Pimpernel International Limited

Directors' report and financial statements

Registered number 373157

30 June 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 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 profit for the financial year after taxation amounted to £1,191,292 *(2001: £793,113)*. The directors do not recommend the payment of a dividend *(2001: £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:

EJ Allen	(resigned 10 October 2001)
VF McGuire	(resigned 10 October 2001)
R Crudgington	(appointed 10 October 2001, resigned 31 August 2003)
MV Blakey	(appointed 10 October 2001, resigned 14 May 2003)
DG Martin	(appointed 10 October 2001)

R Crudginton, MV Blakey and DG Martin have 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

KPMG were re-appointed auditors during the year. Since then their business was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 14 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution is proposed for the reappointment of KPMG LLP as auditors of the company.

By order of the board

DG Martin

D Martin
Director

Derwent Street
Blackhill
Consett
Co Durham

30th September 2003

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
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 16.

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 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

30 September 2003

Profit and loss account
for the year ended 30 June 2002

	Note	2002 £	As restated (note 15) 2001 £
Turnover - continuing operations	2	**12,930,066**	12,520,049
Change in stocks of finished goods and work in progress		**171,999**	197,777
Other operating income		**165,645**	98,856
Raw materials and consumables		**(5,400,635)**	(5,506,320)
Other external charges		**(2,698,688)**	(3,441,994)
Staff costs	5	**(2,866,793)**	(2,581,446)
Depreciation and other amounts written off fixed assets		**(397,133)**	(387,065)
Operating profit - continuing operations		**1,904,461**	899,857
Interest receivable and similar income	6	**39,222**	91,685
Interest payable and similar charges	7	**(126,294)**	(252,429)
Profit on ordinary activities before tax	3-4	**1,817,389**	739,113
Tax on profit on ordinary activities	8	**(626,097)**	(57,070)
Profit for the financial year and retained profit for the year	18	**1,191,292**	682,043

Balance sheet
at 30 June 2002

	Note	2002 £	2002 £	As restated (note 15) 2001 £	As restated (note 15) 2001 £
Fixed assets					
Intangible assets	*9*		**250,730**		28,376
Tangible assets	*10*		**2,965,816**		2,838,406
Investments	*11*		**2,772,889**		2,772,889
			5,989,435		5,639,671
Current assets					
Stocks	*12*	**1,374,152**		1,482,625	
Debtors	*13*	**4,390,150**		5,568,409	
Cash at bank and in hand		**1,091,749**		2,439,765	
		6,856,051		9,490,799	
Creditors: amounts falling due within one year	*14*	**(3,991,907)**		(7,490,756)	
Net current assets			**2,864,144**		2,000,043
Provisions for liabilities and charges	*15*		**(445,154)**		(422,581)
Total assets less current liabilities and net assets			**8,408,425**		7,217,133
Capital and reserves					
Called up share capital	*16*		**60,000**		60,000
Profit and loss account	*17*		**8,348,425**		7,157,133
Shareholders' funds: equity	*18*		**8,408,425**		7,217,133

These financial statements were approved by the board of directors on 30th September 2003 and were signed on its behalf by:

D. G. Martin.

D Martin
Director

Statement of total recognised gains and losses
For the year ended 30 June 2002

	2002 £	As restated (note 15) 2001 £
Profit for the financial year	**1,191,292**	682,043
Total recognised gains and losses relating to the financial year	**1,191,292**	682,043
Prior year adjustment (as explained in note 15)	**(442,581)**	
Total gains and losses recognised since last annual report	**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. The company has adopted FRS 19 'Deferred tax' in these financial statements. The comparative figures have been restated accordingly (note 15).

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 New Pimpernel 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 New Pimpernel 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 of valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	40 years
Plant, machinery and equipment	-	10 to 15 years
Motor vehicles	-	4 years
Fixtures and fittings	-	5 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

Rentals paid under operating leases are charged against profits on a straight line basis over the term of the lease.

Post-retirement benefits

The group operates two defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable.

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.

3 Profit on ordinary activities before taxation

	2002	2001
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of owned tangible fixed assets	**380,984**	379,262
Amortisation of intangible assets	**16,149**	7,803
Auditors' remuneration:		
Audit	**16,000**	15,000
Other	**9,688**	750
Loss/(profit) on sale of fixed assets	**1,199**	(12,163)
Exchange (gain)/loss	**(221,839)**	108,542
Operating lease rentals		
- buildings	**21,000**	21,000
- other	**60,144**	33,002

Notes *(continued)*

4 Remuneration of directors

	2002	2001
	£	£
Directors' emoluments	252,320	-
Company contributions to defined contribution pension schemes	22,594	-
	274,914	-

The aggregate of emoluments of the highest paid director was £133,935, and company pension contributions of £11,982 were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to 2 directors under the group's defined contribution scheme.

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	
	2002	2001
Office and management	17	16
Manufacturing	101	90
Sales	19	18
Non production	24	23
	161	147

The aggregate payroll costs were as follows:

	2002	2001
	£	£
Wages and salaries	2,529,642	2,274,909
Social security costs	234,422	204,153
Other pension costs (note 21)	102,729	102,384
	2,866,793	2,581,446

6 Interest receivable

	2002	2001
	£	£
Bank interest receivable	39,222	88,339
Other interest receivable	-	3,346
	39,222	91,685

Notes *(continued)*

7 Interest payable and similar charges

	2002	2001
	£	£
On bank loans and overdrafts	**104,848**	233,898
Interest payable on loan from subsidiary undertaking	**21,446**	18,531
	126,294	252,429

8 Tax on profit on ordinary activities

Analysis of charge in period

	2002	2001
	£	£
UK corporation tax		
Current tax on income for the period	**603,524**	-
Total current tax	**603,524**	-
Deferred tax (see note 15)		
Origination/reversal of timing differences	**22,573**	57,070
Tax on profit on ordinary activities	**626,097**	57,070

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002	2001
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**1,817,389**	739,113
Current tax at 30% (2001: 30%)	**545,217**	221,734
Effects of:		
Expenses not deductible for tax purposes	**80,880**	(3,874)
Capital allowances for period in excess of depreciation	**(19,742)**	(34,044)
Short term timing differences	**(2,831)**	7,817
Group relief received not paid for	-	(191,633)
Total current tax charge (see above)	**603,524**	-

In previous years, group relief received was not paid for. For the year ended 30 June 2002 and going forward, all group relief received will be paid for.

Notes *(continued)*

9 Intangible fixed assets

	Goodwill £	Trademarks £	Total £
Cost			
At 2 July 2001	-	70,837	70,837
Additions	232,335	6,168	238,503
At 30 June 2002	232,335	77,005	309,340
Amortisation			
At 2 July 2001	-	42,461	42,461
Charge for the year	8,713	7,436	16,149
At 30 June 2002	8,713	49,897	58,610
Net book value			
At 30 June 2002	**223,622**	**27,108**	**250,730**
At 1 July 2001	-	28,376	28,376

The trademarks shown above represent trademarks acquired and capitalised in the year.

On 16 October 2001 the company acquired the trade and certain assets of Manorcraft Limited, a company registered in England and Wales. The principal activity of the company were the sale, sourcing and manufacturing of placemats, coasters and accessories.

The resulting goodwill of £232,335 has been capitalised and is being written off over 20 years.

In the opinion of the directors this represents a prudent estimate of the period over which the company will derive direct economic benefit from the goodwill acquired as part of the business.

An analysis of the goodwill is shown below:

	£	£
Cash consideration paid (including expenses)		337,335
Assets acquired:		
Tangible fixed assets	30,000	
Stock	75,000	
		(105,000)
Goodwill		232,335

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor Vehicles £	Total £
Cost					
Correction to opening balances	-	(122,569)	-	14,335	(108,234)
At 1 July 2001	926,218	3,856,242	1,261,633	123,067	6,167,160
Additions	122,204	199,733	209,021	-	530,958
Disposals	-	-	-	(28,622)	(28,622)
At 30 June 2002	1,048,422	3,933,406	1,470,654	108,780	6,561,262
Depreciation					
Correction to opening balances	-	(93,710)	-	-	(93,710)
At 1 July 2001	349,062	2,415,684	486,205	77,803	3,328,754
Charge for period	23,083	238,303	95,400	24,198	380,984
Disposals	-	-	-	(20,582)	(20,582)
At 30 June 2002	372,145	2,560,277	581,605	81,419	3,595,446
Net book value					
At 30 June 2002	**676,277**	**1,373,129**	**889,049**	**27,361**	**2,965,816**
At 1 July 2001	577,156	1,440,558	775,428	45,264	2,838,406

The land and buildings are all freehold except for £22,836 *(2001: £23,840)* of the net book value which relates to short leasehold improvements.

Included in the total net book value of plant and machinery is £Nil *(2001: £15,907)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation charged in respect of these assets, was £15,907 *(2001: £18,541)*.

Following a review of the fixed assets register, some corrections to opening balances have been made. The effect on net book values is not material.

Notes *(continued)*

11 Fixed asset investments

	Total £
Cost	
At beginning and end of year	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

	2002 £	2001 £
Profit for the year	**594,065**	741,241
Aggregate capital and reserves	**4,374,690**	4,259,221

12 Stocks

	2002 £	2001 £
Raw materials and consumables	**758,911**	1,039,383
Work in progress	**81,360**	93,351
Finished goods and goods for resale	**533,881**	349,891
	1,374,152	1,482,625

Notes *(continued)*

13 Debtors

	2002 £	2001 £
Trade debtors	**2,012,382**	1,999,848
Amounts due from group undertaking	**1,949,296**	3,203,686
Prepayments and accrued income	**294,844**	244,420
Other debtors	**17,468**	120,455
Corporation tax recoverable	**116,160**	-
	4,390,150	5,568,409

14 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdraft	-	3,313,854
Trade creditors	**1,565,211**	1,706,709
Amounts owed to group undertakings	**1,930,033**	837,396
Other creditors including taxation and social security	**109,259**	303,192
Accruals and deferred income	**387,404**	1,329,605
	3,991,907	7,490,756

The loans were repaid during the year as a result of refinancing within the Pimpernel Group Limited (formerly Castlegate 194 Limited).

15 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year as previously stated	-
Prior year adjustment	422,581
At beginning of year as restated	422,581
Charge for the year	22,573
At end of year	445,154

Notes *(continued)*

15 Provisions for liabilities and charges *(continued)*

The elements of deferred taxation are as follows:

	2002	As restated 2001
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	**446,174**	426,432
Other short term timing differences	**(1,020)**	(3,851)
	445,154	422,581

The company has adopted FRS 19 'Deferred tax' for the first time in the 2002 accounting period. This results in deferred tax being provided on a full provision basis. The adoption of this change in accounting policy results in a prior year adjustment and the comparatives have accordingly been restated. The effect of this change can be summarised as follows:

	Previous accounting policy	**Adjustment**	**New accounting policy**
	£	£	£
2001 balance sheet			
Provisions for liabilities and charges	-	422,581	422,581
2001 profit and loss account			
Profit on ordinary activities before taxation	739,113	-	739,113
Tax on profit on ordinary activities	-	(57,070)	(57,070)
Profit on ordinary activities after taxation	739,113	(57,070)	682,043

Notes *(continued)*

16 Called up share capital

	2002	2001
	£	£
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

17 Reserves

	Profit and loss account £
At beginning of year as previously stated	7,579,714
Prior year adjustment (note 15)	(422,581)
	7,157,133
Transfer from retained profits	1,191,292
At end of year	8,348,425

18 Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
Profit for the financial year and net addition to shareholders' funds	**1,191,292**	682,043
Opening shareholders' funds	**7,217,133**	6,535,090
Closing shareholders' funds	**8,408,425**	7,217,133

Notes *(continued)*

19 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 30 June 2002 there were bank loans and overdrafts of £15,730,259 *(2001: £10,092,751).*

20 Commitments

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

	Land and buildings		Plant, equipment and motor vehicles	
	2002	2001	**2002**	2001
	£	£	£	£
Operating leases which expire:				
Within one year	**15,750**	21,000	**3,708**	52,356
In the second to fifth years	**-**	15,750	**56,436**	107,448
	15,750	36,750	**60,144**	159,804

21 Pension scheme

The company makes pension contributions into two defined contribution schemes, one in the United Kingdom and one in the United States. Contributions to these schemes are charged to the profit and loss account as they become payable.

The charge for the period in respect of pension costs was £102,729 *(2001: £102,384).* Contributions amounting to £3,401 *(2001: £12,837)* were payable to the scheme and are included in creditors.

22 Ultimate parent company

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

The smallest group in which the results of the company are consolidated is that headed by New Pimpernel Limited, a company incorporated in England and Wales. The consolidated accounts are available from Companies House.