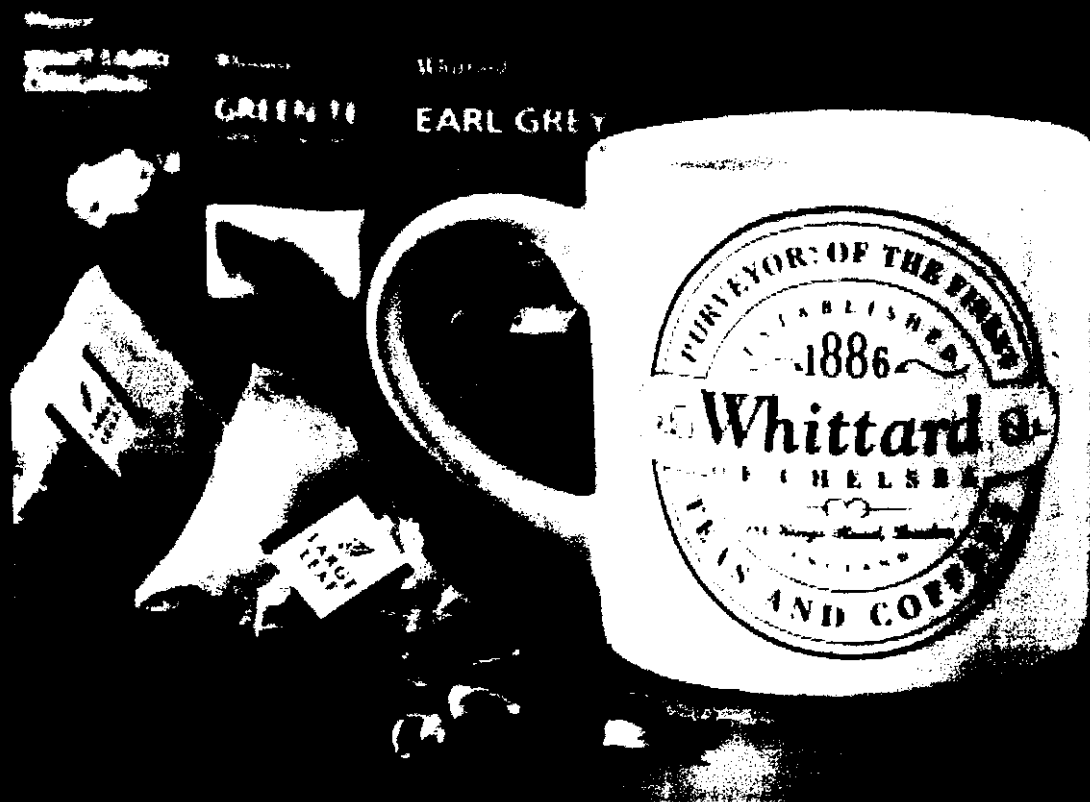


Whittard

OF CHELSEA

The Finest Tea and Coffee since 1886



Annual Report & Accounts 2002



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DIRECTORS AND ADVISORS

Directors at the date of this report

Will Hobhouse, non-executive Chairman, age 45, joined Whittard in 1988 and as Chief Executive drove the Company's expansion. Between 1984 and 1988 he was Managing Director of Tie Rack, during which time they expanded from 19 stores to 169 stores in eight countries. He became Chairman of the Company in March 2001 and is now non-executive. He also chairs the Audit Committee and is a member of the Remuneration Committee.

Richard Rose, Chief Executive, age 46, joined Whittard in August 2001 from Hagemeyer (UK) Ltd, a distributor of professional products and services, with a UK turnover approaching £1 billion through 360 outlets. Previously he had been Chief Executive of WF Electrical Plc since 1993, a fully listed Plc, where he created a substantial improvement in shareholder value through a network of 110 branches. WF Electrical was purchased by Hagemeyer in July 2000.

Hugo Drayton, non-executive Director, age 42, joined the Board in 2000 following the acquisition of the Best of British website. He joined the Telegraph Group in 1994 and after holding several senior marketing positions was appointed Managing Director of Hollinger-Telegraph New Media Limited during 2001. He is a member of both the Audit and Remuneration Committees.

David Gyle-Thompson, non-executive Director, age 58, joined the Board in 1988 and is also Chairman of Onslow Boyd Group Limited and Beauchamp Marketing Limited, both of which have interests in property and venture capital. He chairs the Remuneration Committee and is a member of the Audit Committee.

Brian Hay, Retail Operations Director, age 41, joined Whittard in 1997 following extensive retail operations experience at Marks & Spencer and Body Shop. He is responsible for retail trading, as well as the marketing and culture functions.

Giles Hilton, Product Director, age 51, joined Whittard in 1976. He is an expert tea taster – known as "the nose" – and has been responsible for developing the Company's specialist tea and coffee ranges, regularly travelling the world in search of new teas and coffees.

Mark Naughton-Rumbo, Finance Director, age 41, joined the Board in December 2001. A Chartered Accountant, Mark previously held the position of Finance Director of the Designers Guild Group. His responsibilities there also encompassed the IT and systems infrastructure and, together with responsibility for the finance and property functions, he undertakes similar responsibilities at Whittard.

Secretary and Registered Office

M C G Amos FCIS, MBA
Whittard of Chelsea Plc
Union Court
22 Union Road
London SW4 6JP

Registered Number

2263726

Bankers

HSBC
Poultry & Princes Street
London EC2P 2BX

Registered Auditors

BDO Stoy Hayward
8 Baker Street
London W1U 3LL

Brokers and corporate advisors

KBC Peel Hunt plc
62 Threadneedle Street
London EC2R 8HP

Solicitors

Lawrence Graham
190 Strand
London WC2R 1JN

Registrars

Connaught St Michaels Limited
PO Box 30
Cresta House
Alma Street
Luton
Bedfordshire
LU1 2PU



Overview

I am delighted to report on a year of significant progress and achievement. Following the appointment of a new Chief Executive in August 2001 and a new Finance Director in December 2001, a full review of the business was carried out by the executive team.

This review led to a renewed focus around Whittard's core values and, coupled with strong commercial and strategic leadership, the business has been re-vitalised and a rapid return to profit achieved. Alongside this recovery in profitability, we are experiencing an increase in our organic sales growth and gross margin, with the rate of like for like sales increases currently higher than last year at 9% for the 15 weeks to 8 September 2002.

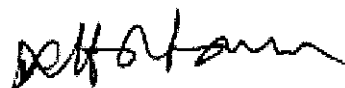
Summary of results for the year to May 2002

- Turnover rose to £35.2 million (2001: £34.5 million). Like for like sales rose 2% for the year to May 2002, including an accelerated second half with a like for like sales increase of 4%.
- Profit before taxation amounted to £1.13 million (2001: loss £2.98 million)
- Earnings per share were 5.1 pence (2001: loss per share 14.9 pence).
- Cash balances totalled £1.6 million at end of May (2001: £0.8 million), and our trading generated a cashflow of £1.8 million.
- Current trading strong with like for like sales up 9% at significantly higher gross margin.

I would like to express my thanks to all our employees who have worked so hard and diligently to make these pleasing results possible.

Outlook

The executive team has identified further opportunities to continue to build margin, efficiency and sales. This, coupled with substantial progress already made, gives me much confidence for the future.



Will Hobhouse
Chairman

I am delighted to have joined Whittard some 12 months ago and am truly excited about the potential that exists within the business. The culture is something quite special, and the whole team has been tremendously supportive and hardworking during what has been a very exhilarating year.

As the results show, we have not only achieved a rapid turnaround to profit, but have also set ourselves upon the path to growth once again.

Our balance sheet is very strong with cash balances of £1.6 million and we are highly cash generative. We intend to keep it that way and will be prudent with our investment plans.

Potential exists to extract further benefits in supply, logistics and systems which in turn will lead to additional margin and cost improvements. Whilst these initiatives are taking place we are implementing an accelerated sales growth strategy targeting average transaction values and the number of customers buying from our stores.

Additionally, we are building our brand through other sales channels as well as overseas, both providing further avenues for growth.

New stores are being considered where specific opportunities arise, and where the expected returns meet our stringent requirements and expectation. Any expansion strategy would be funded from internally generated cash flow.

Results for the year

Turnover rose to £35.2 million (2001: £34.5 million) with like for like sales rising 2% as a result of improved UK trading in the second half of the year (we previously reported a 0.5% decline in like for like sales for the half year in January 2002, and are now reporting a 4% increase for the second half, giving 2% for the full year). I am delighted to report a further improvement in the rate of like for like sales growth to 9% for the 15 weeks to 8 September 2002.

It is particularly pleasing to note that the increase in sales for the second half of the year was achieved at a significantly higher gross margin and that the gross margin has strengthened still further during the first quarter of the current year, as compared with the equivalent prior year period.

Profit before taxation amounted to £1.13 million (2001: loss £2.98 million). The key drivers behind this turnaround were improving sales, higher margins and lower costs. The cost savings were achieved principally in the areas of mail order and internet where further cost cutting actions were taken in January 2002.

Earnings per share were 5.1 pence (2001: loss per share 14.9 pence).

Our balance sheet has strengthened further with cash balances at the end of May 2002 totalling £1.6 million (2001: £0.8 million). We are highly cash generative with some £1.8 million produced from operating activities in the year under review.

In view of the adverse balance on profit and loss account resulting from prior year losses, the Directors are not able to propose to pay a final dividend for the year ended 31 May 2002, but plan to return to paying dividends (or alternative means of distribution) at the earliest opportunity.

Strategy

We have developed a clear set of brand values that accentuate our expertise in tea and coffee and related products. Our business will remain focussed around these core values and we expect to continue our growth by attracting more customers and increasing the average transaction value.

Whilst the UK retail market remains our core market, our brand is well regarded across the UK and overseas. There is therefore an opportunity to open further shops in the UK, as well as continuing to build sales through other channels, including wholesale, mail order, internet and overseas.



Our focus over the last 12 months has been to strengthen the commercial focus and processes, leading to higher margin and tighter control. Whilst continuing with these initiatives, we are currently focussing on accelerating our sales growth, and are pleased with progress so far, as evidenced by our current performance.

Our cashflow from this success will thus enable us to further expand geographically, but only where the returns meet our stringent expectations.

UK Retail

We currently operate 100 retail shops in the UK, in a variety of formats, namely High Streets, Malls and Outlet Centres. Some are situated in areas of high tourist footfall (such as Heathrow terminals 2 & 3), and others where local regular customers account for the majority of the business.

During the year under review we closed four sites and opened two. Lease disposals have been concluded in all the closures and both new shops are performing in line with our expectations. We have profiled the customer attributes in the locations of our successful shops and matched this to potential locations that would support further shops. We expect to open a small number of additional shops during this current year after taking encouragement from the performance of those recently opened and referred to above.

Four model shops have been established from the existing portfolio, and a number of initiatives are being evaluated before rolling out the most successful elements to other shops. The results to date have been encouraging.

Overseas

We enjoy successful business in Japan where we have a presence in 60 department stores and 40 independent retailers. Our brand is firmly established and in the majority of outlets the section devoted to our products is strongly branded. We carry no overhead, other than training and merchandising support, whilst retaining control over the look and image. We have seen growth in both sales and gross margin during the year under review, and expect this trend to continue.

In Taiwan we supply a chain of prestige tea rooms (The Rose House) as well as Mitsukoshi Department stores. We are seeking further market penetration in this part of Asia.

The USA is an interesting market for us where our brand is highly valued. We currently have a small but growing business and we are exploring ways to accelerate this growth through a wholesale relationship with department store groups.

Wholesale

We currently supply Tesco and Sainsbury's with certain key lines, this business having grown modestly during the year. We have developed a combination gift range in conjunction with another national retailer for Christmas, which will not only boost growth through our wholesale channel but also further build our brand on the High Street.

Mail order & Internet

Following significant losses previously reported, we took action to reduce significantly the cost base and then took further action in January 2002 to focus our offer exclusively on tea and coffee, being core to our brand and where repeat orders from regular customers were identified as being most relevant.

I am pleased to report that this strategy has paid off with sales and gross margin in line with our expectation and a positive contribution now being generated. Low cost in-store marketing activities are planned to improve future sales and gross margins through this sales channel.

Product

Our product focus is premium quality Whittard brand tea and coffee, supported by complementary and related products. Accordingly, ceramics and equipment feature in most of our stores. Gifting is an important part of our profile and our product range reflects this, particularly at Easter and Christmas.



CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

Ongoing product development has contributed to our sales growth and will continue to do so, whilst opportunities have also been identified to fill in gaps within our total in-store product offering. Premium chocolate is one such area where we have achieved proven success during recent trials. Chocolate is a logical extension to our tea and coffee offer, being complementary to our core offer.

Product sourcing has been a focus of our attention, our aim being to work closely with our chosen partners to ensure the best quality and reliability at the appropriate cost. These developing relationships have contributed to our rising margin as well as making our supply chain more flexible and responsive. We are working to ensure that this process continues to yield further margin and efficiency benefits.

Process

Recent investment in updated point of sale software will improve our MIS systems and lead to productivity enhancements. A recent restructuring within our buying and merchandising department will improve our ability to supply shops more frequently and in a more flexible and tailored manner. This will lead to improved stock turn and higher sales, as we profile shops more closely to meet local demand, within the overall brand values.

Our People

We have a great team of people who work with dedication and passion to ensure the continuing development of our brand and of customer service. I would like to acknowledge their contribution and thank them for making these results possible.

Outlook

We are making significant progress in all areas of the business. Our brand is well respected both in the UK and overseas, giving us a significant opportunity to achieve further growth. Our turnaround to profit has been rapid and both sales and margins are growing.

I am greatly encouraged by current trading. This, together with the many initiatives currently underway, gives me much encouragement - not just for the current year, but for the years ahead.



Richard Rose
Chief Executive



FIVE YEAR REVIEW

	2002 £'000	2001 £'000	2000 £'000	1999 £'000	1998 £'000
Turnover	35,226	34,503	33,173	35,733	32,456
Number of shops	100	102	105	118	116
Gross margin (net of retail employee, property and allied costs)	12.6%	7.1%	6.9%	9.2%	15.9%
Operating profit/(loss)	1,251	(2,960)	(216)	111	2,758
Profit/(loss) before tax	1,129	(2,976)	(257)	211	2,814
Shareholders' funds – equity	6,350	5,046	7,051	5,601	5,887
Return on capital employed	19.6%	(54.8%)	(2.8%)	2.0%	46.2%
Earnings/(loss) per share-basic	5.1p	(14.9)p	(2.7)p	(0.6)p	11.0p

The Directors present their annual report and the audited financial statements for the year ended 31 May 2002, which include the results of trading for the 52 weeks ended 26 May 2002 (2001: 52 weeks ended 27 May 2001).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the sourcing, wholesale and retail sales of tea, coffee and associated products. The Chairman's and Chief Executive's Statements on pages 2 to 5 refer to current operations and future developments. The Group's results are shown in the profit and loss account on page 16.

RESULTS AND DIVIDENDS

The profit for the year before taxation was £1,129,000 (2001: loss £2,976,000). After taxation, the profit amounted to £1,106,000 (2001: loss £3,054,000). In view of the adverse balance on profit and loss account resulting from prior year losses, the Directors are not able to propose to pay a final dividend for the year ended 31 May 2002, but plan to return to paying dividends (or alternative means of distribution) at the earliest opportunity.

DIRECTORS

The Directors of the Company, both during the year and at the date of this report, are listed on page 12. Biographies of current Directors are given on page 1.

Details of Directors' interests in the shares of the Company are given in the Remuneration Report on page 12.

In accordance with the provisions for retirement by rotation under the Articles of Association, Messrs Hay and Hilton will be proposed for re-election at the forthcoming Annual General Meeting. If not re-elected, both would be eligible to receive compensation equivalent to six months' salary.

In addition, Mr Naughton-Rumbo, who was appointed a Director on 1 December 2001, will also be proposed for re-election. If not re-elected, he would be eligible to receive compensation equivalent to six months' salary.

SHARE OPTION SCHEMES

In addition to the 1990 Approved Executive Option scheme, under which no new grants can be made, the Company operates four Executive Share Option schemes, one approved by the Inland Revenue and three unapproved, as set out below. Details of outstanding options and options granted during the year are set out in note 18 to the financial statements.

Unapproved scheme adopted 17 June 1996

This scheme allows the Company to grant options over unissued shares, subject to the constraint noted below. Options granted are normally eligible for exercise between one week (or such other period as the Directors may determine) and the second anniversary of the date of grant.

Options granted under this scheme, when combined with options exercised and/or exercisable under this and the other schemes, including the savings related scheme, should not exceed 10% of the Company's issued share capital in a rolling ten year period.

Approved and unapproved schemes adopted 21 December 1998

These schemes allow the Company to grant options over existing shares, rather than issuing new shares. The grants are normally eligible for exercise between the third and tenth anniversaries of the date of grant.

To facilitate the operation of the 1998 schemes, the Company has set up an Employee Share Ownership Trust. This Trust is administered in Guernsey and is authorised to purchase shares through an account guaranteed by the Company. As at 31 May 2002, the Trust held 410,000 shares at an average purchase price of 60.8p per share, of which 223,800 were under option.



REPORT OF THE DIRECTORS (CONTINUED)

Unapproved scheme adopted 17 October 2001

This scheme allows the Company to grant options over unissued shares, subject to a maximum of 10% of the Company's issued share capital and to a maximum of 10% of the issued share capital in respect of options exercised and/or exercisable under the scheme within a rolling ten year period. Options are normally eligible for exercise after the third anniversary and before the tenth anniversary of the date of grant.

Approved employee (savings related) share option scheme adopted 17 June 1996

In addition to the above-mentioned schemes, the Company operates a savings related scheme for employees over unissued shares. On 4 March 2002 a further option grant was made under this scheme over 392,610 Ordinary shares of the Company at an option price of 33.52p per share, with 261,289 such share options relating to three year savings contracts and 131,321 relating to five year savings contracts.

SUBSTANTIAL SHAREHOLDINGS

As at 11 September 2002, being not more than one month before the date of the notice of the Annual General Meeting, the following substantial interests (3% or more) in the Company's share capital, other than Directors' holdings shown on page 12, had been notified to the Company:

Shareholder	Ordinary shares	Holding %
Unicorn Asset Management Limited	3,350,000	15.01
Gartmore Investment Management plc	2,844,789	12.75
HTNM LLC (Hollinger-Telegraph Group)	2,270,664	10.18
Westpool Investment Trust Plc	962,000	4.31

EMPLOYEE INVOLVEMENT AND EMPLOYMENT POLICIES

Considerable value is placed on the involvement of employees in the operation and development of the business. A strong communications programme continues with emphasis on employee involvement using both oral and written media. Regular briefings and staff meetings ensure two-way communications.

It is the Group's policy to employ the most suitably qualified people, regardless of age, colour, disablement, marital status, race, religion or sex. Employees are encouraged to develop their skills and careers wherever possible in accordance with their personal abilities and the business development plans of the Group.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Charitable donations of £1,305 were made in the year (2001: £2,092). There were no donations to political parties (2001: £nil).

SUPPLIER PAYMENT POLICY

It is the policy of the Company to negotiate payment terms and conditions for business transactions with suppliers, and to make payment in accordance with these terms. There were 57 creditor days outstanding at the year end.

SHARE CAPITAL – ANNUAL GENERAL MEETING

In addition to ordinary business, there are three other resolutions being proposed at the forthcoming Annual General Meeting. These resolutions seek to renew authorities proposed and granted last year, specifically:

- To renew the Directors' authority to issue new shares up to a nominal aggregate value of £284,290.70 representing 25.48% of the Company's issued share capital at 11 September 2002. The authority will lapse at the 2003 Annual General Meeting (or 15 months after the 2002 Annual General Meeting, if earlier). The Directors have no present intention of exercising this authority other than as may be required in connection with the Company's share option schemes.
- To renew the Directors' authority to issue new shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings in connection with offers by way of rights which do not strictly accord with the statutory regime and otherwise up to 1,115,700 ordinary shares, having an aggregate nominal value of £55,785, and representing approximately 5% of the Company's issued share capital at 11 September 2002.
- To renew the Directors' authority to purchase ordinary shares in the market, but increasing this to 3,345,000 ordinary shares representing approximately 14.99% of the current issued share capital of the Company, at a price not less than the nominal value of the ordinary shares, and not more than 5% above the average middle market quotations for the 5 business days before purchase. The Directors have no present intention of making such purchases, but are seeking to gain this authority so as to be able to act at short notice if circumstances require.

Details of shares issued during the year are contained in note 18 to the financial statements.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of BDO Stoy Hayward (who were appointed by the Directors to fill a vacancy on 23 January 2002) as auditors to the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
M C G Amos
Secretary
11 September 2002



The Board of Directors is accountable to the Company's shareholders for good corporate governance and this statement describes how the principles of the Combined Code have been applied.

COMPLIANCE WITH THE COMBINED CODE

There is commitment to high standards of corporate governance throughout the Group.

The Company considers that it has complied with the provisions set out in Section 1 of the Combined Code throughout the reporting period, except that the non-executive Directors have not been appointed for specific terms, although this matter is under review.

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

Board composition and activities

During much of the year, the Board consisted of four executive and five non-executive Directors, but this has now reduced to four executive and three non-executive Directors. It met formally seven times and the executive Directors meet regularly to monitor and guide performance. Reports are sent to shareholders every half year.

At its regular meetings, the Board reviews trading performance, ensures adequate funding is available, sets and monitors strategy and considers both internal and external growth. To enable the Board to function effectively and for Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board Meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters.

The Board has a schedule of matters reserved to it for decision. This includes material capital commitments, commencing or settling major litigation and business acquisitions and disposals.

All the non-executive Directors are regarded as independent of management, although they all represent or have significant shareholdings. Mr Hobhouse is regarded as the senior independent Director.

Independent professional advice

Agreed procedures for Directors to take independent professional advice in the furtherance of their duties and at the Company's expense, have been established. This is in addition to the access which every Director has to the Company Secretary, who is charged by the Board with ensuring that Board procedures are followed.

Training

It is the Company's policy to provide relevant training where necessary to new Directors to enable them to fulfil their duties. In view of the experience and/or previous training of Messrs Rose and Naughton-Rumbo, it is felt that they require no further specific training in the duties and responsibilities of a listed company director.

Re-election

All Directors are subject to re-election by shareholders at the first opportunity after their appointment and to re-election thereafter at intervals of no more than three years.

Board Committees

The Board has established Audit and Remuneration Committees, comprising all the non-executive Directors and both Committees have written terms of reference. The Audit Committee meets at least once a year and is responsible for reviewing the accounting procedures and controls prior to the publication of the Company's financial statements. It also acts as a communications route for the auditors and sets their remuneration.

In view of the importance of the matter and the size of the Board, the responsibility for proposing and considering candidates for appointment to the Board is retained by the Board.

GOING CONCERN

Based on current financial projections and facilities available, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROL

The Directors are responsible for the Company's system of internal financial control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Among the procedures designed to maintain an appropriate system of internal financial control are the following :-

- The executive Directors and senior management play a significant role in the day to day operation of the business with financial results reviewed on a weekly basis. Management accounts are produced monthly, giving detailed analysis of variance from plan, and variances are followed up vigorously.
- A strong emphasis is placed on the quality of staff including management training and development.
- An organisational structure is maintained with clearly defined levels of authority and division of responsibilities.
- The Audit Committee meets with the external auditors to review specific accounting, reporting and internal control matters.

The Board and the Audit Committee review the need for an internal audit function on an annual basis and do not consider this to be necessary at this stage in the Company's development.

The Combined Code has also introduced a requirement that the Directors review the effectiveness of the Company's internal controls. This extended the previous requirement in respect of internal financial controls to include financial, operational, compliance and risk management.

Subject to periodic formal review by the Board, the executive Directors and senior management are responsible for the determination and operation of internal control within the Company and the identification and evaluation of key risks applicable to their areas. The risks identified cover areas such as control breakdowns, disruption in information systems, competition, natural catastrophes and regulatory requirements.

In addition, risks are appraised through the annual process of preparing business plans and budgets, as well as reviewing capital expenditure proposals.

The Company has control procedures in place to safeguard assets, including regular physical controls and segregation of duties, all subject to management review.

RELATIONS WITH SHAREHOLDERS

The Company sends the full report and accounts and notice of the Annual General Meeting to all shareholders at least 20 working days before the Meeting and copies are available on request to other parties who have an interest in the Company's performance.

There is regular dialogue with individual institutional shareholders and analysts as well as general presentations after the announcement of the interim and preliminary results. All shareholders have the opportunity to put questions at the Company's Annual General Meeting and, where possible, all Directors attend. The Chairman also indicates the level of proxy voting on each resolution at the Meeting.



COMPLIANCE

The Remuneration Committee currently comprises Messrs Gyle-Thompson (who chairs the Committee), Hobhouse and Drayton, with any two non-executive Directors making a quorum.

The Committee is responsible for the determination of the emoluments of executive Directors, including salary and benefits, pension contributions, share options and their inclusion in bonus and/or profit sharing schemes. The Chief Executive is consulted about the salaries of the executive Directors, but not his own. Each such executive Director abstains from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on his own remuneration package. The details of each executive Director's individual package are fixed by the Committee in line with the policy adopted by the full Board. The Report of the Independent Auditors on the financial statements set out on page 15 confirms that the scope of that report covers the disclosures contained in this report that are specified for audit by the UK Listing Authority.

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

The Remuneration Committee aims to ensure that the remuneration packages of the executive Directors will attract, retain and motivate executive Directors of the quality required and will encourage and reward superior performance in a manner which is consistent with the interests of shareholders.

The Committee sets the employment terms and remuneration of the executive Directors so that they are aligned with the performance of the Company, with the individual's contribution to that performance, and to be competitive with similar positions in comparable companies in the retail sector.

In framing its remuneration policy, the Committee has given full consideration to the matters set out in the Combined Code.

The remuneration package for each executive Director comprises:

- A basic salary which is reviewed annually by the Committee;
- Other benefits, mainly comprising a fully expensed company car, private health insurance and contributions to personal pension schemes;
- A bonus scheme, which is based on an increase in profit before taxation and requires a meaningful improvement to be achieved before any bonus is earned.
- Share options granted under the rules of the Company's Share Option Schemes.

DIRECTORS' SHARE INTERESTS

The Directors who held office during the year, and their holdings of ordinary shares of 5p each in the Company at the beginning (or date of appointment if later) and the end of the year, were as follows:

	2002	2001
W A Hobhouse	4,052,150	5,177,150
D C G Gyle-Thompson	2,129,910	3,254,910
R S Rose (appointed 28 August 2001)	835,782	328,282
J P G Hilton	66,298	66,298
M H Naughton-Rumbo (appointed 1 December 2001)	10,000	—
B R W Hay	2,000	2,000
H C Drayton	—	—
R H Knight (resigned 27 August 2001)	—	3,000
S Novick (appointed 13 March 2001, resigned 22 February 2002)	—	—
D J K Turnbull (resigned 22 February 2002)	—	—

Apart from 2,079,910 shares of Mr Gyle-Thompson, 1,797,384 shares of Mr Hobhouse and 85,000 shares of Mr Rose, all shares are held beneficially.

As at 11 September 2002, being not more than one month before the date of the notice of the Annual General Meeting, the only change to the shareholdings shown above was that Mr Rose purchased 3,190 shares.

DIRECTORS' INTERESTS IN SHARE OPTIONS

The following table sets out information relating to outstanding options as at 31 May 2002 granted to current Directors under the Executive Share Option schemes, further details of which are given in note 18:

	At 1 June 2001	Granted during the year	Exercised during the year	Lapsed during the year	At 31 May 2002	Exercise price	Exercise period or date of lapse
R S Rose	–	100,000	–	–	100,000	50p	10/04-10/11
	–	1,250,000	–	–	1,250,000	60p	10/04-10/11
M H Naughton-Rumbo	–	400,000	–	–	400,000	27p	01/05-01/12
B R W Hay	16,500	–	–	–	16,500	181.5p	06/00-06/04
	200,000	–	–	–	200,000	25p	03/01-02/03
	–	200,000	–	–	200,000	30.4p	10/04-10/11
	70,000	–	–	70,000	–	62p	16/09/01
	150,000	–	–	150,000	–	76.9p	14/02/02
J P G Hilton	50,000	–	–	–	50,000	60p	02/02-02/09
	20,000	–	–	20,000	–	62p	16/09/01
	20,000	–	–	20,000	–	76.9p	14/02/02

In addition, Mr Hay has options over 28,341 shares under the Company's SAYE scheme at an exercise price of 33.52p per share, maturing on 1 May 2005.

On 25 January 2002, Richard Knight (a former Director) exercised an option over 200,000 shares at 25p per share, the remaining 350,000 share options held by him having lapsed on the cessation of his employment. 200,000 of those options had been granted at 62p and 150,000 at 76.9p.

Mr Hobhouse had an option over 200,000 shares at an option price of 76.9p which lapsed on 14 February 2002.

The mid market price of the Company's shares at 31 May 2002 was 73.5p. The highest and lowest market values during the year were 85.5p and 24p respectively.

As at 11 September 2002, being not more than one month before the notice of the Annual General Meeting, there had been no changes to the options shown above.

DIRECTORS' SERVICE CONTRACTS AND EMOLUMENTS

Service contracts are in place for each executive Director which are subject to termination on six months' notice, on either side, increasing to two years' given by the Company on change of control of the Company for Messrs Hay and Hilton. In the case of Messrs Rose and Naughton-Rumbo, notice to be given by the Company increases to one year on change of control of the Company.

The remuneration of non-executive Directors is determined by the executive Directors, and they are not eligible for bonus or share options. They have not been appointed for specific terms, but this matter is under review.

Details of the emoluments of individual Directors are given in note 5 to the financial statements.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 Group at the end of the period, and of the profit and loss of the Group 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 accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 or other irregularities.



Independent Auditors' Report to the shareholders of Whittard of Chelsea Plc

We have audited the financial statements of Whittard of Chelsea Plc for the year ended 31 May 2002 which comprise the Profit and Loss Account, the Balance Sheets, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 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 or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the statements on Corporate Governance included within the Directors' Report reflect the Group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Statement, the Corporate Governance Statement and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 May 2002 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants and
Registered Auditors
11 September 2002

BDO Stoy Hayward



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 May 2002

	Notes	2002 £'000	2001 £'000
TURNOVER	1	35,226	34,503
Cost of Sales	2	<u>(30,770)</u>	<u>(32,043)</u>
GROSS PROFIT		4,456	2,460
Distribution costs		(823)	(2,915)
Administration expenses		<u>(2,382)</u>	<u>(2,505)</u>
OPERATING PROFIT/(LOSS)	3	1,251	(2,960)
Interest payable and similar charges	6	(161)	(83)
Interest receivable	7	39	67
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,129</u>	<u>(2,976)</u>
Tax on profit/(loss) on ordinary activities	8	<u>(23)</u>	<u>(78)</u>
RETAINED PROFIT / (LOSS) FOR THE YEAR	19	<u>1,106</u>	<u>(3,054)</u>
EARNINGS PER SHARE - BASIC	9	5.1p	(14.9p)*
- DILUTED	9	5.1p	(14.9p)*

The profit and loss account contains all gains and losses recognised in the current year and preceding year and all amounts relate to continuing operations.

*These figures are restated to exclude shares held by the employee share ownership trust.

The notes on pages 21 to 29 form part of these financial statements.

BALANCE SHEETS

As at 31 May 2002

	Notes	2002 £'000	Group 2001 £'000	2002 £'000	Company 2001 £'000
FIXED ASSETS					
Tangible assets	10	3,463	3,964	3,463	3,964
Investment in own shares	11	249	242	249	242
		<u>3,712</u>	<u>4,206</u>	<u>3,712</u>	<u>4,206</u>
CURRENT ASSETS					
Stocks	12	3,232	3,503	3,232	3,503
Debtors	13	2,156	1,538	2,174	1,556
Cash at bank and in hand		1,574	847	1,574	847
		<u>6,962</u>	<u>5,888</u>	<u>6,980</u>	<u>5,906</u>
CREDITORS: amounts falling due within one year	15	(4,319)	(4,693)	(4,257)	(4,631)
NET CURRENT ASSETS		<u>2,643</u>	<u>1,195</u>	<u>2,723</u>	<u>1,275</u>
TOTAL ASSETS					
LESS CURRENT LIABILITIES		6,355	5,401	6,435	5,481
CREDITORS: amounts falling due after more than one year	16	(5)	(355)	(5)	(355)
NET ASSETS		<u>6,350</u>	<u>5,046</u>	<u>6,430</u>	<u>5,126</u>
CAPITAL AND RESERVES					
Called up share capital	18	1,116	1,084	1,116	1,084
Share premium account	19	5,414	5,248	5,414	5,248
Profit and loss account	19	(180)	(1,286)	(100)	(1,206)
SHAREHOLDERS' FUNDS-EQUITY		<u>6,350</u>	<u>5,046</u>	<u>6,430</u>	<u>5,126</u>

Approved by the Board on 11 September 2002 and signed on its behalf by:


W A Hobhouse
Chairman

M H Naughton-Rumbo
Finance Director

The notes on pages 21 to 29 form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 May 2002

	Notes	2002 £'000	2001 £'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	24	1,772	(895)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		39	67
Interest paid		(161)	(83)
NET CASH (OUTFLOW) FROM INVESTMENTS AND SERVICING OF FINANCE		(122)	(16)
TAXATION		64	(274)
CAPITAL EXPENDITURE			
Proceeds from disposal		16	—
Payments to acquire investments		(7)	(242)
Payments to acquire tangible fixed assets		(769)	(1,498)
NET CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		954	(2,925)
MANAGEMENT OF LIQUID RESOURCES			
Cash removed from/(placed upon) deposit		500	3,070
FINANCING			
Capital element of hire purchase payments		(304)	(296)
Issue of share capital		50	—
ESOT borrowings		27	266
NET CASH (OUTFLOW) FROM FINANCING		(227)	(30)
INCREASE IN CASH FOR THE YEAR		1,227	115

The notes on pages 21 to 29 form part of these financial statements.



Accounting Convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. No profit and loss account is presented for the Company as permitted by Section 230(3) of the Companies Act 1985.

The Group has adopted FRS18 ("Accounting Policies") and FRS19 ("Deferred Tax") during the period. Implementation has had no material effect on results previously reported and has not led to any prior year adjustments.

Accounting Reference Date

The accounting reference date of the Group is 31 May. The current year's results are for the 52 week period ended 26 May 2002 (2001: 52 weeks to 27 May 2001).

Basis of Consolidation

The Group accounts include those of the Company and all of its subsidiaries. All intercompany balances and transactions are eliminated fully on consolidation.

Turnover

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax.

Depreciation

Depreciation is provided on all tangible fixed assets on a straight-line balance basis at rates calculated to write off the cost of each asset over its expected useful life as follows:

Office and computer equipment	25%
Plant and equipment	15%
Shop fittings	15%

Depreciation is provided on leasehold property to write off the cost over the life of the lease.

Stocks

Stocks are stated at the lower of cost (being purchase price including transport and handling costs) and net realisable value. Net realisable value means estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred Taxation

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

Leasing Contracts

Assets acquired under hire purchase contracts are included in tangible fixed assets and depreciated over their useful lives. The capital elements of future obligations under hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the obligations are charged in the profit and loss account over the period of the contract on a straight line basis.

Payments made under operating leases are charged to the profit and loss account as incurred.



ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 May 2002

Foreign Currency

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising in the ordinary course of business are included in the operating profit. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Rent Free Periods and Landlord Contributions

The benefit arising from rent free periods and landlord contributions is spread on a straight line basis over the period to the first rent review.

Pension Costs

The Company pays into personal pension schemes of selected staff. This is charged to the profit and loss account in the year in which payments become due.

Liquid Resources

A liquid resource is a readily available source of cash held with a bank which has a maturity period of more than twenty four hours.

Financial instruments

Short term debtors or creditors are not treated as financial assets or liabilities for disclosure purposes, other than for currency disclosures.

The Group does not hold or issue derivative financial instruments for trading purposes.

The principal derivative instruments used by the Group are forward exchange contracts. The Group does not enter into speculative derivative contracts. Forward exchange is used for hedging purposes to minimise the underlying exposure of the Group in accordance with the Group's risk policies.

The costs and benefits arising from the arrangements to mitigate the effect of exchange rate fluctuations on the results are dealt with in the profit and loss account in the year in which the related exposure arises.

Transactions denominated in foreign currencies are recorded at the rates entered into on the date of transaction unless forward contracts have been taken out, in which case the rate specified by the contract is used.

Employee share ownership trust

The Company is deemed to have control of the assets, liabilities, income and costs of its employee share ownership trust (ESOT). It has therefore been included in the financial statements of the Group and the Company in accordance with UITF 13.

The ordinary shares of the Company held by the ESOT are included in fixed asset investments and written down to the option price over the minimum period of service to which the conditions attached to the shares relate.

The borrowings of the ESOT, which have been guaranteed by the Company, are included in borrowings with the net financing costs of the ESOT being shown as finance charges in the profit and loss account.

The shares are treated as cancelled for the purposes of calculating earnings per share.

Share based employee remuneration

Where shares and share options are granted to employees and to the extent that the grant price is below the share price at the date of grant, a charge is made to the Group profit and loss account and a reserve created in capital and reserves to record the fair value of the awards in accordance with UITF Abstract 17 "Employee Share Schemes".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2002

1. TURNOVER AND SEGMENTAL ANALYSIS

The turnover, profit and net assets are attributable to one activity, being sales of tea, coffee and associated products, which arise predominantly in the United Kingdom.

	2002		2001	
	Turnover	Gross Profit	Turnover	Gross Profit
	£'000	£'000	£'000	£'000
Retail	33,382	3,944	32,751	1,966
Wholesale	1,844	512	1,752	494
Total	<u>35,226</u>	<u>4,456</u>	<u>34,503</u>	<u>2,460</u>

2. COST OF SALES

Included within the comparatives for cost of sales are exceptional costs of £1,526,000. This was the aggregate of the write off of fixed assets relating to the internet business of £581,000 and £945,000 for the write off of the balance of goodwill in BestofBritish.com purchased in July 2000.

3. OPERATING PROFIT/(LOSS)

	2002 £'000	2001 £'000
This is stated after charging:		
Depreciation of owned fixed assets:		
Other	927	1,094
Exceptional	-	581
Depreciation of assets held under hire purchase contracts	308	308
Amortisation of goodwill:		
Other	-	105
Exceptional	-	945
Hire of plant and machinery-operating lease	80	68
Hire of other assets-operating lease	5,916	5,908
Auditors' remuneration:		
Audit services	38	36
Other services	9	38

4. STAFF COSTS

The average number of persons including Directors employed by the Company during the period was:

	2002 Number	2001 Number
Executive Directors	4	5
Administration Staff	21	13
Sales & warehouse (full and part time)	<u>463</u>	<u>567</u>
	<u>488</u>	<u>585</u>

Staff costs including Directors during the year amounted to:

Wages and salaries	6,219	6,575
Social security costs	320	440
Other pension costs	30	22
	<u>6,569</u>	<u>7,037</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2002

5. DIRECTORS' EMOLUMENTS

	Salary	Fees	Pension Contri- butions	Compensation	Benefits	Total 2002	Total 2001
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executives							
R S Rose	125	—	10	—	1	136	—
M H Naughton-Rumbo	48	—	3	—	2	53	—
J P G Hilton	48	—	1	—	6	55	49
B R W Hay	80	—	7	—	8	95	83
S N S Hill-Norton	—	—	—	—	—	—	29
R H Knight	23	—	5	47	4	79	107
Non-Executives							
W A Hobhouse	10	30	4	—	11	55	155
D C G Gyle-Thompson	—	8	—	—	—	8	95
L Johnson	—	—	—	—	—	—	8
M Graham	—	—	—	—	—	—	8
D Turnbull	—	8	—	—	—	8	10
H Drayton	—	10	—	—	—	10	9
S Novick	—	8	—	—	—	8	2
Total	334	64	30	47	32	507	555

Mr Hobhouse's salary detailed above was paid whilst he held the position of executive Chairman. He became non-executive Chairman on 28 August 2001. The comparative figure relates to Mr Hobhouse's previous role as Chief Executive. The pension contributions are paid into defined contribution schemes. Further details on Directors' emoluments are given in the Remuneration Report on page 12.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Bank loans and overdrafts	133	4
Hire purchase interest	28	72
Other interest	—	7
	<u>161</u>	<u>83</u>

7. INTEREST RECEIVABLE

Money market and bank deposit interest	<u>39</u>	<u>67</u>
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2002

8. TAXATION

	2002 £'000	2001 £'000
UK corporation tax on profits for the period	442	—
(Over)/under provision in respect of prior periods	(171)	(18)
Overseas taxation	—	96
Total current tax	<u>271</u>	<u>78</u>
Deferred Tax		
Origination and reversal of timing differences:		
- current year	187	—
- relating to prior year	(435)	—
Total deferred tax	<u>(248)</u>	<u>—</u>
Tax on profit/(loss) on ordinary activities	<u>23</u>	<u>78</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	<u>1,129</u>	<u>(2,976)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	339	(893)
Effects of:		
Expenses not deductible for tax purposes	307	387
Capital allowances for the period (in excess of)/less than depreciation	(12)	183
(Utilisation)/generation of tax losses	(161)	316
Movement in provisions	(15)	7
Marginal reliefs	(16)	—
Adjustments to tax charge in respect of previous periods	(171)	(18)
Higher tax rates on overseas earnings	—	96
	<u>271</u>	<u>78</u>

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit on ordinary activities after taxation of £1,106,000 (2001: loss £3,054,000) divided by the weighted average number of ordinary shares in issue during the year of 21,683,218, excluding those held by the employee share ownership trust (2001: 20,491,009).

The earnings/loss per share comparative figures have been restated to exclude shares held by the employee share ownership trust.

The number of shares used to calculate diluted earnings per share is 21,872,882 (2001: 20,491,009), including the effect of dilutive share options totalling 189,664 (2001: nil). The effect of dilutive share options on the earnings figure used to calculate diluted earnings per share is nil.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2002

10. TANGIBLE FIXED ASSETS

Group and Company

	Short Leasehold Property £'000	Shop Fittings £'000	Plant and Equipment £'000	Office Equipment £'000	Total £'000
Cost					
31 May 2001	1,180	6,901	544	2,144	10,769
Additions	–	457	86	226	769
Disposals	(37)	(73)	(4)	–	(114)
31 May 2002	1,143	7,285	626	2,370	11,424
Depreciation					
31 May 2001	484	4,749	397	1,175	6,805
Charge for year	80	665	50	440	1,235
Disposals	(32)	(44)	(3)	–	(79)
31 May 2002	532	5,370	444	1,615	7,961
Net Book Value					
31 May 2002	611	1,915	182	755	3,463
31 May 2001	696	2,152	147	969	3,964

Included within Office Equipment balances for both Group and Company are assets held under hire purchase contracts which have a net book value of £359,000 (2001: £668,000).

11. INVESTMENTS IN OWN SHARES

Group and Company	2002 £'000	2001 £'000
Investment in own shares	249	242

The Employee Share Ownership Trust (ESOT) was set up under Trust Deed in September 1999, the trustees of which are Guinness Flight Trustees. The purpose of the ESOT is to encourage and reward the Directors and employees of the Company.

All costs relating to the ESOT are recognised in the profit and loss account. No dividends have been paid in respect of the shares held by the ESOT.

As at 31 May 2002 outstanding options had been granted over 223,800 of the 410,000 shares owned by the ESOT under the 1998 Approved Executive Scheme and the 1998 Unapproved Executive Scheme, at exercise prices between 27p and 76.9p per share. No options had been exercised at the balance sheet date.

The only movement during the year was the purchase by the ESOT of 10,000 shares at 68.78p per share.

The Group's policy is to account for these shares at cost less provision for any permanent diminution in value. The Directors consider the carrying value of these shares to be fairly stated.

Group undertakings include:

Subsidiary	% owned	Activity	Country of incorporation
SARL Whittard of Chelsea	100	Dormant	France
Whittard and Company Limited	100	Dormant	Great Britain
Whittard Trading Company Limited	100	Dormant	Great Britain
The BestofBritish.com Limited	100	Dormant	Great Britain



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2002

12. STOCKS

Group and Company	2002 £'000	2001 £'000
Finished goods	<u>3,232</u>	<u>3,503</u>

13. DEBTORS

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Trade debtors	567	529	567	529
Amounts owed by group undertakings	—	—	18	18
Other debtors	537	226	537	226
Corporation tax	24	88	24	88
Prepayments and accrued income	780	695	780	695
Deferred taxation (note 14)	<u>248</u>	<u>—</u>	<u>248</u>	<u>—</u>
	<u>2,156</u>	<u>1,538</u>	<u>2,174</u>	<u>1,556</u>

14. DEFERRED TAX ASSET

Group and Company

Accelerated capital allowances	234	—
Short term timing differences	14	—
Deferred tax asset	<u>248</u>	<u>—</u>
Deferred tax brought forward	—	—
Deferred tax credit in profit and loss account	248	—
Deferred tax asset	<u>248</u>	<u>—</u>

In the year ended 31 May 2001 there was an unprovided deferred tax asset of £451,000 of which £435,000 (comprising £160,000 relating to losses, £247,000 relating to capital allowances and £28,000 relating to short term timing differences) has been recognised and £187,000 has been utilised in the current year.

Unprovided deferred tax of £16,000 at 31 May 2002 (2001: £16,000) relates to capital losses.

Due to the return to profitability, the Directors believe that the deferred tax asset is now fully recoverable.

15. CREDITORS

amounts falling due within one year:

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Hire purchase creditor	386	340	386	340
Trade creditors	2,072	1,803	2,072	1,803
Corporation tax	271	—	271	—
Other taxation and social security	206	276	206	242
Other creditors	90	430	28	430
Accruals and deferred income	1,000	1,577	1,000	1,549
ESOT borrowings	<u>294</u>	<u>267</u>	<u>294</u>	<u>267</u>
	<u>4,319</u>	<u>4,693</u>	<u>4,257</u>	<u>4,631</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2002

16. CREDITORS

amounts falling due after more than one year:

Group and Company

	2002 £'000	2001 £'000
Hire purchase creditor	<u>5</u>	<u>355</u>

17. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

Group and Company

Amounts payable:

Within one year	414	368
In more than one but not more than two years	<u>6</u>	<u>383</u>
	<u>420</u>	<u>751</u>
Less: finance charges allocated to future periods	<u>(29)</u>	<u>(56)</u>
	<u>391</u>	<u>695</u>

18. SHARE CAPITAL

Group and Company

Authorised 28,000,000 Ordinary shares of 5p each	<u>1,400</u>	<u>1,400</u>
Called up share capital 22,314,186 (2001: 21,679,729) Ordinary shares of 5p each	<u>1,116</u>	<u>1,084</u>

On 14 August 2001, 434,457 shares were issued in settlement of a debt with a value of £148,000 due by the Company to a related party, HTNM LLC, in respect of an agreement to take advertising space. The market value of the shares issued, being at 34p per share, was accrued in the balance sheet at 31 May 2001. On 30 January 2002, 200,000 shares were issued at 25p per share under the terms of the 1996 unapproved executive share option scheme.

The Company operates Approved and Unapproved Executive Share Option Schemes. In addition there is a savings related (SAYE) approved share option scheme for employees. Details of options outstanding are given below:-

	Outstanding at 31 May 2001	Granted in Year	Lapsed in Year	Exercised in Year	Outstanding at 31 May 2002
1990 Approved Executive Scheme	224,500	--	48,000	--	176,500
1998 Approved Executive Scheme	225,300	35,000	56,500	--	203,800
1996 Unapproved Executive Scheme	1,162,000	--	762,000	200,000	200,000
1998 Unapproved Executive Scheme	20,000	--	--	--	20,000
2001 Unapproved Executive Scheme	--	2,200,000	--	--	2,200,000
SAYE Approved Scheme	196,616	392,610	156,231	--	432,995
	<u>1,828,416</u>	<u>2,627,610</u>	<u>1,022,731</u>	<u>200,000</u>	<u>3,233,295</u>

On 17 October 2001, options over 1,250,000 shares were granted at 60p per share under the 2001 Unapproved Executive scheme, together with 100,000 at 50p and 400,000 at 30.4p. All are exercisable by 16 October 2011. A further 450,000 were granted under that scheme on 25 January 2002 at 27p, exercisable by 24 January 2012. On 25 January 2002, options over 35,000 shares were granted at 27p under the 1998 Approved Executive scheme, exercisable by 24 January 2012. On 4 March 2002 options over 392,610 shares were granted under the SAYE scheme at 33.52p per share. Of those, 261,289 are normally exercisable after three years and 131,321 after 5 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2002

19. MOVEMENTS ON RESERVES

Group	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 31 May 2001	5,248	(1,286)	3,962
Retained profit for the year	–	1,106	1,106
New share capital subscribed	166	–	166
At 31 May 2002	5,414	(180)	5,234

Company	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 31 May 2001	5,248	(1,206)	4,042
Retained profit for the year	–	1,106	1,106
New share capital subscribed	166	–	166
At 31 May 2002	5,414	(100)	5,314

Whittard of Chelsea Plc profit and loss account

In accordance with section 230 of the Companies Act, the Company has not presented its own profit and loss account. The Company's profit for the financial year was £1,106,000 (2001: loss £2,982,000).

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Profit/(loss) for the year	1,106	(3,054)	1,106	(2,982)
New share capital subscribed				
less expenses of issue	198	1,050	198	1,050
	1,304	(2,004)	1,304	(1,932)
Opening shareholders' funds	5,046	7,050	5,126	7,058
Closing shareholders' funds	6,350	5,046	6,430	5,126

21. CAPITAL COMMITMENTS

Group and Company

Expenditure contracted but not provided in the financial statements	300	–
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22. OPERATING LEASES AND EQUIPMENT HIRE AGREEMENTS

As at 31 May 2002, the Group and Company had annual commitments under non-cancellable operating leases as set out below:

	2002		2001	
	£'000 Land and Buildings	£'000 Other	£'000 Land and Buildings	£'000 Other
Less than one year	319	33	79	12
2 to 5 years	351	24	484	61
More than 5 years	5,426	–	5,440	–
	6,096	57	6,003	73



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2002

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	2002 £'000	2001 £'000
Increase/(decrease) in cash in the year	1,227	115
Capital element of hire purchase repayments	304	296
ESOT borrowings	(27)	(266)
Cash (outflow)/inflow from liquid resources	(500)	(3,070)
Increase/(decrease) in net funds in the year	1,004	(2,925)
Net funds at 1 June 2001	(115)	2,810
NET FUNDS/(DEBT) AS AT 31 MAY 2002	889	(115)

24. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

Operating profit/(loss)	1,251	(2,960)
Depreciation and amortisation charge	1,235	3,033
Loss on disposal of fixed assets	19	122
Decrease/(increase) in stocks	271	(478)
Increase in debtors	(434)	(95)
Decrease in creditors	(570)	(517)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1,772	(895)

25. ANALYSIS OF NET FUNDS/(DEBT)

	At 1 June 2001 £'000	Cash flow £'000	At 31 May 2002 £'000
Cash at bank and in hand	347	1,227	1,574
Money market deposit	500	(500)	-
ESOT borrowings	(267)	(27)	(294)
Hire purchase contracts	(695)	304	(391)
Total net funds/(debt)	(115)	1,004	889

26. MAJOR NON CASH TRANSACTION

During the year the Company issued shares with a market value of £148,000 to defray a liability on advertising placed with a related company as set out in note 29.

27. FINANCIAL INSTRUMENTS

Currency risk

The Directors consider that foreign currency fluctuation is one of the main risks affecting the Company. The major currency risk relates to stock purchased from the Far East in US Dollars. The Company therefore enters into Forward Exchange contracts for US Dollars to cover committed stock intake from the Far East.

Exchange contracts at the period end amounted to £344,000 (\$500,000) (2001: £772,000 - \$1,100,000). Other non-sterling stock purchases are not considered to be a material risk.

Interest rate and currency profile of financial instruments at year end

The disclosures set out below exclude short-term debtors and creditors as permitted under FRS13.

	Fixed rate 2002 £'000	Fixed rate 2001 £'000	Floating rate 2002 £'000	Floating rate 2001 £'000
Financial Liabilities				
Sterling	391	694	-	593

27. FINANCIAL INSTRUMENTS (CONTINUED)

The fixed rate liability consists of a Hire Purchase contract, £386,000 of which is due within one year and the balance within the next two years. All floating rate financial liabilities mature on demand.

Interest rate risk

The floating rate borrowings bear interest at rates based on HSBC bank base rate plus 1.25% and are repayable on demand. The weighted average fixed interest rate of the Hire Purchase contract at the year end was 8%.

Financial Assets

As at 31 May 2002, fixed rate financial assets were £nil (2001: £500,000 - comprising amounts deposited on the money market at a fixed rate of 5.19%).

As at 31 May 2002 the remaining financial assets comprised sterling cash balances which did not attract interest (2001: the remaining financial assets comprised Euro cash balances of £297,000, with the balance represented by sterling cash balances. None of those assets attracted interest).

Fair Value

The above financial assets and liabilities are short-term bank and overdraft balances. Accordingly they are stated at fair value.

Undrawn borrowing facilities

The Group has various committed multi-currency facilities reviewable by the bank in September 2002. The facilities at 31 May 2002 were as follows:

	2002 £'000	2001 £'000
One year or less	<u>600</u>	<u>1,200</u>

From 1 June 2002 the borrowing facility increased to £1,200,000.

28. CONTINGENT LIABILITIES

The Company has guaranteed the borrowings of the Employee Share Ownership Trust. At 31 May 2002, such borrowings amounted to £294,000 (2001: £267,000).

29. RELATED PARTY TRANSACTIONS

Included within administrative expenses are the consultancy fees from Fowler Partners LLP of £23,500, a firm in which Mr Hobhouse has a beneficial interest and Onslow Boyd Group Limited, a company which is a shareholder of the Company, of which Mr Gyle-Thompson is a Director and in which he is beneficially interested, for £25,000 (2001: £25,000).

As set out in note 18, on 14 August 2001 434,457 shares were issued in settlement of a debt with a value of £148,000 due by the Company to a related party, HTNM LLC, in respect of an agreement to take advertising space. The market value of the shares issued, being 34p per share, was accrued in the balance sheet at 31 May 2001.



RETAIL TRADING LOCATIONS

Berkshire

Reading, Unit 27, The Oracle Centre

Birmingham

Birmingham, Unit 11, Pavillions
Solihull, 10 Mill Lane

Bristol

Bristol, Unit 21, Broadmead
Bristol, Cribbs Causeway

Buckinghamshire

Milton Keynes, 18 Food Hall
Milton Keynes, Unit 11, Sunset Walk

Cambridgeshire

Cambridge, 24 Petty Cury

Cheshire

Altrincham, 54 George St
Chester, Unit 7, 8 Northgate St
South Wirral, Cheshire Oaks

Cornwall

Truro, 3 King St

Derbyshire

Mansfield, Unit 3, McArthur Glen Outlet

Devon

Exeter, 199 High St

Dorset

Bournemouth, 81 Old Christchurch Ln

Durham

Durham, 14 Market Place

East Anglia

Ipswich, 34 Tavern St

Essex

Braintree, Unit 1, Freeport Braintree Designer
Outlet Village
Chelmsford, Unit 4 The Meadows
Colchester, 44a High St
Lakeside Shopping Centre, West Thurrock,
Unit 18

Gloucestershire

Cheltenham, 98 The Promenade
Cirencester, 5 Cricklade St

Hampshire

Portsmouth, Unit 70, Gunwharf Quays
Winchester, 11 High St

Hertfordshire

Hatfield, Unit 75/76 The Galleria
Hemel Hempstead, Unit 18, The Marlowes
Centre
St Albans, 27 Market Place
Watford, Unit 23D, The Harlequin Centre

Kent

Ashford, MacArthur Glenn Designer Outlet
Village, Unit 50CC
Bromley, Unit SU12, The Glades
Canterbury, 23, High St
Bluewater Shopping Centre, Unit 52a
Tunbridge Wells, SU69, Royal Victoria Place

Lancashire

Blackpool, 61 Victoria St
Manchester, 95 Deansgate
Manchester, 6 Market St
The Trafford Centre, Unit C106

Leicestershire

Leicester, 59 The Shires Shopping Centre

London

EC2 74 Moorgate
NW3 41 Hampstead High St
NW4 Unit R1, Brent Cross Shopping Centre
SW11 73 Northcote Rd
SW15 Unit 24, The Putney Exchange
SW19 Unit 307, Centre Court, Wimbledon
SW1 14 Kingsgate Parade, Victoria St
SW1 17a Victoria Plc, Victoria Station
SW1 Unit 1, 29 Buckingham Palace Rd
SW3 203/205 Brompton Rd
SW3 184 Kings Rd
W1 65/67 Regent St
W1 38 Oxford St
W1 43 Carnaby Street
W1 127 Tottenham Court Rd
W1 Unit 7 Trocadero Centre
W2 33 Whiteleys Centre, Bayswater
W4 322 Chiswick High Rd
W5 Unit 24, Ealing Broadway
W8 209 High Street Kensington
WC2 38 Covent Garden Market
WC2 435 The Strand

Middlesex

HEATHROW Terminal 2
HEATHROW Terminal 3

Norfolk

Norwich, 7 Back of the Inns

Nottinghamshire

Nottingham, Unit 2, Bridlesmith Gate

Oxfordshire

Oxford, 15 High St
Oxford, 19 Westgate

Peterborough

Hampton, Unit 15D, Serpentine Green
Shopping Centre

Shropshire

Shrewsbury, 45 Pride Hill

Slough

Windsor, 9 Peascod St

Somerset

Bath, 10 Stall St
Bath, 14 Union Passage
Taunton, 32 Fore St

Southampton

Southampton, Unit 37, The Marland Shopping
Centre

Surrey

Guildford, 19 Swan Lane
Kingston, Unit S11, The Bentall Centre
Richmond, 12 Hill St
Woking, Unit 501, The Peacocks Shopping
Centre

Sussex

Brighton, Unit 14, Churchill Sq

Warwickshire

Leamington Spa, 20 Parade
Stratford-upon-Avon, 14 High St

West Sussex

Chichester, 12 East St
Horsham, Swan Walk Shopping Centre

Wiltshire

Salisbury, 15 Butcher Row
Swindon, 9a The Arcade, The Brunel Shopping
Centre
Swindon, Unit 74, The Great Western
Designer Outlet Village

Worcestershire

Worcester, Unit C3A, Crown Gate Shopping
Centre

York

Doncaster, Unit 2, The Yorkshire Outlet, White
Rose Way
Leeds, 38 Lands Lane
Meadowhall Shopping Centre, Sheffield
York, Unit 97, McArthur Glen Designer Outlet
Village
York, 46 Parliament St

SCOTLAND

Dumfries and Galloway

Gretna Green, Unit S33, Gateway Outlet
Village

Edinburgh

Edinburgh, 23 Princess St

Glasgow

Glasgow, 95 Buchanan St
Braehead Shopping Centre, 112 Kings Inch Rd

Perth

Perth, 87-89 High St

West Lothian

Livingston, Unit 50, McArthur Glen Designer
Outlet Village

WALES

Bridgend

Bridgend, Unit 22, Welsh Designer Centre

Cardiff

Cardiff, 22a Queens Arcade

INTERNATIONAL

Chile
Japan
Poland
Taiwan
Latvia

CUSTOMER SERVICE

0800 0154 394 info@whittard.co.uk

MAIL ORDER

0800 0154 395 info@whittard.co.uk



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixth Annual General Meeting of Whittard of Chelsea Plc will be held at Union Court, 22 Union Road, London, SW4 6JP on 24 October 2002 at 12 noon for the following purposes:-

Ordinary Business

1. To receive and adopt the financial statements of the Company for the year ended 31 May 2002, together with the reports of the Directors and Auditors thereon.
2. To re-elect Mr Naughton-Rumbo as a Director, who was appointed to the Board on 1 December 2001.
3. To re-elect Mr Hay as a Director, who retires by rotation in accordance with the articles of association of the Company
4. To re-elect Mr Hilton as a Director, who retires by rotation in accordance with the articles of association of the Company.
5. To re-appoint BDO Stoy Hayward as auditors to the Company and authorise the Directors to fix their remuneration.

And to transact any other ordinary business of the Company.

Special Business

6. To consider and if thought fit to pass the following resolution which will be proposed as an ordinary resolution:-

That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act"), and in substitution for any existing such authority, to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 (2) of the Act) up to an aggregate nominal amount of £284,290.70 such authority (unless previously revoked or varied by the Company in general meeting) to expire on the conclusion of the Annual General Meeting to be held in 2003 or 15 months after the passing of this resolution, whichever is earlier, provided that the Directors may allot relevant securities pursuant to this authority after that date pursuant to an offer or agreement made by the Company on or before that date.

7. To consider and if thought fit to pass the following resolution which will be proposed as a special resolution:-

That the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 6 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:-

- (i) the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares and other persons entitled to participate therein in proportion (as nearly as may be practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £55,785; and such power shall expire on the date of the Annual General Meeting to be held in 2003 or 15 months after the passing of this resolution, whichever is earlier, provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer as if the power conferred hereby had not expired.



NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

8. To consider and if thought fit pass the following resolution which will be proposed as a special resolution:-

That in accordance with article 6 of the Company's articles of association the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined by section 163(3) of the Companies Act 1985) on the London Stock Exchange of ordinary shares of 5p each ("ordinary shares") in the capital of the Company provided that:

- (i) the maximum aggregate number of shares authorised to be purchased is 3,345,000 ordinary shares;
- (ii) the minimum price which shall be paid for the ordinary shares is 5p for each share, and the maximum price (exclusive of expenses) which may be paid for such shares is 5% above the average of the middle market quotations derived from the London Stock Exchange Daily Official List for the 5 business days before the purchase is made;
- (iii) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the date of the next Annual General Meeting of the Company to be held in 2003 or 15 months after the date of passing of this resolution (whichever is the earlier); and
- (iv) the Company may, before such expiry, make a contract to purchase its own shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of such a contract.

Registered Office:
Union Court
22 Union Road
London SW4 6JP

By Order of the Board
M C G Amos
Secretary
25 September 2002

Notes:

- 1. Any member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. The proxy need not be a member of the Company.
- 2. A form of proxy is enclosed. Any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, in order to be valid, must reach the Company's Registrars, Connaught St Michaels Limited, PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2BR, not less than 48 hours before the time of the meeting. The completion and despatch of the form of proxy will not prevent a member from attending the Annual General Meeting and voting in person.
- 3. Copies of the service contracts between the Directors and the Company or any of its subsidiaries and the register of Directors' shareholdings and transactions will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and until the conclusion of the Annual General Meeting.
- 4. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, to be entitled to attend and vote at the Meeting (and for the purposes of the determination by the Company of the number of votes they may cast) members must be registered on the Company's register of members by 12 noon on 22 October 2002.



WHITTARD OF CHELSEA PLC - FORM OF PROXY

For the purposes of the Annual General Meeting of Whittard of Chelsea Plc to be held at 12noon on 24 October 2002 at Union Court, 22 Union Road, London, SW4 6JP.

I/We
Block Letters please (all joint holders must be stated)

of

being a member(s) of the above named Company hereby appoint the Chairman of the Meeting or (Note 1)

..... as my/our proxy to vote on
my/our behalf at the Annual General Meeting of the Company to be held on 24 October 2002 and at every
adjournment thereof, on the Resolutions set out in the Notice of Annual General Meeting.

I / We wish to vote as follows:

NO. ORDINARY RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Financial Statements for the year ended 31 May 2002, together with the Directors and Auditors reports		
2. To re-elect Mr Naughton-Rumbo as a Director		
3. To re-elect Mr Hay as a Director		
4. To re-elect Mr Hilton as a Director		
5. To re-appoint BDO Stoy Hayward as Auditors to the Company and to authorise the Directors to fix their remuneration.		
6. To give authority to the Directors under Section 80 of the Companies Act 1985.		
NO. SPECIAL RESOLUTIONS	FOR	AGAINST
7. To give authority to the Directors under Section 95 of the Companies Act 1985.		
8. To give authority to the Company to make market purchases of ordinary shares.		

Signed Dated 2002

Notes

1. If any other proxy is desired, delete the 'Chairman of the Meeting' and insert the name and address of your proxy; the alteration must be initialled. Such other proxy need not be a member of the Company.
2. If you do not indicate how you wish your proxy to use your vote on any particular matter, the proxy will vote or abstain at his discretion.
3. In the case of joint holders, only one need sign as the vote of the senior holder who tenders a vote will alone be counted.
4. If the Member is a corporation, this form must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
5. To be valid, this proxy must be completed, signed and deposited at the office of the Company's Registrars, not less than 48 hours before the time appointed for the Meeting.
6. Completion and return of this form of proxy will not prevent the member from attending and voting at the Meeting personally.



Second Fold

BUSINESS REPLY SERVICE
Licence No. L0L 395



**The Registrar
Whittard of Chelsea Plc
Connaught St Michaels Limited
PO Box 30
Alma Street
Luton
Bedfordshire
LU1 2BR**

First Fold

Third Fold