

**RINGTONS LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**31 DECEMBER 1999**

**Registered number 572008**



## **RINGTONS LIMITED**

### **REPORT OF THE DIRECTORS OF RINGTONS LIMITED**

#### **DIRECTORS**

PNH Smith (Chairman)  
SM Smith  
CJ Smith  
P Dowson (resigned 19 November 1999)  
RJ Tucker (appointed 2 January 2000)

#### **REGISTERED OFFICE**

Algernon Road  
Newcastle upon Tyne  
NE6 2YN

The directors present their report and audited accounts for the year ended 31 December 1999.

#### **PRINCIPAL ACTIVITIES OF THE COMPANY**

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

#### **REVIEW OF AFFAIRS AND BUSINESS DEVELOPMENT**

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

#### **RESULTS**

	<u>1999</u>	<u>1998</u>
Profit available for distribution	1,994,932	1,889,528
Ordinary dividend: - paid during the year	(1,000,000)	(1,541,000)
	<hr/>	<hr/>
Transfer to reserves	£994,932	£348,528
	<hr/>	<hr/>

#### **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 group and the staff by means of regular meetings and continuous individual contact.

#### **CHARITABLE AND POLITICAL DONATIONS DURING THE YEAR**

The company made donations for charitable purposes amounting to £Nil (1998 - £Nil).

## **RINGTONS LIMITED**

### **REPORT OF THE DIRECTORS OF RINGTONS LIMITED (continued)**

#### **DIRECTORS**

The directors shown at the head of this report served throughout the year except where stated. None of the directors held shares in the company at 31 December 1999. Their shares in the parent company are shown in that company's accounts.

#### **YEAR 2000**

Our year 2000 compliance programme was completed on time, all cost necessary was expensed in year. All software and hardware of a material nature to the efficient running of the business post year 2000 exhibited no significant issues.

We believe that as a result of the steps we have taken or plan to take, the year 2000 will not pose a material risk to our business.

#### **DIRECTORS' RESPONSIBILITIES**

In respect of the preparation of the financial statements:

The directors are required by UK company law to present financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for the financial period.

The directors confirm that appropriate accounting policies, as described in the notes to the accounts, have been applied consistently and that reasonable and prudent judgements and estimates have been used in the preparation of the financial statements, which have been prepared under the going concern basis.

The directors are also responsible for ensuring that adequate accounting records have been kept and that appropriate procedures have been followed for safeguarding the assets of the company and preventing and detecting fraud and other irregularities.

#### **AUDITORS**

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

  
PNE SMITH  
Chairman

5 April 2000

**PricewaterhouseCoopers**  
89 Sandyford Road  
Newcastle upon Tyne NE99 1PL  
Telephone +44 (0) 191 232 8493  
Facsimile +44 (0) 191 261 9490

## AUDITORS' REPORT TO THE MEMBERS OF RINGTONS LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


### 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 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**PricewaterhouseCoopers**  
Chartered Accountants  
and Registered Auditors  
Newcastle upon Tyne

5 April 2000

**RINGTONS LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999**

	<u>1999</u>	<u>1998</u>
<b>TURNOVER</b> (Note 2)	29,110,396	29,226,663
Cost of sales	<u>(15,586,663)</u>	<u>(16,479,395)</u>
<b>GROSS PROFIT</b>	13,523,733	12,747,268
Distribution costs	(7,678,079)	(7,378,542)
Administrative expenses	(3,291,940)	(3,118,309)
Other operating income	<u>242,181</u>	<u>220,532</u>
<b>OPERATING PROFIT</b>	2,795,895	2,470,949
Profit on sale of fixed assets	12,491	68,972
Interest receivable and similar income	134,956	234,027
Interest payable and similar charges	(46,473)	(41,420)
Amounts written off investments	<u>-</u>	<u>(31,419)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> (Note 3)	2,896,869	2,701,109
Taxation on profit on ordinary activities (Note 6)	<u>(901,937)</u>	<u>(811,581)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b> (Note 15)	1,994,932	1,889,528
<b>DIVIDENDS</b> (Notes 7 and 15)	<u>(1,000,000)</u>	<u>(1,541,000)</u>
<b>AMOUNT TRANSFERRED TO RESERVES</b> (Note 16)	<u>£994,932</u>	<u>£348,528</u>

**STATEMENT OF RECOGNISED GAINS & LOSSES**

There are no recognised gains and losses other than those shown in the profit and loss account.

**RECONCILIATION OF HISTORICAL COST PROFITS**

There is no material difference between reported profits and historical cost profits for 1999 or 1998.

**CONTINUING OPERATIONS**

The results for the year to 31 December 1999 relate entirely to continuing operations.

# **RINGTONS LIMITED**

## **BALANCE SHEET - 31 DECEMBER 1999**

	<u>1999</u>	<u>1998</u>
<b>FIXED ASSETS</b>		
Tangible assets (Note 8)	7,926,600	8,316,875
Investments (Note 9)	<u>1,819,466</u>	<u>1,739,401</u>
	9,746,066	10,056,276
<b>CURRENT ASSETS</b>		
Stocks (Note 10)	3,025,523	2,943,274
Debtors (Note 11)	1,711,112	1,744,620
Short-term deposits and cash at bank and in hand	<u>1,647,315</u>	<u>4,359,044</u>
	6,383,950	9,046,938
<b>CREDITORS amounts falling due within one year</b> (Note 12)	<u>(4,161,947)</u>	<u>(8,130,077)</u>
<b>NET CURRENT ASSETS</b>	<u>2,222,003</u>	<u>916,861</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	11,968,069	10,973,137
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b> (Note 13)	<u>(140,000)</u>	<u>(140,000)</u>
	<u>£11,828,069</u>	<u>£10,833,137</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital (Note 14)	438,290	438,290
Profit and loss account (Note 15)	11,389,779	10,394,847
<b>EQUITY SHAREHOLDERS' FUNDS</b> (Note 16)	<u>£11,828,069</u>	<u>£10,833,137</u>

The financial statements on pages 4 to 13 were approved by the Board of Directors on 5 April 2000 and are signed on their behalf by:-

  
PNH SMITH ) DIRECTORS

  
SM SMITH )

# RINGTONS LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1999

### 1 ACCOUNTING POLICIES

#### (a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### (b) Turnover

Turnover represents the value of sales and services invoiced to customers net of value added tax.

#### (c) Deferred taxation

Provision is made using the liability method for tax deferred by accelerated capital allowances and other timing differences to the extent that a liability is expected to arise in the foreseeable future.

#### (d) Depreciation

The annual rates of depreciation applied to write off tangible fixed assets in equal annual instalments over their estimated useful lives are:

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

#### (e) Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value where cost comprises the price paid for raw materials.

#### (f) 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 life 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.

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.

#### (g) Cash Flow Statement

The company is exempt from the requirement of Financial Reporting Standard No. 1 (revised) to prepare 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.

# RINGTONS LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

### 1 ACCOUNTING POLICIES (continued)

#### (h) Group accounts

Group accounts have not been prepared as the company is a wholly owned subsidiary of Ringtons Holdings Limited, a company incorporated in the UK.

#### (i) Foreign currencies

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

### 2 TURNOVER

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

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is after charging:

	<u>1999</u>	<u>1998</u>
	£	£
Depreciation	986,248	908,380
Auditors' remuneration -statutory audit of the company	18,000	18,000
Interest payable on bank and other borrowings repayable within five years	46,473	41,420
	<u>          </u>	<u>          </u>

### 4 DIRECTORS' EMOLUMENTS

	<u>1999</u>	<u>1998</u>
Directors' emoluments including pension	£256,631	£232,443
	<u>          </u>	<u>          </u>
Highest paid director	£154,259	£139,504
	<u>          </u>	<u>          </u>

Three directors have benefits accruing under the Ringtons Limited Discretionary Retirement Plan (1998: three).



# RINGTONS LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

### 5 STAFF COSTS

	<u>1999</u>	<u>1998</u>
Staff costs comprise:		
Wages and salaries	7,206,269	7,019,286
Social security costs	562,526	548,983
Other pension costs	<u>374,992</u>	<u>450,235</u>
	<u>£8,143,787</u>	<u>£8,018,504</u>

The average number of persons employed by the company was 603 (1998 - 577).

The company participates in the Ringtons Limited Discretionary Retirement Plan and the Ringtons Limited 1998 Pension 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 1996 and an actuarial valuation is currently in progress. Details of the actuarial valuation are contained in the financial statements of Ringtons Holdings Limited.

The Ringtons Limited 1998 Pension Plan is a defined contribution scheme providing benefits to certain employees within the company and the assets are held separately from the Company's assets.

### 6 TAXATION

The taxation charge based on the profit for the year comprises:

	<u>1999</u>	<u>1998</u>
Current year corporation tax payable at 30.25% (1998 - 31%) on the profit for the year	920,000	841,999
Tax attributable to franked investment income	10,230	15,476
Over provision in respect of prior year	<u>(28,293)</u>	<u>(45,894)</u>
	<u>£901,937</u>	<u>£811,581</u>

### 7 DIVIDENDS

	<u>1999</u>	<u>1998</u>
On equity shares:		
Paid £2.28 (1998: £3.52) per £1 ordinary share	<u>£1,000,000</u>	<u>£1,541,000</u>

# RINGTONS LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

### 8 TANGIBLE FIXED ASSETS

	Freehold land & <u>buildings</u>	Long leasehold land & <u>buildings</u>	Plant & <u>machinery</u>	Motor <u>vehicles</u>	Fixtures and <u>fittings</u>	Computer <u>equipment</u>	<u>Total</u>
<u>Cost</u>							
At 1 January 1999	5,317,905	326,664	3,341,765	2,300,277	654,770	327,444	12,268,825
Additions	24,758	-	88,650	402,474	111,246	83,897	711,025
Disposals	(29,950)	-	(66,198)	(288,517)	(3,984)	(74,547)	(463,196)
	<u>5,312,713</u>	<u>326,664</u>	<u>3,364,217</u>	<u>2,414,234</u>	<u>762,032</u>	<u>336,794</u>	<u>12,516,654</u>
<u>At 31 December 1999</u>							
<u>Accumulated Depreciation</u>							
At 1 January 1999	933,027	69,547	1,706,525	661,719	358,844	222,288	3,951,950
Charge for the year	104,703	6,533	297,476	462,634	60,710	54,192	986,248
Disposals	(399)	-	(55,771)	(215,885)	(2,462)	(73,627)	(348,144)
	<u>1,037,331</u>	<u>76,080</u>	<u>1,948,230</u>	<u>908,468</u>	<u>417,092</u>	<u>202,853</u>	<u>4,590,054</u>
<u>At 31 December 1999</u>							
<u>Net book amount</u>							
At 31 December 1999	<u>£4,275,382</u>	<u>£250,584</u>	<u>£1,415,987</u>	<u>£1,505,766</u>	<u>£344,940</u>	<u>£133,941</u>	<u>£7,926,600</u>
At 31 December 1998	<u>£4,384,878</u>	<u>£257,117</u>	<u>£1,635,240</u>	<u>£1,638,558</u>	<u>£295,926</u>	<u>£105,156</u>	<u>£8,316,875</u>

At 31 December 1999 there were no contractual commitments of the company for expenditure.  
(1998 - £Nil).

# **RINGTONS LIMITED**

## **NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)**

### **9 INVESTMENTS**

	Unlisted investments	Listed investments	Total
At 1 January 1999	53,624	1,685,777	1,739,401
Additions	-	371,465	371,465
Disposals	-	(31,495)	(31,495)
Decrease in deposits	-	(259,905)	(259,905)
	<hr/>	<hr/>	<hr/>
At 31 December 1999	£53,624	£1,765,842	£1,819,466
	<hr/>	<hr/>	<hr/>

Ringtons Limited holds 45% of the issued share capital of Motionobject Limited, a company incorporated in England and Wales. Motionobject Limited and its subsidiaries supply and maintain electric vehicles.

The directors do not consider the fair value of the investments to be less than their carrying value in the financial statements.

### **10 STOCKS**

	<u>1999</u>	<u>1998</u>
Raw materials	1,786,128	1,842,401
Finished goods	<u>1,239,395</u>	<u>1,100,873</u>
	<hr/>	<hr/>
	£3,025,523	£2,943,274
	<hr/>	<hr/>

# **RINGTONS LIMITED**

## **NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)**

### **11 DEBTORS**

	<u>1999</u>	<u>1998</u>
<b>Amounts falling due within one year</b>		
Trade debtors	1,406,867	1,359,250
Amounts owed by associated undertaking	33,532	-
Other debtors	65,806	102,428
Mortgage debt falling due within one year	-	4,768
Prepayments and accrued income	<u>82,071</u>	<u>72,399</u>
	1,588,276	1,538,845
<b>Amounts falling due after more than one year</b>		
Amounts owed by associated undertaking	122,836	156,923
Mortgage debt	<u>-</u>	<u>48,852</u>
	<u>122,836</u>	<u>205,775</u>
	<u>£1,711,112</u>	<u>£1,744,620</u>

### **12 CREDITORS (amounts falling due within one year)**

	<u>1999</u>	<u>1998</u>
Trade creditors	1,459,420	2,015,810
Amount owed to group undertakings	1,135,092	4,442,643
Corporation tax	621,792	839,997
Other taxation and social security	261,469	255,007
Other creditors	232,743	244,209
Accruals and deferred income	<u>451,431</u>	<u>332,411</u>
	<u>£4,161,947</u>	<u>£8,130,077</u>

# **RINGTONS LIMITED**

## **NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)**

### **13 PROVISIONS FOR LIABILITIES AND CHARGES**

Provisions for liabilities and charges comprise:

	<u>1999</u>	<u>1998</u>
Taxation deferred by capital allowances and other timing differences at 30% (1998: 30%)	£140,000	£140,000
	<u>          </u>	<u>          </u>

The full potential deferred tax liability not provided for amounts to:

	<u>1999</u>	<u>1998</u>
Taxation deferred by capital allowances and other timing differences at 30% (1998: 30%)	£589,000	£579,000
	<u>          </u>	<u>          </u>

### **14 SHARE CAPITAL**

	<u>1999</u>		<u>1998</u>	
	<u>Authorised</u>	<u>Allotted and Fully Paid</u>	<u>Authorised</u>	<u>Allotted and Fully Paid</u>
Shares of £1				
<u>Non equity</u>				
4.55% (formerly 6.5%) Cumulative 'A' First Preference	78,300	-	78,300	-
4.20% (formerly 6%) Cumulative 'B' First Preference	32,490	-	32,490	-
4.55% (formerly 6.5%) Cumulative 'C' Second Preference	47,500	-	47,500	-
<u>Equity</u>				
Ordinary	<u>2,341,710</u>	<u>438,290</u>	<u>2,341,710</u>	<u>438,290</u>
	£2,500,000	£438,290	£2,500,000	£438,290

# **RINGTONS LIMITED**

## **NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)**

### **15 RESERVES**

	<u>Profit and loss reserve</u>
At 1 January 1999	10,394,847
Retained profit for the year	1,994,932
Dividends	(1,000,000)
	<hr/>
At 31 December 1999	<u>£11,389,779</u>

### **16 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	<u>1999</u>	<u>1998</u>
Profit on ordinary activities after taxation	1,994,932	1,889,528
Dividends	<u>(1,000,000)</u>	<u>(1,541,000)</u>
Net addition to shareholders' funds	994,932	348,528
Shareholders' funds at 1 January	<u>10,833,137</u>	<u>10,484,609</u>
Shareholders' funds at 31 December	<u>£11,828,069</u>	<u>£10,833,137</u>

### **17 CONTINGENT LIABILITIES**

The company has no contingent liabilities at 31 December 1999 (1998: £Nil).

### **18 ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS**

The 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 are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party Disclosures".