Pimpernel International Limited

Directors' report and financial statements

Registered number 373157

6 months ended 31 December 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements for the 6 months ended 31 December 2002.

Principal activities

The company's principal activity during the period was the manufacture and sale of place mats, coasters and accessories.

Business review

The loss for the period after taxation amounted to £1,273,182 *(12 months ended 30 June 2002: profit of £1,191,292)*. The directors do not recommend the payment of a dividend *(12 months ended 30 June 2002: £Nil)*.

Future developments

The directors intend to continue strategies of improving the production capability and market position of the company, and are optimistic about the long term prospects for the continued growth in the company's activities.

Directors and directors' interests

The directors who held office during the period under review were as follows:

R Crudgington	(resigned 31 August 2003)
MV Blakey	(resigned 14 May 2003)
DG Martin	(resigned 12 December 2003)
IV Potter	(appointed 1 August 2003)
J Nicholls	(appointed 1 December 2003)

At 31 December 2002, R Crudgington, MV Blakey and DG Martin had an interest in the share capital of the company's ultimate parent undertaking, The Pimpernel Group Limited (formerly Castlegate 194 Limited), which is registered in England and Wales, details of which are disclosed in that company's financial statements.

Auditors

In accordance with s384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

J Nicholls
Director

Derwent Street
Blackhill
Consett
Co Durham

5th May 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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 LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Report of the independent auditors to the members of Pimpernel International Limited

We have audited the financial statements on pages 4 to 19.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors 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 of the state of the company's affairs as at 31 December 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

5 May 2004

Profit and loss account
for the six months ended 31 December 2002

	Note	6 months to 31 December 2002 £	12 months to 30 June 2002 £
Turnover	*2*	**9,693,542**	12,930,066
Change in stocks of finished goods and work in progress		**1,271,504**	171,999
Other operating income		**47,320**	165,645
Raw materials and consumables		**(6,576,436)**	(5,400,635)
Other external charges		**(2,500,321)**	(2,698,688)
Staff costs	*5*	**(2,797,920)**	(2,866,793)
Depreciation of tangible and intangible fixed assets		**(875,633)**	(397,133)
Operating (loss)/profit		**(1,737,944)**	1,904,461
Interest receivable and similar income	*6*	**-**	39,222
Interest payable and similar charges	*7*	**(28,163)**	(126,294)
(Loss)/profit on ordinary activities before tax	*3-4*	**(1,766,107)**	1,817,389
Tax on (loss)/profit on ordinary activities	*8*	**492,925**	(626,097)
(Loss)/profit for the financial period and retained (loss)/profit for the period	*19*	**(1,273,182)**	1,191,292

The results of the company for the current and preceding periods arose entirely from continuing operations.

The company has no recognised gains and losses other than those included in the profit and loss account.

Balance sheet
at 31 December 2002

	Note	31 December 2002		30 June 2002	
		£	£	£	£
Fixed assets					
Intangible assets	9		**246,893**		250,730
Tangible assets	10		**2,553,063**		2,965,816
Investments	11		**2,772,889**		2,772,889
			5,572,845		5,989,435
Current assets					
Stocks	12	**2,507,672**		1,374,152	
Debtors	13	**6,310,042**		4,390,150	
Cash at bank and in hand		**57,395**		1,091,749	
		8,875,109		6,856,051	
Creditors: amounts falling due within one year	14	**(7,202,711)**		(3,991,907)	
Net current assets			**1,672,398**		2,864,144
Total assets less current liabilities			**7,245,243**		8,853,579
Creditors: amounts falling due after more than one year	15		**(110,000)**		-
Provisions for liabilities and charges	16		**-**		(445,154)
Net assets			**7,135,243**		8,408,425
Capital and reserves					
Called up share capital	17		**60,000**		60,000
Profit and loss account	18		**7,075,243**		8,348,425
Shareholders' funds: equity	19		**7,135,243**		8,408,425

These financial statements were approved by the board of directors on 5th May 2004 and were signed on its behalf by:

J Nicholls

J Nicholls
Director

Statement of total recognised gains and losses
for the six months ended 31 December 2002

	6 months to 31 December 2002 £	12 months to 30 June 2002 £
(Loss)/profit for the financial year	**(1,273,182**	1,191,292
Prior year adjustment	-	(442,581)
Total recognised gains and losses relating to the financial year	**(1,273,182)**	748,711

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 company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about the group.

In the company's financial statements investments in subsidiary undertakings are stated at cost.

Under Financial Reporting Standard 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 wholly owned subsidiary of The Pimpernel Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances within entries which form part of the group. The consolidated financial statements of The Pimpernel Group Limited, within which this company is included, can be obtained from Companies House.

Fixed assets and 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	-	40 years
Plant, machinery and equipment	-	7 to 15 years
Motor vehicles	-	4 years
Fixtures and fittings	-	2 to 15 years

Trademarks purchased by the company are amortised over seven years.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired) arising on acquisitions since 1 January 1998 is capitalised. Goodwill is amortised by equal annual instalments over its estimated useful life, which is restricted to a maximum of 20 years in accordance with FRS 10.

No acquisitions have given rise to negative goodwill.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the period 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date except where forward foreign exchange contracts exist, in which case the appropriate contract rate is used. All differences are taken to the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates four defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2 Turnover

The turnover and profit on ordinary activities is all attributable to the manufacture and sale of table mats, coasters and accessories, stated net of value added tax.

A full analysis of turnover by geographical market has not been disclosed as, in the opinion of the directors, this would be seriously prejudicial to the interests of the company.

Notes *(continued)*

3 (Loss)/profit on ordinary activities before taxation

	6 months to 31 December 2002 £	12 months to 30 June 2002 £
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of owned tangible fixed assets	**866,470**	380,984
Amortisation of intangible assets	**9,163**	16,149
Auditors' remuneration:		
Audit	**28,000**	16,000
Other services	**62,031**	9,688
(Profit)/loss on sale of fixed assets	**(800)**	1,199
Exchange loss/(gain)	**(19,350)**	(221,839)
Operating lease rentals		
- plant and machinery	**70,140**	21,000
- other	**120,302**	60,144

4 Remuneration of directors

	6 months to 31 December 2002 £	12 months to 30 June 2002 £
Directors' emoluments	**85,174**	274,914

5 Staff numbers and costs

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

	Number of employees	
	6 months to 31 December 2002	12 months to 30 June 2002
Office and management	**22**	17
Manufacturing	**115**	101
Sales	**43**	19
Non production	**27**	24
	207	161

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs were as follows:

	6 months to 31 December 2002	12 months to 30 June 2002
	£	£
Wages and salaries	**2,550,173**	2,529,642
Social security costs	**154,627**	234,422
Other pension costs (note 22)	**93,120**	102,729
	2,797,920	2,866,793

6 Interest receivable

	6 months to 31 December 2002	12 months to 30 June 2002
	£	£
Bank interest receivable	**-**	39,222

7 Interest payable and similar charges

	6 months to 31 December 2002	12 months to 30 June 2002
	£	£
On bank loans and overdrafts	**10,571**	104,848
Interest payable on loan from subsidiary undertaking	**17,592**	21,446
	28,163	126,294

Notes *(continued)*

8 Tax on (loss)/profit on ordinary activities

Analysis of (credit)/charge in period

	6 months to 31 December 2002	12 months to 30 June 2002
UK Corporation tax		
Current tax on income for the period	**-**	603,524
Adjustments in respect of prior periods	**(78,803)**	-
Total current tax	**(78,803)**	603,524
Deferred tax (see note 16)		
Origination/reversal of timing differences	**(405,071)**	22,573
Adjustments in respect of prior periods	**(9,051)**	-
Tax on (loss)/profit on ordinary activities	**(492,925)**	626,097

Factors affecting the tax (credit)/charge for the current period

The current tax (credit)/charge for the period is lower *(12 months ended 30 June 2002: higher)* than the standard rate of corporation tax in the UK (30%, *12 months ended 30 June 2002: 30%)*. The differences are explained below:

	6 months to 31 December 2002 £	12 months to 30 June 2002 £
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(1,766,107)**	1,817,389
Current tax at 30% *(2002: 30%)*	**(529,832)**	545,217
Effects of:		
Expenses not deductible for tax purposes	**56,258**	80,880
Capital allowances for period in excess of depreciation	**156,816**	(19,742)
Short term timing differences	**10,426**	(2,831)
Tax losses to be carried forward	**306,332**	-
Adjustments in respect of prior periods	**(78,803)**	-
Total current tax (credit)/charge (see above)	**(78,803)**	603,524

Notes *(continued)*

9 Intangible fixed assets

	Goodwill £	Trademarks £	Total £
Cost			
At 1 July 2002	232,335	77,005	309,340
Additions	-	5,326	5,326
At 31 December 2002	232,335	82,331	314,666
Amortisation			
At 1 July 2002	8,713	49,897	58,610
Charge for the period	5,808	3,355	9,163
At 31 December 2002	14,521	53,252	67,773
Net book value			
At 31 December 2002	**217,814**	**29,079**	**246,893**
At 30 June 2002	223,622	27,108	250,730
Amortisation in year ended 30 June 2002	*8,713*	*7,436*	*16,149*

The goodwill of £232,335 arose on the acquisition of the trade and assets of Manorcroft Limited in October 2001. This was capitalised and is being written off over 20 years which, in the opinion of the directors, estimates to its useful economic life.

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor Vehicles £	Total £
Cost					
At 1 July 2002	1,048,422	3,933,406	1,470,654	108,780	6,561,262
Additions	-	184,543	134,614	-	319,157
Disposals	-	-	-	(10,000)	(10,000)
Transfer from another group company	-	-	207,948	11,199	219,147
At 31 December 2002	1,048,422	4,117,949	1,813,216	109,979	7,089,566
Depreciation					
At 1 July 2002	372,145	2,560,277	581,605	81,419	3,595,446
Charge for period	11,541	134,438	710,790	9,701	866,470
Disposals	-	-	-	(10,000)	(10,000)
Transfer from another group company	-	-	84,587	-	84,587
At 31 December 2002	383,686	2,694,715	1,376,982	81,120	4,536,503
Net book value					
At 31 December 2002	**664,736**	**1,423,234**	**436,234**	**28,859**	**2,553,063**
At 30 June 2002	676,277	1,373,129	889,049	27,361	2,965,816
Depreciation in year ended 30 June 2002	*23,083*	*238,303*	*95,400*	*24,198*	*380,984*

The land and buildings are all freehold except for £Nil *(30 June 2002: £22,836)* of the net book value which relates to short leasehold improvements.

Included in the total net book value of plant and machinery is £173,732 *(30 June 2002: £Nil)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation charged in respect of these assets was £Nil *(12 months ended 30 June 2002: £15,907)*.

During the period, the company reduced the estimated useful lives of its display stands from 20 years to 2 years. This has increased the charge for depreciation in the period as shown above.

Notes *(continued)*

11 Fixed asset investments

	Total £
Cost	
At beginning and end of period	2,772,889

The shareholding represents 100% of the ordinary share capital of the following subsidiary undertakings held directly.

	Country of registration or incorporation	Principal activity
Pimpernel (USA) Inc	USA	Sale of table mats
Pimpernel Export Limited	England	Dormant
Pimpernel (Europe) Limited	England	Dormant
Pimpernel (UK) Limited	England	Dormant
Pimpernel Accessories Limited	England	Dormant

In the opinion of the directors, the investment in subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

Pimpernel (USA) Inc

	6 months to 31 December 2002 £	12 months to 30 June 2002 £
Result for the period	**84,691**	555,118
Aggregate capital and reserves	**3,911,483**	4,045,104

12 Stocks

	6 months to 31 December 2002 £	12 months to 30 June 2002 £
Raw materials and consumables	**620,927**	758,911
Work in progress	**81,262**	81,360
Finished goods and goods for resale	**1,805,483**	533,881
	2,507,672	1,374,152

Notes *(continued)*

13 *Debtors*

	31 December 2002 £	30 June 2002 £
Trade debtors	**3,328,308**	2,012,382
Amounts due from group undertaking	**1,949,296**	1,949,296
Prepayments and accrued income	**557,258**	294,844
Other debtors	**30,165**	17,468
Corporation tax recoverable	**-**	116,160
Deferred taxation asset (note 16)	**445,015**	-
	6,310,042	4,390,150

14 Creditors: amounts falling due within one year

	31 December 2002 £	30 June 2002 £
Obligations under finance leases	**55,000**	-
Trade creditors	**3,168,230**	1,565,211
Amounts owed to group undertakings	**3,031,172**	1,930,033
Other creditors including taxation and social security	**583,381**	109,259
Accruals and deferred income	**364,928**	387,404
	7,202,711	3,991,907

15 Creditors: amounts falling due after more than one year

	31 December 2002 £	30 June 2002 £
Obligations under finance leases	**110,000**	-

Notes *(continued)*

15 Creditors: amounts falling due after more than one year *(continued)*

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	31 December 2002 £	30 June 2002 £
Within one year	**61,028**	-
In the second to fifth years	**122,056**	-
	183,084	-
Less future finance charges	**(18,084)**	-
	165,000	-

16 Provisions for liabilities and charges

	Deferred taxation £
At beginning of period	445,154
Adjustments in respect of prior periods	(9,051)
Charged/(credited) to profit in period	(405,071)
Transfer from group undertaking	(476,047)
Transferred to debtors (note 13)	445,015
At end of period	-

The elements of deferred taxation are as follows:

	31 December 2002 £	30 June 2002 £
Difference between accumulated depreciation and amortisation and capital allowances	**(37,135)**	446,174
Other short term timing differences	**(17,880)**	(1,020)
Tax losses	**(390,000)**	-
	(445,015)	445,154

A deferred tax asset of £772,435, relating to tax losses, has not been recognised as its recovery against future taxable profits is uncertain.

Notes *(continued)*

17 Called up share capital

	31 December 2002 £	30 June 2002 £
Authorised		
Ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**60,000**	60,000

18 Reserves

	Profit and loss account £
At 1 July 2002	8,348,425
Loss for the period	(1,273,182)
At 31 December 2002	7,075,243

19 Reconciliation of movements in shareholders' funds

	6 months to 31 December 2002 £	12 months to 30 June 2002 £
(Loss)/profit for the period	**(1,273,182)**	1,191,292
Opening shareholders' funds	**8,408,425**	7,217,133
Closing shareholders' funds	**7,135,243**	8,408,425

20 Contingent liabilities

The company is liable, jointly and severally with other members of the group, under guarantees given to the group's bankers in respect of overdrawn balances on certain bank accounts and in respect of other overdrafts, loans and guarantees given by the bankers to or on behalf of other group undertakings. At 31 December 2002 there were bank loans and overdrafts of £15,576,671 *(30 June 2002:£15,730,259).*

Notes *(continued)*

21 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Plant, equipment and motor vehicles	
	31 December 2002	30 June 2002	31 December 2002	30 June 2002
	£	£	£	£
Operating leases which expire:				
Within one year	20,775	15,750	41,559	3,708
In the second to fifth years inclusive	231,167	-	92,903	56,436
Over five years	103,664	-	-	-
	355,606	15,750	134,462	60,144

22 Pension scheme

The Company operates four defined contribution schemes, the second two of which relate to former Cloverleaf Group Limited employees.

The company makes pension contributions into two Pimpernel defined contribution schemes, one in the United Kingdom and one in the United States. Contributions to the schemes are charged to the profit and loss account as they become payable. The charge for the period in respect of pension costs was £67,000 *(12 months ended 30 June 2002: £102,729)*. At the end of the year there were outstanding contributions of £Nil *(30 June 2002: £3,401)*.

Occupational defined contribution scheme

This defined contribution scheme is funded by the payment of contributions to a separately administered scheme with Scottish Widows Assurance Society plc. Contributions to this scheme are charged to the profit and loss account as they become payable.

The company pension charge for the period was £12,000 (*12 months ended 30 June 2002: £nil)*. At the end of the period there were no outstanding or prepaid contributions.

Group Personal Pension Scheme (GPPS)

The GPPS is funded by the payment of contributions to a separately administered scheme with AXA Sun Life Services Plc. Contributions to this scheme are charged to the profit and loss account as they become payable.

The company pension charge for the period was £14,000 *(12 months ended 30 June 2002: £nil)*. At the end of the period there were no outstanding or prepaid contributions.

Notes *(continued)*

23 Ultimate parent company and ultimate controlling party

The company's ultimate holding company is The Pimpernel Group Limited (formerly Castlegate 194 Limited), which is incorporated in England and Wales.

The largest group in which the results of the company are consolidated is that headed by The Pimpernel Group Limited, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF3 4UZ. No other group accounts include the results of the company.