

**TETLEY GB LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**1 MARCH 1997**

**REGISTERED NUMBER: 3019950**

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# **TETLEY GB LIMITED**

## **REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the trading period from 3 March 1996 to 1 March 1997.

### **RESULTS, BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

Sales of £186 million in 1996/7 and the result for the year were in line with expectations.

The company expects to remain profitable in the 1997/8 trading year and to build on its reorganisation initiatives.

In July 1995 the company completed the acquisition of the UK tea business of J Lyons and Co from Allied Domecq plc. This is the first full year of trading since acquisition, and accordingly some further fair value adjustments have been made to the provisional values of the net assets acquired.

### **PRINCIPAL ACTIVITIES**

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

### **DIVIDENDS**

The directors do not recommend the payment of a dividend for the year under review.

### **TAXATION**

The company is subject to the close company provisions of the Income and Corporation Taxes Act 1988.

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The company has liability cover in place for the directors and certain employees, as permitted by the Companies Act 1985.

### **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.

### **SUPPLIER PAYMENTS**

The company does not have a formal code that it follows with regard to supplier payments. It agrees payment terms with its suppliers when it places purchase orders for the supply of goods and services. Commodity purchases are subject to binding purchase contracts. The company aims to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

### **RESEARCH AND DEVELOPMENT EXPENDITURE**

The company continues to develop new product and market opportunities.

### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

Contributions were made for charitable purposes of £3,000. No political donations were made.

# **TETLEY GB LIMITED**

## **REPORT OF THE DIRECTORS (CONTINUED)**

### **EMPLOYEE INVOLVEMENT**

The company believes in regular communication with its employees. The regular house magazine "The World of Tetley" and circulars on business developments are designed to ensure that all employees are well informed about the business. Employees of the company have been offered the opportunity of becoming involved in the financial performance of The Tetley Group Limited, the parent company, through share offers.

### **FIXED ASSETS**

The movements in tangible fixed assets are set out in the note to the accounts.

### **DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

LR Allen            (resigned 13 January 1997)  
RA Price  
JN Temple        (appointed 14 January 1997)

At no time during the year has any director of the company, directly or indirectly, had any material interest in any contract with the company or contract with the company in relation to its business. The interests of RA Price in the share capital of the parent company are shown in The Tetley Group Limited's directors report. The beneficial interests of JN Temple in the share capital of the parent company is as follows:

	At 1 March 1997 A shares
JN Temple	15,000

### **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.

## **TETLEY GB LIMITED**

### **REPORT OF THE DIRECTORS (CONTINUED)**

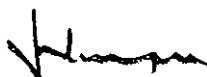
#### **GOING CONCERN**

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 19 in respect of the borrowings from The Tetley Group Limited, they have adopted the going concern basis in preparing the accounts.

#### **AUDITORS**

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

By Order of the Board



JN Temple  
Secretary

11th August 1997

## **TETLEY GB LIMITED**

### **AUDITORS' REPORT TO THE MEMBERS OF TETLEY GB LIMITED**

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

#### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **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 1 March 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse  
Chartered Accountants  
and Registered Auditors  
London

11th August 1997

# **TETLEY GB LIMITED**

## **STATEMENT OF ACCOUNTING POLICIES**

### **Accounting dates**

These accounts are for the trading period from 3 March 1996 to 1 March 1997. Comparatives are for the trading period from 28 July 1995 to 2 March 1996.

### **Basis of accounting**

The accounts are prepared under the historical cost convention and comply with applicable UK accounting standards.

Group accounts are not required as the company is a wholly owned subsidiary of The Tetley Group Limited, whose accounts include the accounts of the company and its subsidiary undertakings. The company's investments in its subsidiary undertakings are held at cost and, in the opinion of the directors, their value is not less than the aggregate amount shown in the balance sheet.

### **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 10 years from acquisition. This period has been chosen by the directors having regard to its useful economic life.

### **Turnover**

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

### **Pension arrangements**

Pension costs are reflected in the profit and loss account on a systematic basis over the service life of employees. Further details on all the company's pension schemes are given in note 18.

### **Depreciation**

No depreciation is provided on land. Freehold buildings are depreciated over 50 years or their remaining life, if less. Leasehold buildings are depreciated over the remaining term of the lease. Other fixed assets are depreciated 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	10 years
Computer hardware	3 to 5 years

### **Research and development**

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

### **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.

### **Deferred tax**

Account is taken, on the liability basis, for the tax effect arising from all timing differences to the extent that it is probable that a liability or asset will crystallise.

### **Foreign currencies**

Transactions in foreign currencies are translated at the average of month end exchange rates. Any exchange differences are dealt with in the profit and loss account.

**TETLEY GB LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 1 MARCH 1997**

	Note	1997 £'000	1996 £'000
<b>TURNOVER</b>	1	186,190	113,451
<b>OPERATING PROFIT (LOSS)</b>	1,2	20,833	(17,969)
Net interest payable and similar charges	4	(12,294)	(6,910)
<b>PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		8,539	(24,879)
Tax on ordinary activities	6	(2,646)	-
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	16	5,893	(24,879)

There is no difference between the results as disclosed in the profit and loss account and the result 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 which were acquired in July 1995.

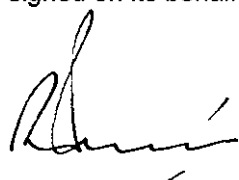
The notes on pages 8 to 13 form part of these financial statements.

**TETLEY GB LIMITED**

**BALANCE SHEETS AS AT 1 MARCH 1997**

	Note	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>			
Intangible assets	7	68,272	76,696
Tangible assets	8	16,362	14,561
Investments	9	66	66
		84,700	91,323
<b>CURRENT ASSETS</b>			
Stocks	10	17,362	16,201
Debtors	11	20,742	21,221
Cash at bank and in hand		121	727
		38,225	38,149
<b>CREDITORS (amounts falling due within one year)</b>	12	(36,346)	(26,745)
<b>NET CURRENT ASSETS</b>			
		1,879	11,404
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		86,579	102,727
<b>CREDITORS (amounts falling due after more than one year)</b>			
Borrowings	13	(96,121)	(116,348)
Provisions for liabilities and charges	14	(9,444)	(11,258)
		(18,986)	(24,879)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	-	-
Profit and loss account	16	(18,986)	(24,879)
<b>SHAREHOLDERS' FUNDS</b>			
		(18,986)	(24,879)

Approved by the Board on 11th August 1997 and  
signed on its behalf by:



RA Price  
Director

The notes on pages 8 to 13 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 is 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.

	1997 £'000	1996 £'000
Turnover	186,190	113,451
Cost of sales	(130,574)	(87,601)
Gross profit (loss)	55,616	25,850
Selling and distribution costs	(23,987)	(24,747)
Administrative expenses	(10,796)	(19,072)
Operating profit (loss)	20,833	(17,969)

Comparative figures have been adjusted to make them comparable with cost classifications adopted in 1996/7.

### 2 OPERATING PROFIT (LOSS)

	1997 £'000	1996 £'000
The operating profit (loss) is stated after charging:		
Staff costs:		
Wages and salaries	14,760	13,364
Social security costs	1,255	1,221
Other pension costs	1,770	1,522
Auditors remuneration	60	81
Auditors fees for non audit services	76	8
Depreciation and amortisation of fixed assets	10,059	6,922
Operating lease rentals, including land and buildings	2,455	514
Research and development costs	1,920	1,371
Profit (loss) on disposal of tangible fixed assets	408	(29)
Exceptional items (see note 3)	5,506	25,642

### 3 EXCEPTIONAL ITEMS

In 1995/6, following acquisition, the company committed to a reorganisation programme to restructure the tea business. Costs have been incurred in the 1995/6 and 1996/7 financial reporting periods and arise from relocating and improving manufacturing and distribution facilities, together with rationalising certain support and administrative functions. Costs relate primarily to redundancy payments, machinery transfer costs and fixed asset write offs.

The charge for 1996/7 includes fixed assets written off, as shown in note 8, amounting to £100,000, the balance being cash costs incurred or expected to be incurred in future periods.

Within the exceptional charge in 1995/6 was an amount of £6,815,000 representing costs incurred by the company in acquiring the tea business.

# TETLEY GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 NET INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £'000	1996 £'000
Bank borrowings	-	350
Group borrowings	12,294	6,581
Interest receivable	-	(21)
	12,294	6,910

### 5 DIRECTORS AND EMPLOYEES

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

	1997 Number	1996 Number
Manufacturing	451	742
Selling & distribution	182	303
Administration	106	189
	739	1,234

The directors did not receive any emoluments in the period for their services as directors of the company.

### 6 TAXATION

The tax charge for the year of £2,646,000 (1995-96 - nil) represents a charge from a Group company in respect of the surrender of tax losses to Tetley GB Limited for group relief.

### 7 INTANGIBLE ASSETS

	£'000
Goodwill arising on acquisition:	
<b>Cost</b>	81,566
Adjustment to the net recoverable amount of plant and machinery based on the cashflows they were able to generate at acquisition	(334)
Adjustment to tax charge on disposal of plant and machinery earmarked for sale at acquisition	37
At 1 March 1997	81,269
<b>Amortisation</b>	
At 2 March 1996	4,870
Charge for the year	8,127
At 1 March 1997	12,997
<b>Net book amount</b>	
At 1 March 1997	68,272
At 2 March 1996	76,696

Adjustments have been made to the goodwill arising on the acquisition of the tea business as required under FRS7.

# TETLEY GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8 TANGIBLE ASSETS

Group	Freehold land and buildings £'000	Short leasehold buildings £'000	Plant, machinery, fixtures, fittings and equipment £'000	Commercial and motor vehicles £'000	Capital work in progress £'000	Total £'000
<b>Cost</b>						
At 2 March 1996	1,190	30	9,103	2,371	3,847	16,541
Additions	-	-	-	-	5,844	5,844
Transfers	921	-	3,392	87	(4,400)	-
Disposals	-	-	(1,050)	(2,169)	-	(3,219)
Assets written off	-	-	(100)	-	-	(100)
At 1 March 1997	2,111	30	11,345	289	5,291	19,066
<b>Depreciation</b>						
At 2 March 1996	22	1	1,267	690	-	1,980
Charge for the year	48	2	1,681	201	-	1,932
Disposals	-	-	(554)	(653)	-	(1,208)
At 1 March 1997	70	3	2,394	238	-	2,704
<b>Net book amount</b>						
At 1 March 1997	2,041	27	8,951	51	5,291	16,362
At 2 March 1996	1,168	29	7,836	1,681	3,847	14,561

Depreciation is not provided on capital work in progress until it is transferred to the relevant fixed asset category.

### 9 INVESTMENTS

	Shares in Group undertakings £'000	Other unlisted investments £'000	Total £'000
<b>Cost</b>			
At 2 March 1996 and 1 March 1997	57	9	66
<b>Provisions for diminution in value</b>			
At 2 March 1996 and 1 March 1997	-	-	-
<b>Net book amount</b>			
At 2 March 1996 and 1 March 1997	57	9	66

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

**TETLEY GB LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****10 STOCKS**

<b>Group</b>	<b>1997 £'000</b>	<b>1996 £'000</b>
Raw materials	12,637	12,203
Work in progress	953	534
Finished goods	3,772	3,464
	<u>17,362</u>	<u>16,201</u>

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

**11 DEBTORS**

	<b>1997 £'000</b>	<b>1996 £'000</b>
Amounts due within one year:		
Trade debtors	13,357	14,834
Amounts owed by group undertakings	4,025	3,760
Other debtors, prepayments and accrued income	3,360	2,627
	<u>20,742</u>	<u>21,221</u>

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

	<b>1997 £'000</b>	<b>1996 £'000</b>
Bank borrowings (unsecured)	125	1,240
Trade creditors	19,434	18,221
Taxation and social security	710	659
Amounts owed to group undertakings	8,205	349
Other creditors and accruals	7,872	6,276
	<u>36,346</u>	<u>26,745</u>

**13 BORROWINGS**

Borrowings represent a loan from the parent company which was made available to finance the acquisition and related costs and to finance the company's trading requirements. The interest margin is currently 2.5% 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. During 1996/7, as part of a group-wide refinancing, the company repaid a principal amount of £23,000,000, and a new loan agreement was drawn up to cover the remaining principal. The parent company has indicated to Tetley GB Limited 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 accounts were approved. The borrowings have therefore been treated as repayable after more than one year from the balance sheet date. The parent company recharged certain issue costs to Tetley GB Limited to reflect the inter-group financing structure put in place at the time of the acquisition. These have been written off in full in 1996/7 to reflect the terms of the refinancing.

# TETLEY GB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Reorganisation Cost	
At 2 March 1996	11,258
Established in year	5,506
Utilised in year	(7,320)
At 1 March 1997	9,444

The provisions relate to the continuing restructuring of the business post acquisition.

### 15 CALLED UP SHARE CAPITAL

	Number	1997 £'000	1996 £'000
<b>Allotted, called up and fully paid</b>			
Ordinary shares of £1 each	1	-	-
<b>Authorised</b>			
Ordinary shares of £1 each	100	-	-

### 16 PROFIT AND LOSS ACCOUNT

	1997 £'000	1996 £'000
At 2 March 1996	(24,879)	-
Retained profit (loss) for the period	5,893	(24,879)
At 1 March 1997	(18,986)	(24,879)

### 17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Opening shareholders' funds	(24,879)	-
Profit(loss) for the financial period	5,893	
New share capital issued	-	-
<b>Closing shareholders' funds</b>	<b>(18,986)</b>	<b>(24,879)</b>

### 18 PENSIONS

The company's defined benefit pension scheme arrangements for staff and executives are currently operated by Allied Domecq Pensions Limited ("the Allied Scheme"). As part of the agreement for the sale and purchase of the J Lyons tea business it was agreed that the company may continue to participate in the Allied Scheme in respect of members in service at the date of completion (July 1995) and now employed within the company, for a transitional period of two years following completion.

## **TETLEY GB LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **18 PENSIONS continued**

The Tetley Group Limited has undertaken to establish a UK pension scheme on or before the expiration of this two year period, subject to the receipt of the transfer amount on a fully funded basis determined in accordance with the sale and purchase agreement, for those employees who remain in service. During the transitional period the company is obliged to continue to pay employer contributions at the applicable rates for the relevant category of member employees.

In respect of employees joining the company at or following completion, not being able to participate in the Allied Scheme, a defined contribution scheme was established in 1996/7.

Total pension costs charged to the profit and loss account in the period were £1,770,000 (1995/6 - £1,522,000). The company took account at acquisition of the relevant circumstances in respect of funding arrangements.

#### **19 CONTINGENT LIABILITIES**

There were contingent liabilities at 1 March 1997 in respect of forward commodity purchase and sales contracts, forward exchange contracts, and outstanding letters of credit undertaken in the normal course of business.

The company is a wholly owned subsidiary of The Tetley Group Limited ("TGL"). The main financing for the group of companies owned by TGL is provided by a syndicate of banks to TGL and nominated subsidiaries. Under the terms, liabilities outstanding under this financing are supported by guarantees and various security provided by the principal subsidiaries of TGL, including the company. At 1 March 1997, total amounts outstanding under this arrangement were £80.3 million (1996 - £98.5 million).

#### **20 OPERATING LEASES**

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

Commitment expires:	Land and buildings		Other	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Within one year	111	-	-	-
Between one and five years	909	440	1,529	-
After five years	306	306	-	-
	1,316	736	1,529	-

#### **21 CAPITAL COMMITMENTS**

Capital expenditure authorised by the Board and contracted for at 1 March 1997 amounted to £3,175,000 (1996 - £507,000).

#### **22 POST BALANCE SHEET EVENTS**

There have been no significant post balance sheet events that affect the company.

#### **23 PARENT COMPANY**

The ultimate parent company is The Tetley Group Limited. Copies of that company's accounts may be obtained from 325/347 Oldfield Lane North, Greenford, Middlesex, UB6 OAZ.