

Ringtons Limited

Directors' report and accounts

for the 18 month period ended 30 June 2004

Registered Number 572008



Ringtons Limited

Directors' report and accounts

for the 18 month period ended 30 June 2004

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Ringtons Limited

Directors and Advisors for the 18 month period ended 30 June 2004

Directors

A M Hodson (Chairman – appointed 1 October 2003)

P N H Smith

S M Smith

C J Smith

R J Tucker

G W Stern

Auditors

PricewaterhouseCoopers LLP

89 Sandyford Road

Newcastle upon Tyne

NE99 1PL

Registered Office

Algernon Road

Newcastle upon Tyne

NE6 2YN

Ringtons Limited

Directors' report for the 18 month period ended 30 June 2004

The directors present their report and audited accounts for the 18 month period ended 30 June 2004.

Principal activity and business review

The principal activities of the company comprise tea blending and packing, and tea and coffee retailing.

The company's affairs are considered to be satisfactory and progress in the development of the business continues.

Results and dividends

	18 month period ended 30 June 2004 £'000	Year ended 31 December 2002 £'000
Profit for the period	3,214	1,286
Ordinary dividend paid during the period	(821)	-
Transferred to reserves	2,393	1,286

Employees

The company continues to give consideration to applications for employment made by disabled persons, depending upon the nature of vacancies arising. Company policy provides where practicable for the continued employment of persons disabled in the normal course of their employment. Training facilities are available to all employees.

The directors have maintained their practice of formally publicising important developments and of promoting the common interests of the company and the staff by means of regular meetings and continuous individual contact.

Charitable and political donations during the period

The company did not make any donations for charitable purposes during the period (2002: £Nil).

Directors and their interests

The directors shown on page 1 served throughout the period except where stated. None of the directors held shares in the company at 30 June 2004. Their shares in the parent company are shown in that company's accounts.

Ringtons Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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.

The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the 18 month period ended 30 June 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



A M Hodson

Chairman

13 October 2004

Ringtons Limited

Independent auditors' report to the members of Ringtons Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 at 30 June 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Newcastle upon Tyne
13 October 2004

Ringtons Limited

Profit and loss account for the 18 month period ended 30 June 2004

	Note	18 month period ended 30 June 2004 £'000	Year ended 31 December 2002 £'000
Turnover – continuing operations	1	42,555	28,188
Cost of sales		(21,953)	(14,896)
Gross profit		20,602	13,292
Distribution costs		(12,974)	(8,309)
Administrative expenses		(4,307)	(3,107)
Other operating income		3	14
Operating profit – continuing operations		3,324	1,890
Profit on sale of fixed assets		871	22
Interest receivable and similar income		79	63
Interest payable and similar charges		(147)	(52)
Profit on ordinary activities before taxation	2	4,127	1,923
Tax on profit on ordinary activities	6	(913)	(637)
Profit for the financial period		3,214	1,286
Dividends payable	5	(821)	-
Retained profit for the financial period	14	2,393	1,286

Statement of recognised gains and losses

There are no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

Reconciliation of historical cost profits

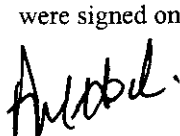
There are no material differences between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

Ringtons Limited

Balance sheet at 30 June 2004

	Note	30 June 2004 £'000	30 June 2004 £'000	31 December 2002 £'000	31 December 2002 £'000
Fixed assets					
Tangible assets	7		7,241		7,280
Current assets					
Stock	8	3,536		2,744	
Debtors	9	2,573		1,501	
Short-term deposits and cash at bank and in hand		440		2,709	
		6,549		6,954	
Creditors: amounts falling due within one year	10	(3,290)		(9,377)	
Net current liabilities			3,259		(2,423)
Total assets less current liabilities			10,500		4,857
Creditors: amounts falling due after one year	11		(3,397)		-
Provisions for liabilities and charges	12		(464)		(611)
Net assets			6,639		4,246
Capital and reserves					
Called up share capital	13		142		142
Capital redemption reserve	14		296		296
Profit and loss account	14		6,201		3,808
Equity shareholders' funds	15		6,639		4,246

The financial statements on pages 5 to 19 were approved by the board of directors on 13 October 2004 and were signed on its behalf by:



A M Hodson
Director



S M Smith
Director

Ringtons Limited

Accounting policies

Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards. The principle accounting policies are set out below.

Turnover

Turnover represents the following:

Retail van sales – the value of sales of goods accepted by customers, excluding VAT.

Other customers – the value of sales of goods despatched and invoiced to customers, excluding VAT.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. This is with the exception of deferred taxation assets, which are only recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on taxation rates and laws enacted at the balance sheet date.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation on tangible fixed assets is provided on a straight line basis as follows:

Freehold and long leasehold land and buildings	2%
Plant and machinery	10% - 25%
Motor vehicles	20%
Furniture and fittings and computer equipment	10% - 25%

Pensions

The cost of pensions in respect of the Ringtons Limited Discretionary Retirement Plan is charged to the profit and loss account so as to spread the cost over the service lives of the employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

In the year of termination of a defined benefit scheme, amounts paid to make good a deficit will be charged to the profit and loss account for that period.

The company has taken advantage of the transitional adoption arrangements allowed under FRS 17 and its effect is disclosed by way of a note to the accounts.

The cost of pensions in respect of the money purchase schemes are charged to the profit and loss account in the period in which the contributions are payable.

Ringtons Limited

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing or manufacturing stocks together with, where appropriate, attributable overheads based on normal activity levels.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No. 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Ringtons Holdings Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Foreign currencies

Assets purchased in foreign currencies are expressed in sterling at the rates of exchange ruling at the dates of the transaction. Exchange gains or losses are taken to the profit and loss account.

Ringtons Limited

Notes to the financial statements for the 18 month period ended 30 June 2004

1 Turnover

All of the company's turnover was in the United Kingdom.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	18 month period ended 30 June 2004 £'000	Year ended 31 December 2002 £'000
Depreciation	1,767	1,042
Profit on sale of fixed assets	(871)	(22)
Auditor's remuneration		
- audit	23	23
- non-audit	2	2
Interest receivable on cash balances and deposits	(79)	(63)

3 Directors' emoluments

	18 month period ended 30 June 2004 £'000	Year ended 31 December 2002 £'000
Directors' emoluments including pension	437	167
Highest paid director including pension	256	133

Three directors have benefits accruing under the Ringtons Limited Discretionary Retirement Plan (2002: three).

The highest paid director had an accrued pension at the end of the period of £47,652.

Ringtons Limited

4 Staff costs

Staff costs comprise:

	18 month period ended 30 June 2004 £'000	Year ended 31 December 2002 £'000
Wages and salaries	11,788	7,549
Social security costs	983	580
Other pension costs	555	399
	13,326	8,528

The average number of persons employed by the company was 579 (2002: 595).

5 Dividends

	18 month period ended 30 June 2004 £'000	Year ended 31 December 2002 £'000
Equity – ordinary		
Interim of £5.78 (2002: £nil) per £1 share	821	-

Ringtons Limited

6 Taxation

Tax on profit on ordinary activities

	18 month period ended 30 June 2004 £'000	Year ended 31 December 2002 £'000
Current tax		
UK corporation tax on profits of the period	1,060	590
Adjustment in respect of previous periods	-	12
Total current tax	1,060	602
Deferred tax		
Origination and reversal of timing differences (ACA and other)	(147)	5
Adjustment in respect of previous periods	-	30
Total deferred tax	(147)	35
Tax on profit on ordinary activities	913	637

The tax assessed for the period is lower (2002: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	18 month period ended 30 June 2004 £'000	Year ended 31 December 2002 £'000
Profit on ordinary activities before tax	4,127	1,923
Profit on ordinary activities multiplied by standard rate in the UK 30% (2002: 30%)	1,238	577
Effects of:		
Expenses not deductible for tax purposes	(274)	21
Accelerated capital allowances/other timing differences	120	7
Group relief claimed not paid	(24)	
Adjustments in respect of previous periods	-	12
Other short term timing differences	-	(15)
Current tax charge for the period	1,060	602

Factors that may effect future tax charges:

Deferred tax liabilities have not been discounted.

Ringtons Limited

7 Tangible fixed assets

	Freehold land and buildings	Long leasehold land & buildings	Plant and machinery	Motor vehicles	Fixtures & fittings	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 2003	4,270	274	3,956	2,407	1,060	919	12,886
Additions	37	-	747	1,260	130	94	2,268
Disposals	(120)	(90)	(481)	(1,326)	(95)	(1)	(2,113)
At 30 June 2004	4,187	184	4,222	2,341	1,095	1,012	13,041
Accumulated depreciation							
At 1 January 2003	889	77	2,587	991	619	443	5,606
Charge for the period	117	7	464	789	157	233	1,767
Disposals	(80)	(30)	(481)	(923)	(58)	(1)	(1,573)
At 30 June 2004	926	54	2,570	857	718	675	5,800
Net book amount							
At 30 June 2004	3,261	130	1,652	1,484	377	337	7,241
At 31 December 2002	3,381	197	1,369	1,416	441	476	7,280

At 30 June 2004 the company had no capital commitments (2002: £427,000).

8 Stocks

	30 June 2004 £'000	31 December 2002 £'000
Raw materials	2,122	2,037
Finished goods	1,414	707
	3,536	2,744

Ringtons Limited

9 Debtors

	30 June 2004 £'000	31 December 2002 £'000
Amounts falling due within one year		
Trade debtors	1,069	1,201
Amounts due from group undertakings	1,106	-
Other debtors	133	199
Prepayments and accrued income	265	101
	2,573	1,501

10 Creditors – Amounts falling due within one year

	30 June 2004 £'000	31 December 2002 £'000
Trade creditors	1,846	1,532
Amounts owed to group undertakings	-	6,626
Corporation tax	365	353
Other taxation and social security	208	337
Other creditors	96	235
Accruals and deferred income	775	294
	3,290	9,377

11 Creditors – Amounts falling due after one year

	30 June 2004 £'000	31 December 2002 £'000
Amounts owed to group undertakings	3,397	-

Ringtons Limited

12 Provision for liabilities and charges

Provisions for liabilities and charges comprise:

	Deferred tax provision £'000
1 January 2003	611
Released to the profit and loss account	(147)
30 June 2004	464

Provision for deferred tax	30 June 2004 £'000	31 December 2002 £'000
Accelerated capital allowances	529	550
Short term timing differences	(89)	50
Other timing differences	24	11
Total provision for deferred tax	464	611

13 Share capital

	30 June 2004 £'000		31 December 2002 £'000	
Shares of £1	Authorised £'000	Allotted and fully paid £'000	Authorised £'000	Allotted and fully paid £'000
Equity				
Ordinary	2,076	142	2,046	142
Non-equity				
4.55% (formerly 6.5%) Cumulative 'A' First Preference	78	-	78	-
4.20% (formerly 6%) Cumulative 'B' First Preference	32	-	32	-
4.55% (formerly 6.5%) Cumulative 'C' Second Preference	48	-	48	-
	2,204	142	2,204	142

Ringtons Limited

14 Reserves

	Capital redemption reserve £'000	Profit and loss reserve £'000
At 1 January 2003	296	3,808
Retained profit for the period	-	2,393
As at 30 June 2004	296	6,201

15 Reconciliation of movements in equity shareholders' funds

	30 June 2004 £'000	31 December 2002 £'000
Profit on ordinary activities after taxation	3,214	1,286
Dividends	(821)	-
Net addition/(reduction) in shareholders' funds	2,393	1,286
Shareholders' funds at 1 January	4,246	2,960
Shareholders' funds at 30 June 2004	6,639	4,246

16 Contingent liability

The company has no contingent liabilities at 30 June 2004 (2002: £Nil).

17 Pension commitments

The company participates in the Ringtons Limited Discretionary Retirement Plan and the Ringtons Limited 1998 Pension Plan.

Ringtons Limited 1998 Pension Plan

The Ringtons Limited 1998 Pension Plan is a contracted out money purchase scheme. The company's contributions to the Ringtons Limited 1998 Pensions Plan are charged to the profit and loss account in the period in which they are payable. The cost of contributions to the scheme in the period amount to £554,990 (2002: £312,052). An amount of £43,267 (2002: £52,292) is due to the scheme at the period end.

Ringtons Discretionary Retirement Plan

The Ringtons Limited Discretionary Retirement Plan is of the defined benefit type providing benefits to certain employees within the company and the assets are held separately from the Company's assets. The latest actuarial valuation of the Ringtons Limited Discretionary Retirement Plan was carried out as at 1 December 2002. Details of the actuarial valuation are contained in the financial statements of Ringtons Holdings Limited.

Ringtons Limited

During the period, the directors took the decision to close the scheme, and upon actuarial advice made a payment of £499,000 to fund a past service liability. Of that figure, £302,000 allocated to the company was charged in the profit and loss account of Ringtons Limited for the 18 month period ended 30 June 2004.

The valuation used for Financial Reporting Standard 17 - Retirement Benefits ("FRS17") disclosures has been based on the most recent actuarial valuation at 1 December 2002 and updated by Foden Boyes to take account of FRS17 in order to assess the liabilities of the scheme at 30 June 2004. Scheme assets are stated at their market value at 30 June 2004.

The major assumptions used to calculate scheme liabilities under FRS17 are:

Valuation method	18 month period ended 30 June 2004 £'000	Year ended 31 December 2002 £'000
Rate of increase in salaries	3.5%	3.4%
Rate of increase in pensions in payment	2.3%	1.9%
Discount rate	5.5%	5.4%
Inflation assumption	2.3%	1.9%

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 30 June 2004	Value at 30 June 2004 £'000	Long term rate of return expected at 31 December 2002	Value at 31 December 2002 £'000
Equities	6.7%	3,649	6.6%	4,518
Bonds	5.5%	875	5.4%	-
Other	4.0%	2,326	4.0%	318
Total fair value of assets		6,850		4,836
Present value of scheme liabilities		(4,694)		(3,653)
Surplus in scheme		2,156		1,183
Related deferred tax for liability		(647)		(355)
Net pension asset		1,509		828

Ringtons Limited

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve at 30 June 2004 would be as follows:

	30 June 2004 £'000	31 December 2002 £'000
Net assets		
Net assets excluding pension assets	6,639	4,246
Pension asset	1,509	828
Net assets including pension asset	8,148	5,074

	30 June 2004 £'000	31 December 2002 £'000
Reserves		
Profit and loss reserve excluding pension assets	6,201	3,808
Pension asset	1,509	828
Profit and loss reserve	7,710	4,636

The following amounts would have been recognised in the financial statements in the period to 30 June 2004 under the requirements of FRS 17:

	2004 £'000
Operating profit	3,324
Current service cost	204
Past service cost	-
Total operating charge	3,528

	2004 £'000
Other finance income	
Expected return on pension scheme assets	337
Interest on pension scheme liabilities	(203)
Net return	134

Ringtons Limited

2004

£'000

Statement of total recognised gains and losses

Actual return less expected return on pension scheme assets	808
Experience gains and losses arising on scheme liabilities	(212)
Changes in assumptions underlying the present value of the scheme liabilities	(422)
Actuarial loss recognised in STRGL	174

2004

£'000

Movement in surplus during the period

Surplus in scheme at beginning of the period	1,183
Movement in period:	
Current service cost	(204)
Contributions	869
Past service costs	-
Other finance income	134
Actuarial loss	174
Surplus in scheme at end of the period	2,156

Details of experience gains and losses for the period to 30 June 2004

£'000

Difference between the expected and actual return on scheme assets

Amount	808
Percentage of scheme assets	11.8%

Experience gains and losses on liabilities

Amount	(212)
Percentage of scheme assets	(3.1%)

Total amount recognised in statement of total recognised gains and losses

Amount	174
Percentage of scheme assets	2.5%

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18 Ultimate parent undertaking and related party transactions

The immediate and ultimate parent undertaking, and the ultimate controlling party is Ringtons Holdings Limited, a company registered in England. The group accounts of that company are available from Algernon Road, Newcastle upon Tyne, NE6 2YN.

Transactions with other companies within the Ringtons Group which are eliminated on consolidation are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party Disclosures".

Within other debtors is a balance of £16,581 (2002: £4,305) owed by Ringtons Foundation, a trust set up for the provision of benefits for the employees of Ringtons Limited.