

TETLEY GB LIMITED

REPORT AND FINANCIAL STATEMENTS

3 MARCH 2001

REGISTERED NUMBER: 3019950



TETLEY GB LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the financial year ending 3 March 2001.

RESULTS, BUSINESS REVIEW, FUTURE DEVELOPMENTS AND DIVIDENDS

On 10 March 2000, TATA TEA (GB) Limited, a company registered in the United Kingdom, purchased 100% of the share capital of The Tetley Group Limited, the company's parent undertaking.

Sales of £197 million (2000: £189 million) and the result for the year were in line with expectations in a competitive trading environment. The directors do not recommend the payment of a dividend for the period (2000: £10 million.) Net assets of the company at 3 March 2001 were £13.0 million (2000: £5.8 million).

The company expects to remain profitable in the 2001/2002 trading year.

PRINCIPAL ACTIVITIES

The principal activities of the company are the processing, marketing and distribution of tea.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

K Pringle
T Pascall
PD Unsworth

None of the directors hold beneficial shareholdings in the company. Details of the interests of the directors in loans to the parent company are shown in Tata Tea (GB) Limited's directors report.

HEALTH, SAFETY AND THE ENVIRONMENT

The company has a positive approach to health and safety at work and regards compliance with statutory requirements as a minimum standard.

DISABLED PERSONS

It is the policy of the company to employ disabled persons, whenever possible, in jobs suited to their individual circumstances and to give them, together with employees who become disabled while employed, full and fair consideration at all times in career development, and for training and promotion.

RESEARCH AND DEVELOPMENT EXPENDITURE

The company is committed to growth through new product development. A focused programme of research and product development is in place to meet that strategic need, building on successes such as round tea bags and the drawstring tea bag, and creating new, differentiated products that will enable the company to penetrate new markets.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Charitable donations during the year amounted to £1,435 (2000: £6,000). No political donations were made in the period (2000: £nil).

TETLEY GB LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

EMPLOYEE INVOLVEMENT

The company believes in regular communication with its employees, principally through monthly business briefs and the regular house magazine "The World of Tetley". Circulars on business developments are designed to ensure that all employees are well informed about the world-wide business.

FIXED ASSETS

The movements in tangible fixed assets are set out in Note 9 to the financial statements.

YEAR 2000

The Year 2000 programme was completed on schedule at no significant cost. No major problems have occurred to date. However, in view of the risk that undetected problems may have occurred, the position continues to be monitored. There are no other significant costs to be incurred.

GOING CONCERN

The directors confirm that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and, having received the assurances referred to in note 14 in respect of the borrowings from The Tetley Group Limited, they have adopted the going concern basis in preparing the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the Annual General Meeting.

TETLEY GB LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which 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 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;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 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.

By Order of the Board



T Pascall
Secretary

2nd October 2001

TETLEY GB LIMITED

AUDITORS' REPORT TO THE MEMBERS OF TETLEY GB LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 and 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, 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 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 affairs of the company as at 3 March 2001 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
London

8 October 2001

TETLEY GB LIMITED

STATEMENT OF ACCOUNTING POLICIES

Accounting dates

The company's financial year runs to the first Saturday in March. Periodically, this results in a year of 53 weeks. These financial statements are for the financial year ended 3 March 2001 (52 weeks). Comparatives are for the financial year ended 4 March 2000 (52 weeks).

Basis of accounting

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

Group financial statements are not required as the company is a wholly owned subsidiary of TATA TEA (GB) Limited, whose financial statements include the results of the company and its subsidiary undertakings.

Turnover

Turnover is shown before deducting trade discounts and excludes value added tax.

Research and development

Such expenditure is written off to the profit and loss account as incurred.

Pension arrangements

Pension costs are reflected in the profit and loss account so as to spread the pension cost over the average service life of employees. Further details on all the company's pension schemes are given in note 19.

Goodwill

The results and net assets of acquired businesses are accounted for under the acquisition method of accounting from the date of acquisition. Goodwill arising is the difference between the fair value of the consideration given and the fair value of net assets acquired. The goodwill arising in respect of *the tea business acquired during 1995/6 is being amortised systematically on a straight line basis over a period of 20 years from acquisition.*

Depreciation

No depreciation is provided on land. Freehold buildings are depreciated on a straight line basis over 50 years or their remaining life, if less. Leasehold buildings are depreciated on a straight line basis over the remaining term of the lease. Other fixed assets are depreciated on a straight line basis over their expected remaining useful lives at the following rates:

Plant and machinery	5 to 12 years
Commercial and motor vehicles	4 to 6 years
Office furniture and fittings	5 to 10 years
Computer hardware	3 to 5 years

Depreciation is not provided on capital work in progress until the assets are brought into operational use in the business and transferred to the appropriate asset category.

Leased assets

Tangible fixed assets held under finance leases are capitalised and depreciated in accordance with the Company's depreciation policy. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding. Operating lease charges are charged to the profit and loss account as incurred.

Investments

Fixed asset investments are shown at cost less provision for permanent diminution in value and, in the opinion of the directors, their value is not less than the aggregate amount shown in the balance sheet.

TETLEY GB LIMITED

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises that expenditure which has been incurred in the normal course of business in bringing the product to its present location and condition, including attributable overheads.

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the day of the transaction. Any exchange differences are dealt with in the profit and loss account. Period end foreign currency assets and liabilities are translated at period end exchange rates.

TETLEY GB LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 3 MARCH 2001**

	Note	2001 £'000	2000 £'000
TURNOVER	1	196,981	188,822
OPERATING PROFIT	1,2,3	20,496	20,066
Net interest payable and similar charges	4	(7,784)	(7,518)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,712	12,548
Tax on ordinary activities	6	(5,530)	(4,072)
PROFIT FOR THE FINANCIAL YEAR		7,182	8,476
Dividend	7	-	(10,000)
RETAINED PROFIT / (LOSS) FOR THE YEAR	17	7,182	(1,524)

There is no difference between the results as disclosed in the profit and loss account and the results on an historical cost basis.

All recognised gains and losses relating to the year are included above.

All amounts shown above relate to continuing businesses.

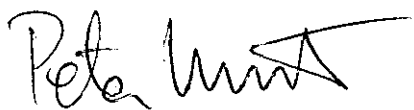
The notes on pages 9 to 16 form part of these financial statements.

TETLEY GB LIMITED

BALANCE SHEETS AS AT 3 MARCH 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Intangible assets	8	58,519	62,582
Tangible assets	9	35,816	36,167
Investments	10	57	57
		94,392	98,806
CURRENT ASSETS			
Stocks	11	13,253	15,885
Debtors	12	47,674	33,036
Cash at bank and in hand		86	52
		61,013	48,973
CREDITORS (amounts falling due within one year)	13	(42,090)	(40,754)
NET CURRENT ASSETS		18,923	8,219
TOTAL ASSETS LESS CURRENT LIABILITIES		113,315	107,025
CREDITORS (amounts falling due after more than one year)	14	(96,217)	(96,264)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(4,119)	(4,964)
NET ASSETS		12,979	5,797
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Profit and loss account	17	12,979	5,797
SHAREHOLDERS' FUNDS	18	12,979	5,797

Approved by the Board on 2 October 2001 and
signed on its behalf by:



PD Unsworth
Director

The notes on pages 9 to 16 form part of these financial statements.

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 TURNOVER AND PROFIT INFORMATION

The principal operations of the company are the processing, marketing and distribution of tea, which is regarded by the directors as a single class of business. The origin and destination of the company's turnover is principally within the United Kingdom.

	2001 £'000	2000 £'000
Turnover	196,981	188,822
Cost of sales	(149,783)	(136,821)
Gross profit	47,198	52,001
Selling and distribution costs	(13,904)	(17,561)
Administrative expenses	(12,876)	(14,374)
Other operating income	78	-
Operating profit	20,496	20,066

2 OPERATING PROFIT

	2001 £'000	2000 £'000
The operating profit is stated after charging/(crediting):		
Staff costs:		
Wages and salaries	16,074	16,627
Social security costs	1,607	1,654
Other pension costs	570	1,178
Auditors remuneration	65	65
Auditors fees for non audit services	54	46
Depreciation and amortisation of fixed assets	8,466	8,071
Operating lease rentals, including land and buildings	3,000	3,387
Research and development costs	920	-
(Profit) on disposal of tangible fixed assets	(86)	(754)
Exceptional items (see note 3)	2,589	6,703

The pension cost for 2001 of £570,000 (2000: £1,178,000) is stated net of a pension prepayment increase of £731,000 (2000: £863,000).

3 EXCEPTIONAL ITEMS

During the year £2,589,000 (2000: £6,703,000) of reorganisation provisions were charged to the profit and loss account. These charges relate to the Group's cost reduction programme and comprise mainly redundancy costs.

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 NET INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000	2000 £'000
Group borrowings	7,442	7,213
Other interest	328	291
Interest on finance lease obligation	14	14
	7,784	7,518

5 DIRECTORS AND EMPLOYEES

The average number of persons (full time equivalent) employed, principally in the United Kingdom, during the year was:

	2001 Number	2000 Number
Manufacturing	539	529
Selling & distribution	130	141
Administration	92	81
	761	751

None of the directors who served during the year received emoluments for their services as directors of the company (2000: £nil). PD Unsworth (from 15 June 2000) and K Pringle (from 2 March 2001) served as directors of the ultimate UK parent company (TATA TEA (GB) Limited), and their guaranteed loan notes 2006, subordinated secured loan notes 2010 and emoluments for the period are disclosed in the financial statements of that company.

6 TAXATION

	2001 £'000	2000 £'000
Charge from Group company for Group relief	5,865	3,241
Corporation tax charge at 30% (2000 – 30%)	-	1,383
Over provision in prior year	(335)	(552)
	5,530	4,072

7 DIVIDENDS

No dividend was paid or proposed during the period (2000: £10,000,000).

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 INTANGIBLE ASSETS

Goodwill arising on acquisition:	£'000
Cost	
At 4 March 2000	81,269
Additions	-
At 3 March 2001	81,269
Amortisation	
At 4 March 2000	(18,687)
Charge for the year	(4,063)
At 3 March 2001	(22,750)
Net book amount	
At 3 March 2001	58,519
At 4 March 2000	62,582

9 TANGIBLE ASSETS

	Freehold land and buildings £'000	Short leasehold buildings £'000	Plant, machinery, fixtures and equipment £'000	Commercial and motor vehicles £'000	Capital work in progress £'000	Total £'000
Cost						
At 4 March 2000	4,231	30	34,813	318	6,932	46,324
Additions	-	-	-	-	5,012	5,012
Transfers	9	-	10,041	-	(10,050)	-
Disposals	(109)	-	(2,408)	-	-	(2,517)
At 3 March 2001	4,131	30	42,446	318	1,894	48,819
Depreciation						
At 4 March 2000	568	8	9,382	199	-	10,157
Charge for the year	223	2	4,151	27	-	4,403
Disposals	(61)	-	(1,496)	-	-	(1,557)
At 3 March 2001	730	10	12,037	226	-	13,003
Net book amount						
At 3 March 2001	3,401	20	30,409	92	1,894	35,816
At 4 March 2000	3,663	22	25,431	119	6,932	36,167

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 TANGIBLE ASSETS (CONTINUED)

The book value of leased tangible assets held under finance lease arrangements is as follows:

	Plant, machinery, fixtures, fittings and equipment £'000	Commercial and motor vehicles £'000	Total £'000
Cost	327	112	439
Depreciation	(270)	(40)	(310)
Net book value at 3 March 2001	57	72	129
Net book value at 4 March 2000	144	88	232

10 INVESTMENTS

	Shares in Group undertakings £'000
Cost and net book amount at 3 March 2001 and 4 March 2000	57

The company's shares in group undertakings are represented by 100 per cent equity holdings in five dormant companies which did not trade during the period and which are incorporated in the UK.

A full list of subsidiary undertakings, at 31 December 2000, will be annexed to the company's next annual return.

11 STOCKS

	2001 £'000	2000 £'000
Raw materials	9,603	12,192
Work in progress	454	794
Finished goods	3,196	2,899
	13,253	15,885

The difference between the amount shown above and replacement cost is not material.

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 DEBTORS

	2001 £'000	2000 £'000
Amounts due within one year:		
Trade debtors	17,132	12,582
Amounts owed by group undertakings	26,196	13,931
Other debtors, prepayments and accrued income	4,346	6,523
	47,674	33,036

Other debtors, prepayments and accrued income include a pension prepayment of £2,745,000 (2000: £2,014,000) (see note 19).

13 CREDITORS (amounts falling due within one year)

	2001 £'000	2000 £'000
Finance lease obligations	51	110
Trade creditors	25,283	17,175
Other taxation and social security	469	823
Amounts owed to group undertakings	14,763	8,666
Other creditors and accruals	1,524	13,980
	42,090	40,754

14 CREDITORS (amounts falling due after one year)

	2001 £'000	2000 £'000
Borrowings owed to Group companies	96,163	96,163
Finance lease obligations:		
- Due between one and two years	22	46
- Due between two and five years	32	55
	96,217	96,264

Borrowings represent a loan from The Tetley Group Limited that was made available to finance the acquisition and related costs and to finance the company's trading requirements. The interest margin is currently 1.0% above LIBOR and the loan is unsecured. The loan agreement provides for the principal, and any accrued and unpaid interest, to be repaid on demand by the lender. The Tetley Group Limited has indicated to the Company that it will not require repayment of the balance of the loan, in the normal course of events, until at least twelve months from the date that these financial statements were approved. The borrowings have therefore been treated as repayable after more than one year from the balance sheet date.

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROVISIONS FOR LIABILITIES AND CHARGES

Reorganisation cost	£'000
At 4 March 2000	4,964
Reorganisation costs charged	2,589
Utilisation of reorganisation provisions	(3,434)
At 3 March 2001	4,119

The provision relates to the restructure of the UK operations. Utilisation of provisions during the period related in the main to employee severance payments. The year end provisions are substantially expected to be utilised within the next financial year.

16 CALLED UP SHARE CAPITAL

	Number	2001 £'000	2000 £'000
Allotted, called up and fully paid			
Ordinary shares of £1 each	1	-	-
Authorised			
Ordinary shares of £1 each	100	-	-

17 PROFIT AND LOSS ACCOUNT

	£'000
At 4 March 2000	5,797
Retained profit for the period	7,182
At 3 March 2001	12,979

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Opening shareholders' funds	5,797	7,321
Profit for the financial period	7,182	8,476
Dividends	-	(10,000)
Closing shareholders' funds	12,979	5,797

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 PENSIONS

The pension cost for 2001 of £570,000 (2000: £1,178,000) is stated net of a pension prepayment increase of £731,000 (2000: £863,000).

A new funded UK defined benefit scheme ("the Tetley GB scheme"), fully funded by Allied Domecq, was set up with effect from April 1998 for those employees in the Allied Domecq pension scheme ("the Allied scheme") prior to the change in ownership.

The latest actuarial valuation of the Tetley GB scheme was carried out at 6 April 1998 by an independent, professionally qualified actuary using the projected unit method. The valuation showed a funding level of 122% of the actuarial valuation of the scheme liabilities. The surplus is being amortised over the average remaining service lives of active members. The market value of the scheme's assets at 6 April 1998 was £42,150,000. The principal assumptions used in the valuation are an investment return of 8.5% per annum, annual wage and salary increases of 6.5% per annum and increase in pensions in payment of 4.0% per annum.

The company pays contributions to the Tetley GB scheme at the rate set by the trustees of the fund.

The company also operates a defined contribution scheme, administered by independent pension advisers and invested by external managers for employees joining the Group after July 1995. Such employees are not eligible to participate in the Tetley defined benefit scheme.

Contributions made by the company on behalf of employees are disclosed in Note 2.

20 CONTINGENT LIABILITIES

There were contingent liabilities at 3 March 2001 in respect of forward exchange contracts, operating leases, and outstanding letters of credit undertaken in the normal course of business.

The company is a wholly owned subsidiary of TATA TEA (GB) Limited ("TTGB"). The main financing for the group of companies owned by TTGB is provided by a series of credit facilities to TTGB and nominated subsidiaries. Under the terms of these arrangements, outstanding liabilities are supported by guarantees and various security provided by the principal subsidiaries of TTGB, including the company. At 3 March 2001, total amounts outstanding under this arrangement were £206.1 million. The facilities referred to above were put into place on 10 March 2000 to finance the acquisition of The Tetley Group Limited and its subsidiaries. At 4 March 2000 similar arrangements existed, albeit from difference banks, totalling £41.0 million.

The directors are of the opinion that these arrangements will not have a material impact on the results and financial position of the company.

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 LEASES

The company had annual commitments under non-cancellable operating leases, as follows:

Commitment expires:	Land and buildings		Other	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Within one year	895	103	1,233	-
Between one and five years	562	1,652	20	988
After five years	250	567	-	-
	1,707	2,322	1,253	988

22 CAPITAL COMMITMENTS

Capital expenditure authorised by the Board and contracted for at 3 March 2001 amounted to £844,000 (2000: £2,179,000).

23 PARENT COMPANY

The company is a subsidiary of TATA TEA (GB) Limited, which is incorporated in the United Kingdom. Copies of that company's financial statements may be obtained from 325 Oldfield Lane North, Greenford, Middlesex, UB6 OAZ. The ultimate parent undertaking is TATA TEA Limited, a company registered in India.

24 RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of TATA TEA (GB) Limited advantage has been taken of the exemption afforded by Financial Reporting Standard 8 (FRS8) not to disclose any related party transactions with members of the Group or associates and joint ventures of TATA TEA (GB) Limited.

25 CASH FLOW STATEMENT

TATA TEA (GB) Limited has presented in its consolidated financial statements a group cash flow statement drawn up in accordance with the provisions of Financial Reporting Standard 1 (FRS1). Accordingly the company has taken advantage of the exemption available under FRS1 to dispense with presenting its own cash flow statement.