Finlay Extracts Limited

Directors' report and financial statements

Registered number 6459409

31 December 2008

Contents

Directors' report

The directors present their directors' report and financial statements for the period ended 31 December 2008.

Date of incorporation

The Company was incorporated on 21 December 2007.

Principal activities

The Company's principle activity is the trading of tea extracts. The Company coordinates the manufacture, marketing and sales of tea extracts and aromas from a number of worldwide sites.

The Company was previously a division of Finlay Tea Solutions UK Limited and the assets and liabilities of the division were hived off from that Company on 1 January 2008.

Business review

The Company performed strongly in 2008, with good sales to both Europe and the Far East. Margin percentages were lower than anticipated, mainly due to the mix of products sold. The Company's key financial and other performance indicators during the period were as follows:

	2008
	£000
Company turnover	12,812
Gross profit	2,824
Total operating profit	1,452
Shareholders' funds	1,015
Average number of employees	15
Gross profit as % of turnover	22.0%
Operating profit as % of turnover	11.3%
Return on capital employed	143.1%

Principal risks and uncertainties

The principal risks and uncertainties in tea trading relate to the movement in prices caused by extremes in weather conditions. Currency movements also affect the business. Most sales are in dollars, whilst the overhead costs of the Company are mainly in sterling.

Credit Risk

The Company aims to limit undue counterparty exposure by ensuring proper procedures are followed before starting to trade with a new customer and material ongoing exposure is monitored.

Liquidity Risk

Investments in fixed assets and working capital are carefully controlled, with authorisation limits operating at different levels up to Board level and with rates of return and cash payback periods applied as part of a defined investment appraisal process.

Foreign Currency Risk

A large part of the Company's operations are in emerging countries where it is not possible to hedge against fluctuations in local currency. However, the majority of our products are sold in hard currency which acts as a natural hedge against the devaluation of local currencies.

Directors' report *(continued)*

Financial instruments

The Company policy does not permit trading in any financial instruments.

Proposed dividend

The directors do not propose the payment of a dividend in respect of the current financial period.

Directors

The directors who held office during the period and to the date of signature of the accounts were as follows:

R B Hogg	Appointed 21 December 2007, resigned 22 September 2008
R J Mathison	Appointed 22 September 2008
P R Henson	
A F Barcroft	
R J Corsan	

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the period.

Policy and practice in payment of creditors

Creditors are paid in line with the credit terms negotiated with each creditor. At the period end there were 22 days of purchases in creditors.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG LLP were appointed auditors in the period.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will, therefore, continue in office.

By order of the board

James Finlay Limited
Secretaries

59, Buckingham Gate
London SW1E 6AJ

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Finlay Extracts Limited

We have audited the financial statements of Finlay Extracts Limited for the period ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' reports and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Finlay Extracts Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

Date

2 October 2009

Profit and Loss Account
for the period ended 31 December 2008

	Note	2008 £000
Turnover	2	12,812
Cost of sales		(9,988)
Gross profit		2,824
Administrative expenses		(1,372)
Operating profit		1,452
Other interest receivable and similar income	6	4
Interest payable and similar charges	7	(14)
Profit on ordinary activities before taxation	3	1,442
Tax on profit on ordinary activities	8	(427)
Profit for the financial period		1,015

The notes on pages 9 to 18 form part of these financial statements.

The Company has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been prepared.

The results for the period are from continuing operations.

Balance Sheet
At 31 December 2008

	Note	**2008**	
		£000	**£000**
Fixed assets			
Tangible assets	*9*		**78**
Investments	*10*		**1**
			79
Current assets			
Stocks	*11*	**2,389**	
Debtors	*12*	**4,718**	
Cash at bank and in hand		**1,305**	
		8,412	
Creditors: amounts falling due within one year	*13*	**(7,476)**	
Net current assets			**936**
Net assets			**1,015**
Called up share capital	*14*		**-**
Profit and loss account	*15*		**1,015**
Shareholders' funds			**1,015**

The notes on pages 9 to 18 form part of these financial statements.

These financial statements were approved by the board of directors on and were signed on its behalf by:

A F Barcroft
Director

R J Corsan
Director

25/9/09

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements as the Company is a wholly owned subsidiary of another UK incorporated Company. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard ("FRS") 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of James Finlay Limited 100% of the Company's voting rights are controlled within the group headed by James Finlay Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Turnover

Turnover comprises sale proceeds as principals and gross commissions and fees as agents and secretaries, net of sales taxes.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	- over 10 years,	10% per annum
Plant and machinery	- over 5 years,	20 % per annum
Computer Equipment	- over 3 years,	33 1/3 % per annum

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

Fixed asset investments are included at cost less any provision for permanent diminution in value.

Stocks

Stocks are valued at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. Cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net realisable value is defined as estimated selling price less all further costs to completion and disposal.

Post-retirement benefits

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2 Analysis of turnover

	2008 Turnover £000
By geographical market	
United Kingdom	776
Asia/Australia	6,517
Europe and North America	5,265
Africa	254
	12,812

Notes *(continued)*

3 Notes to the profit and loss account

	2008 £000
Profit on ordinary activities before taxation is stated after charging:	
Depreciation	12

Auditors' remuneration:

	2008 £000
Audit of these financial statements	17

4 Remuneration of directors

	2008 £000
Directors' emoluments	246

	2008 Number
Members of defined benefits pension scheme	2

	2008 £000
The following amounts were paid in respect of the highest paid director	138

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	2008 Number
Management	6
Administration	6
Sales	2
Production	1
	15

The aggregate payroll costs of these persons were as follows:

	2008 £000
Wages and salaries	784
Social security costs	83
Other pension costs	148
	1,105

6 Other interest receivable and similar income

	2008 £000
Receivable from group undertakings	4

7 Interest payable and similar charges

	2008 £000
On bank loans and overdrafts	14

Notes *(continued)*

8 Taxation

Analysis of credit in period

	2008 £000	£000
UK corporation tax		
Current tax on income for the period	512	
Total current tax		512
Deferred tax (see note 12)		
Origination of timing differences	(85)	
Total deferred tax		(85)
Tax on profit on ordinary activities		427

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK (28.5%). The differences are explained below.

	2008 £000
Current tax reconciliation	
Profit on ordinary activities before tax	1,442
Current tax at 28.5%	411
Effects of:	
Expenses not deductible for tax purposes	16
Depreciation in excess of capital allowances	5
Other short term timing differences	80
Total current tax charge (see above)	512

The total tax charge in future periods is anticipated to follow the standard rate of UK corporation tax.

Notes *(continued)*

9 Tangible fixed assets

	Fixtures and Fittings	Plant and machinery	Computer equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of period	-	-	-	-
Additions	30	38	22	90
At end of period	30	38	22	90
Depreciation				
At beginning of period	-	-	-	-
Charge for period	3	8	1	12
At end of period	3	8	1	12
Net book value				
At 31 December 2008	**27**	**30**	**21**	**78**

10 Fixed asset investments

Shares in group undertakings:

	2008
	£000
At beginning of period	-
Additions	1
At end of period	1

Loans to undertakings in which the Company has a participating interest:

	2008
	£000
Cost	
At beginning of period	-
Additions	1,507
Disposals	(1,507)
At end of period	-

The disposal relates to the sale of the Company's participating interest in an extract factory in the Peoples Republic of China.

Notes *(continued)*

11 Fixed asset investments *(continued)*

The companies in which the Company's interest at the period end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and Percentage of shares Held
Subsidiary undertakings:			
Finlay Tea Solutions (Hong Kong) Limited	Hong Kong	Management	Ordinary 100%

11 Stocks

	2008 £000
Finished goods and goods for resale	**2,389**

12 Debtors

	2008 £000
Trade debtors	**2,473**
Amounts owed by fellow subsidiaries	**2,126**
Other debtors	**21**
Deferred tax asset	**85**
Prepayments	**13**
	4,718

Debtors include an amount of £690,000 due after more than one year.

The elements of deferred taxation are as follows:

	2008 £000
Difference between accumulated depreciation and capital allowances	**5**
Other timing differences	**80**
	85

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2008 £000
Bank loans and overdrafts	2,743
Trade Creditors	339
Amount due to parent undertaking	2,604
Amounts owed to group undertakings	947
Corporation Tax	512
Accruals	331
	7,476

14 Called up share capital

	2008 £
Authorised	
Ordinary shares of £1 each	100
Allotted, called up and fully paid	
Ordinary shares of £1 each	1

15 Reserves

	Profit and loss account £000
At beginning of period	-
Profit for the period	1,015
At end of period	1,015

Notes *(continued)*

16 Reconciliation of Movements in Shareholders' Funds

	2008 £000
Profit for the financial period	**1,015**
Net increase in shareholders' funds	**1,015**
Opening shareholders' funds	-
Closing shareholders' funds	**1,015**

17 Pension scheme

The James Finlay Group operates a defined benefit pension scheme in respect of its employees in the UK. The defined benefit scheme is wholly funded. The company participates in this defined benefit plan. This defined benefit plan is a multi-employer plan which is operated by James Finlay Ltd (the Group) and which is run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities. In accordance with FRS 17 the company accounts for its contribution to the plan as if it were a defined contribution plan.

As at 31 December 2008 there is an overall deficit of £3,667,000 (2007: surplus of £3,450,000) in this pension plan. This is reflected in the consolidated accounts of James Finlay Ltd for the period ended 31 December 2008.

The latest full actuarial valuation of the Finlays Pension Fund was as at 31 December 2006 and this has been adjusted by Hymans Robertson, a qualified independent actuary, to reflect the position at the 31 December 2008.

The Company contributes 26.1% of qualifying employees' basic salary to the plan. The actual amount contributed for the period was £148,000.

18 Group restructuring

On 1 January 2008 Finlay Tea Solutions UK Limited transferred its Extracts division's trade operations and net assets at fair value to Finlay Extracts Limited. The values of the transfers were:

	At 1 January 2008 £'000
Tangible fixed assets	68
Investments	1,508
Stock	899
Debtors	1,126
Cash at bank and in hand	375
Current assets	3,976
Creditors	(1,385)
Net assets	2,591

Notes *(continued)*

18 Ultimate parent Company and parent undertaking of larger group of which the Company is a member
The Company is a subsidiary undertaking of James Finlay Limited, which is registered in Scotland. The Company's ultimate parent Company is John Swire & Sons Limited, which is registered in England. The largest group in which the results of the Company are consolidated is that headed by John Swire & Sons Limited, incorporated in England.

The consolidated financial statements of the group are available to the public and may be obtained from John Swire & Sons Limited, Swire House, 59, Buckingham Gate, London SW1E 6AJ.