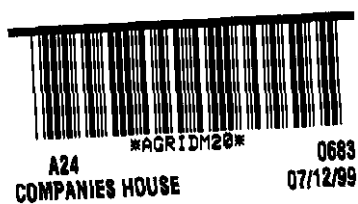


TETLEY GB LIMITED
REPORT AND FINANCIAL STATEMENTS
6 MARCH 1999

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 6 March 1999.

RESULTS, BUSINESS REVIEW, FUTURE DEVELOPMENTS AND DIVIDENDS

Sales of £202.1 million and the result for the year were in line with expectations in a competitive trading environment. The directors do not intend to declare a dividend (1998 £9,763,000.) Net assets of the company at 6 March 1999 were £7.3 million.

The company expects to remain profitable in the 1999/2000 trading year.

PRINCIPAL ACTIVITIES

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

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. The Company's creditor days were 40 at year end (1998 – 57).

RESEARCH AND DEVELOPMENT EXPENDITURE

The company continues to develop new product and market opportunities.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Charitable donations during the year amounted to £3,000 (1998 - £nil). No political donations were made (1998 - £nil).

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 Note 9 to the accounts.

YEAR 2000

The year 2000 issue is widely known. The issue, that digital systems may recognise years as only two digits, may result after December 31 1999 in malfunctions and widespread commercial disruption.

A project sponsored by the Board to address these risks has been underway since 1997. Appropriate levels of resource have been allocated and the Board receives regular reports.

The project consists of three stages: identifying risks, replacing critical systems, followed by testing of systems and contingency planning should any unforeseen problems arise. Additionally, the readiness of critical customers and suppliers has been reviewed and contingency plans made accordingly.

Given the complexity of the problem, however, it is not possible for any organisation to guarantee that no Year 2000 problems will arise. However, the Board believes based on the work outlined above that it will attain an acceptable state of readiness.

All the expenditure incurred in implementing the project has been treated in the normal course of business and capitalised or expensed in accordance with Group accounting policies. Because the Year 2000 project involves significant levels of replacement and functional enhancement of systems, it is not practicable to separately identify the costs of addressing the year 2000 issue.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

K Pringle

JN Temple (resigned 6 January 1999)

T Pascall (appointed 6 January 1999)

PD Unsworth was appointed a director on 26 March 1999. RA Price resigned as a director of the on 20 April 1999.

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 and K Pringle in the share capital of the parent company are shown in The Tetley Group Limited's directors report. T Pascall had a beneficial interest in 11,350 shares in the parent company at the date of his appointment and at 6 March 1999.

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.

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 accounts.

AUDITORS

Following the merger between Price Waterhouse and Coopers and Lybrand, Price Waterhouse resigned as auditors during the year. To fill the casual vacancy the Directors appointed PricewaterhouseCoopers who 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



T Pascal
Secretary

27 August 1999

TETLEY GB LIMITED

AUDITORS' REPORT TO THE MEMBERS OF TETLEY GB LIMITED

We have audited the financial statements on pages 6 to 16 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, including as described on page 3 of the financial statements. Our responsibilities, as independent auditors, are established 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 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 6 March 1999 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

27 August 1999

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 accounts are for the financial year ended 6 March 1999 (52 weeks). Comparatives are for the financial year ended 7 March 1998 (53 weeks).

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance 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 20 years from acquisition.

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 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.

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

Depreciation is not provided on capital work in progress until the assets are brought into operational use in the business.

Leased Assets

Tangible fixed assets held under finance leases are capitalised and depreciated in accordance with the Group'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.

Research and development

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

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 6 MARCH 1999**

	Note	1999 £'000	1998 £'000
TURNOVER	1	202,104	197,973
OPERATING PROFIT	2,3	21,308	37,391
Net interest payable and similar charges	4	(9,850)	(8,322)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,458	29,069
Tax on ordinary activities	6	(4,138)	(6,818)
PROFIT FOR THE FINANCIAL YEAR		7,320	22,251
Dividend	7	-	(9,763)
RETAINED PROFIT FOR THE YEAR	17	7,320	12,488

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.

The notes on pages 10 to 16 form part of these financial statements.

TETLEY GB LIMITED

BALANCE SHEETS AS AT 6 MARCH 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Intangible assets	8	66,645	70,708
Tangible assets	9	30,242	24,282
Investments	10	57	57
		96,944	95,047
CURRENT ASSETS			
Stocks	11	13,357	17,803
Debtors	12	36,182	44,996
Cash at bank and in hand		103	-
		49,642	62,799
CREDITORS (amounts falling due within one year)	13	(40,889)	(59,866)
NET CURRENT ASSETS		8,753	2,933
TOTAL ASSETS LESS CURRENT LIABILITIES		105,697	97,980
CREDITORS (amounts falling due after more than one year)	14	(96,437)	(96,534)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(1,939)	(1,445)
NET ASSETS		7,321	1
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Profit and loss account	17	7,321	1
SHAREHOLDERS' FUNDS	18	7,321	1

Approved by the Board on 27 August 1999 and
signed on its behalf by:



PD Unsworth
Director

The notes on pages 10 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 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.

	1999 £'000	1998 £'000
Turnover	202,104	197,973
Cost of sales	(149,107)	(135,713)
Gross profit	52,997	62,260
Selling and distribution costs	(20,490)	(18,454)
Administrative expenses	(11,199)	(6,415)
Operating profit	21,308	37,391

2 OPERATING PROFIT

	1999 £'000	1998 £'000
The operating profit is stated after charging/(crediting):		
Staff costs:		
Wages and salaries	18,723	18,226
Social security costs	1,621	1,571
Other pension costs	418	1,794
Auditors remuneration	65	65
Auditors fees for non audit services	50	-
Depreciation and amortisation of fixed assets	6,803	6,038
Operating lease rentals, including land and buildings	3,304	3,039
Research and development costs	-	141
Loss/(profit) on disposal of tangible fixed assets	25	(31)
Exceptional items (see note 3)	1,069	(6,163)

The audit fee of the Group is disclosed in the accounts of the parent company (see Note 23).

The pension cost for 1999 of £418,000 is stated net of a prepayment of £1,151,000 (see Note 19).

3 EXCEPTIONAL ITEMS

During the year £1,069,000 (1998 – credit of £6,163,000) 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**

	1999 £'000	1998 £'000
Bank borrowings	-	32
Group borrowings	9,473	7,996
Other interest	349	278
Interest on finance lease obligation	28	18
Interest receivable	-	(2)
	9,850	8,322

5 DIRECTORS AND EMPLOYEES

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

	1999 Number	1998 Number
Manufacturing	543	519
Selling & distribution	157	157
Administration	96	84
	796	760

None of the directors who served during the year received any emoluments for their services as directors of the company (1998 – none). RA Price and K Pringle served as directors of the ultimate holding company (The Tetley Group Limited) throughout the year and their emoluments for the period are disclosed in the accounts of that company.

6 TAXATION

	1999 £'000	1998 £'000
Charge from Group company for Group relief	1,712	2,418
Corporation tax charge at 31%	2,426	4,400
	4,138	6,818

7 DIVIDENDS

The directors have not proposed a dividend for the year ended 6 March 1999 (1998 – £9,763,000).

8 INTANGIBLE ASSETS

Goodwill arising on acquisition:	£'000
Cost	81,269
Amortisation	
At 7 March 1998	(10,561)
Charge for the year	(4,063)
At 6 March 1999	(14,624)
Net book amount	
At 6 March 1999	66,645
At 7 March 1998	70,708

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 TANGIBLE ASSETS

	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
Cost						
At 7 March 1998	2,329	30	16,405	493	9,673	28,930
Additions	-	-	26	-	8,682	8,708
Transfers	1,847	-	11,647	69	(13,563)	-
Disposals	-	-	(894)	(112)	-	(1006)
At 6 March 1999	4,176	30	27,184	450	4,792	36,632
Depreciation						
At 7 March 1998	181	5	4,144	318	-	4,648
Charge for the year	147	1	2,533	59	-	2,740
Disposals	-	-	(886)	(112)	-	(998)
At 6 March 1999	328	6	5,791	265	-	6,390
Net book amount						
At 6 March 1999	3,848	24	21,393	185	4,792	30,242
At 7 March 1998	2,148	25	12,261	175	9,673	24,282

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	211	538
Depreciation	(102)	(71)	(173)
Net book value at 6 March 1999	225	140	365
Net book value at 7 March 1998	321	176	497

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

Shares in Group
undertakings
£'000

57

Cost and net book amount at 6 March 1999 and 7 March 1998

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.

11 STOCKS

	1999 £'000	1998 £'000
Raw materials	10,520	14,945
Work in progress	612	699
Finished goods	2,225	2,159
	13,357	17,803

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

12 DEBTORS

	1999 £'000	1998 £'000
Amounts due within one year:		
Trade debtors	18,287	16,936
Amounts owed by group undertakings	14,723	25,004
Other debtors, prepayments and accrued income	3,172	3,056
	36,182	44,996

Other debtors, prepayments and accrued income include a pension prepayment of £1,151,000 (1998 - £nil) (see note 19).

13 CREDITORS (amounts falling due within one year)

	1999 £'000	1998 £'000
Bank borrowings (unsecured)	4,054	3,099
Finance lease obligations	102	125
Trade creditors	16,472	22,833
Dividends	-	9,763
Taxation and social security	2,965	4,497
Amounts owed to group undertakings	4,939	8,428
Other creditors and accruals	12,357	11,121
	40,889	59,866

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 CREDITORS (amounts falling due after one year)

	1999 £'000	£'000 1998
Borrowings owed to Group companies	96,163	96,163
Finance lease obligations:		
- Due between one and two years	120	123
- Due between two and five years	154	248
	96,437	96,534

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 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 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.

15 PROVISIONS FOR LIABILITIES AND CHARGES

Reorganisation cost	£'000
At 7 March 1998	1,445
Reorganisation costs charged	1,069
Utilisation of reorganisation provisions	(575)
At 6 March 1999	1,939

The provisions relate primarily to the Group's cost reduction programmes. These involve redundancy programmes and provisions for lease obligations on a office building subject to closure.

16 CALLED UP SHARE CAPITAL

	Number	1999 £'000	1998 £'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 7 March 1998	1
Retained profit for the period	7,320
At 6 March 1999	7,321

TETLEY GB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Opening shareholders' funds	1	(12,487)
Profit /(loss) for the financial period	7,320	22,251
Dividends	-	(9,763)
Closing shareholders' funds	7,321	1

19 PENSIONS

The pension charge the year of £418,000 was stated net of a pension prepayment of £1,151,000.

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 principle 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 6 March 1999 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 6 March 1999, total amounts outstanding under this arrangement were £68.4 million (1998 - £72.1 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	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Within one year	55	0	149	115
Between one and five years	1,780	29	963	1,427
After five years	352	1,884	0	-
	2,187	1,913	1,112	1,542

Finance lease obligations are as follows:

	1999 £'000	1998 £'000
Within one year	119	125
Between one and five years	246	124
After five years	-	248
	365	497

22 CAPITAL COMMITMENTS

Capital expenditure authorised by the Board and contracted for at 6 March 1999 amounted to £4,200,000 (1998 - £5,227,000).

23 PARENT COMPANY

No transactions have been reported with fellow subsidiaries as they are all more than 90% owned by the ultimate parent company and consolidated in the Group accounts of The Tetley Group Limited.

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.