred tax credit (note 12)	**(61,778)**	(170,994)
Tax on profit on ordinary activities	**124,288**	880,359

(b) Factors affecting current tax charge:

An explanation of the reasons why the current tax charge for the year is higher *(2009 higher)* than the standard rate of corporation tax in the UK of 28% is shown below

	2010 *£*	*2009* *£*
Profit on ordinary activities before tax	**477,140**	2,695 615
Profit on ordinary activities at standard corporation tax rate in the UK of 28% *(2009 28%)*	**133,599**	754 772
Capital allowances for period in excess of depreciation	**91,045**	276 517
Expenses not deductible for tax purposes	**16,873**	40,612
Adjustments to tax charge in respect of previous periods	**(281,928)**	(20 548)
Pension contribution relevant excess deferred	**190,577**	-
Group Relief adjustment	**35,900**	-
Total current tax charge (note 6(a))	**186,066**	1 051,353

NOTES *(continued)*

7. DIVIDENDS

	2010 £	*2009* £
Interim dividend paid in respect of the current year – 24p per share *(2009 nil)*	700 000	-

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	*Plant and machinery fixtures and fittings* £	*Total* £
Cost			
At beginning of year	7 156,515	36,195 542	43,352 057
Additions	-	665 080	665,080
Disposals	-	(425,199)	(425 199)
At end of year	**7,156,515**	**36,435,423**	**43,591,938**
Depreciation			
At beginning of year	1 771 066	26 697,642	28,468 708
Charge for year	124,136	1 426,427	1 550,563
Disposals	-	(291,333)	(291 333)
At end of year	**1,895,202**	**27,832,736**	**29,727,938**
Net book value			
At 3 January 2010	5 385 449	9 497,900	14 883,349
At 2 January 2011	**5,261,313**	**8,602,687**	**13,864,000**

9. STOCKS

	2010 £	*2009* £
Raw materials and consumables	**7,736,001**	9,240 754
Work in progress	**170,329**	206 354
Finished goods and goods for resale	**1,872,560**	2 159,307
	9,778,890	11,606 415

10. DEBTORS

	2010 £	2009 £
Trade debtors	**6,875,159**	6,875,717
Amounts owed by group undertakings	**2,720**	4,925
Prepayments and accrued income	**889,389**	1 052,347
	7,767,268	7 932,989

11 CREDITORS amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts	**3,480,938**	4 692 712
Trade creditors	**2,537,484**	2,409,550
Amounts owed to group undertakings	**253,224**	1,891 724
Current corporation tax	**251,267**	-
Third party loans	**61,603**	-
Other taxes and social security	-	20 627
Other creditors	**453,726**	848,622
Accruals	**1,861,746**	1,800,593
	8,899,988	11 663 828

Included in trade creditors are amounts totalling £1 943,155 (*2009, £1,397,854*) due in respect of goods for which title does not pass until payment is made

12 CREDITORS amounts falling due in more than one year

	2010 £	2009 £
Third party loans	**160,318**	-

13 DEFERRED TAXATION LIABILITIES

Deferred taxation liabilities included in the balance sheet are as follows

	2010 £	2009 £
Capital allowances in advance of depreciation	**830,412**	892 191

NOTES *(continued)*

13 DEFERRED TAXATION LIABILITIES *(continued)*

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

	2010	*2009*
	£	*£*
At beginning of period	**892,191**	1 063,185
Credit to profit and loss account during the period (note 6(a))	**(61,778)**	(170,994)
At end of period	**830,412**	892,191

14 SHARE CAPITAL

	Authorised, allotted, called up and fully paid	
	2010	*2009*
	£	*£*
Ordinary shares of £1 each	**2,925,150**	2,925,150

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital	*Profit and loss account*	*Total*
	£	*£*	*£*
At 3 January 2010	2 925 150	18 942 187	21 867 337
Profit for the period	-	353,454	353 454
Dividends on shares classified in shareholders' funds	-	(700 000)	(700 000)
At 2 January 2011	**2,925,150**	**18,595,641**	**21,520,791**

16 CAPITAL COMMITMENTS

	2010	*2009*
	£	*£*
Contracted but not provided for	-	-

NOTES *(continued)*

17. OTHER FINANCIAL COMMITMENTS

At 2 January 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2010	2009
	Land and buildings	Land and buildings
	£	£
Operating leases which expire		
Within one year	**25,158**	12,132
In the second to fifth years inclusive	**297,215**	57,933
Over five years	-	299 750
	322,373	369,815

18. PENSION COMMITMENTS

The James Finlay Group operates a defined benefit pension scheme in respect of its employees in the UK The defined benefit scheme is wholly funded The company participates in this defined benefit plan 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 contribution to the plan as if it were a defined contribution plan

As at 31 December 2010 there is an overall deficit under FRS17 of £4,395,000 *(2009 £6,484,000 deficit)* in this pension plan This is reflected in the consolidated accounts of James Finlay Ltd for the period ended 31 December 2010

The latest full actuarial valuation of The Finlays Pension Fund was as at 31 December 2009 and this has been updated by Hymans Robertson, a qualified independent actuary, to reflect the position at the 31 December 2010

The pension cost for this scheme therefore represents contributions payable by the Company to the scheme and the costs amounted to £2,076,797 in the year (2009 £1,110,610) No contributions were prepaid or accrued as at 31 December 2010 (2009 nil prepaid)

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

20 SUBSEQUENT EVENTS

Subsequent to 2 January 2011 the company has been notified that a major customer does not intend to renew its contract with the company for 2012 The contract that will not be renewed for 2012 generated revenues for the company in the year ended 2 January 2011 equating to 40% of the company s revenues in that year