Finlay Beverages Limited

Directors' Report and Financial Statements

3 January 2010

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 3 January 2010

RESULTS AND DIVIDENDS

The profit and loss account for the year shows a profit on ordinary activities after taxation of £1,815,256 which was 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

	2009 £'000	2008 £'000	Change %
Turnover	**50,386**	42,293	19%
Gross profit	**6,629**	6,220	7%
Total operating profit	**2,812**	2,487	13%
Shareholders' funds	**21,867**	20,052	9%
Average number of employees	**217**	221	(2%)
Gross profit as % of turnover	**13.2**	14.7	
Operating profit as % of turnover	**5.6**	5.9	
Return on capital employed	**10.1**	10.4	

The company's performance during the year was generally satisfactory Turnover increased by 19% while gross profit and operating profit as a percentage of sales are reduced as a result of higher 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

DIRECTORS

The directors during the period ended 3 January 2010 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
S R S Large (Resigned 14 August 2009)
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,

James Finlay Limited
Secretaries
South Elmsall
10th June 2010

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 AUDITORS' REPORT TO THE MEMBERS OF FINLAY BEVERAGES LIMITED

We have audited the financial statements of Finlay Beverages Limited for the year ended 3 January 2010 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 auditors

As explained more fully in the Directors' Responsibilities Statement 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 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 web-site at www frc org uk/apb/scope/UKNP

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 3 January 2010 and of its profit for the year then ended
- have been properly prepared in accordance with UK 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 the 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

10 June 2010

PROFIT AND LOSS ACCOUNT
for the period ended 3 January 2010

	Note	*2009* £	*2008* £
TURNOVER	2	**50,385,997**	42 292 647
Cost of sales		**(43,757,243)**	(36 072 274)
GROSS PROFIT		**6,628,754**	6 220 373
Selling and marketing costs		**(945,638)**	(831 116)
Administrative expenses		**(2,871,501)**	(2 902,068)
		(3,817,139)	(3,733 184)
OPERATING PROFIT	3	**2,811,615**	2,487,189
Bank interest payable		**(116,000)**	(402 140)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**2,695,615**	2 085 049
Tax on profit on ordinary activities	6	**(880,359)**	(587 295)
PROFIT FOR THE FINANCIAL YEAR		**1,815,256**	1 497 754

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 14

Trading relates to continuing operations

BALANCE SHEET
at 3 January 2010

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	8	**14,883,349**	15 835,496
CURRENT ASSETS			
Stocks	9	**11,606,415**	8,689,943
Debtors	10	**7,932,989**	6 367 503
Cash at bank and in hand		**603**	525
		19,540,007	15,057 971
CREDITORS Amounts falling due within one year	11	**(11,663,828)**	(9 778,201)
NET CURRENT ASSETS		**7,876,179**	5 279 770
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,759,528**	21 115,266
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation liabilities	12	**(892,191)**	(1,063,185)
NET ASSETS		**21,867,337**	20 052 081
CAPITAL AND RESERVES			
Called up share capital	13	**2,925,150**	2,925 150
Profit and loss account	14	**18,942,187**	17 126 931
SHAREHOLDERS' FUNDS		**21,867,337**	20 052 081

These financial statements were approved by the board of directors on 10TH June2010 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

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

	2009	*2008*
	£	*£*
United Kingdom	**49,521,954**	42 292 647
Rest of Europe	**864,043**	-
	50,385,997	42,292,647

NOTES *(continued)*

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2009 £	2008 £
Auditors' remuneration – audit of these financial statements	**22,755**	22 200
Depreciation	**1,710,827**	1 746,882
Hire of plant and machinery	**120,422**	73 459
Operating lease rentals - land and buildings	**336,900**	336 900
Foreign exchange loss/(gain)	**22,941**	(162 925)

4 DIRECTORS' EMOLUMENTS

	2009 £	2008 £
Directors' emoluments (excluding pension contributions)	**438,265**	427 665
Company contributions paid to defined benefit pension scheme	**68,644**	67,293
	No	*No*
Members of defined benefit pension scheme	4	4

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

	2009 £	2008 £
Emoluments	**119,616**	115,376
Accrued pension under defined pension scheme	**6,835**	4,799
Accrued lump sum under defined pension scheme	**34,627**	23 936

5 STAFF COSTS

	2009 £	2008 £
Wages and salaries	**5,039,633**	4 953 055
Social security costs	**499,817**	486 283
Other net pension costs	**1,062,876**	1 110,610
	6,602,326	6 549 948

NOTES *(continued)*

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

	2009	*2008*
	No	*No*
Office and management	**26**	24
Manufacturing	**191**	197
	217	221

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

6 TAXATION

(a) Tax on profit on ordinary activities.

	2009	*2008*
	£	*£*
The tax charge is made up as follows		
Corporation tax	**1,071,901**	590 262
Corporation tax (over)/under provided in previous years	**(20,548)**	5 100
Total current tax charge (note 6(b))	**1,051,353**	595 362
Deferred tax		
Origination and reversal of timing differences	**(276,517)**	(8 067)
Adjustments in respect of prior periods	**105,523**	-
Total deferred tax credit (note 12)	**(170,994)**	(8 067)
Tax on profit on ordinary activities	**880,359**	587 295

(b) Factors affecting current tax charge

An explanation of the reasons why the current tax charge for the year is higher *(2008 higher)* than the standard rate of corporation tax in the UK of 28% is shown below

	2009	*2008*
	£	*£*
Profit on ordinary activities before tax	**2,695,615**	2 085 049
Profit on ordinary activities at standard corporation tax rate in the UK of 28% *(2008 28 5%)*	**754,772**	594 239
Capital allowances for period in excess of depreciation	**276,517**	8,211
Expenses not deductible for tax purposes	**40,612**	(12 188)
Adjustments to tax charge in respect of previous periods	**(20,548)**	5 100
Total current tax charge (note 6(a))	**1,051,353**	595 362

NOTES *(continued)*

7 **DIVIDENDS**

	2009 £	2008 £
No dividend was paid in 2009 *(2008 9p)*	-	250 000

8 **TANGIBLE FIXED ASSETS**

	Freehold land and buildings £	*Plant and machinery fixtures and fittings* £	*Total* £
Cost			
At beginning of year	7,156 515	35,443 151	42,599,666
Additions	-	758,976	758,976
Disposals	-	(6,585)	(6 585)
At end of year	**7,156,515**	**36,195,542**	**43,352,057**
Depreciation			
At beginning of year	1 646 936	25 117 234	26 764 170
Charge for year	124 130	1 586,696	1 710 826
Disposals	-	(6,288)	(6,288)
At end of year	**1,771,066**	**26,697,642**	**28,468,708**
Net book value			
At 4 January 2009	5,509,579	10,325,917	15 835 496
At 3 January 2010	**5,385,449**	**9,497,900**	**14,883,349**

9 **STOCKS**

	2009 £	2008 £
Raw materials and consumables	**9,240,754**	7 171,399
Work in progress	**206,354**	121,605
Finished goods and goods for resale	**2,159,307**	1 396 939
	11,606,415	8 689,943

NOTES *(continued)*

10 DEBTORS

	2009	*2008*
	£	*£*
Trade debtors	**6,875,717**	5,603,322
Amounts owed by group undertakings	**4,925**	23 698
Prepayments and accrued income	**1,052,347**	740,483
	7,932,989	6,367 503

11 CREDITORS amounts falling due within one year

	2009	*2008*
	£	*£*
Bank loans and overdrafts	**4,692,712**	2 401 678
Trade creditors	**2,409,550**	3 471,603
Amounts owed to group undertakings	**1,891,724**	1,805 685
Current corporation tax	-	622,786
Other taxes and social security	**20,627**	17,250
Other creditors	**848,622**	124,185
Accruals	**1,800,593**	1 335 014
	11,663,828	9 778 201

Included in trade creditors are amounts totalling £1 397 854 (*2008 £2 129 814*) 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

	2009	*2008*
	£	*£*
Capital allowances in advance of depreciation	**892,191**	1 063 185

NOTES *(continued)*

12 DEFERRED TAXATION LIABILITIES *(continued)*

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

	2009	*2008*
	£	*£*
At beginning of period	**1,063,185**	1,071,252
Charge to profit and loss account during the period (note 6(a))	**(170,994)**	(8 067)
At end of period	**892,191**	1,063,185

13. SHARE CAPITAL

	Authorised allotted called up and fully paid	
	2009	*2008*
	£	*£*
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 4 January 2009	2,925,150	17,126,931	20 052,081
Profit for the period	-	1,815,256	1,815,256
Dividends on shares classified in shareholders' funds	-	-	-
At 3 January 2010	**2,925,150**	**18,942,187**	**21,867,337**

15 CAPITAL COMMITMENTS

	2009	*2008*
	£	*£*
Contracted but not provided for	-	-

NOTES *(continued)*

16 OTHER FINANCIAL COMMITMENTS

At 3 January 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2009 Land and buildings £	2008 Land and buildings £
Operating leases which expire		
Within one year	**12,132**	29 344
In the second to fifth years inclusive	**57,933**	115 438
Over five years	**299,750**	275 700
	369,815	420 482

17 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 2009 there is an overall deficit of £6,484,000 *(2008 £3,667,000 deficit)* in this pension plan This is reflected in the consolidated accounts of James Finlay Ltd for the period ended 31 December 2009

The latest full actuarial valuation of The Finlays Pension Fund was as at 31 December 2006 and this has been updated by Hymans Robertson, a qualified independent actuary, to reflect the position at the 31 December 2009

The pension cost for this scheme therefore represents contributions payable by the Company to the scheme and the costs amounted to £1,110,610 in the year (2007 £938,178) No contributions were prepaid or accrued as at 31 December 2008 (2007 nil prepaid)

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