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**CLIPPER TEAS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED**  
**30TH JUNE 2001**

Company Number: 3695969

Pugsley Revill,  
18 High West Street,  
Dorchester,  
Dorset,  
DT1 1UW.



**CLIPPER TEAS LIMITED**

**Directors:**

Mr. M.I. Brehme  
Mrs. L.V. Brehme

**Secretary:**

Mrs. L.V. Brehme

**Company number:**

3695969

**Registered office:**

18 High West Street,  
Dorchester,  
Dorset,  
DT1 1UW.

**Auditors:**

Pugsley Revill,  
Accountants and Registered Auditors,  
18 High West Street,  
Dorchester,  
Dorset,  
DT1 1UW.

# CLIPPER TEAS LIMITED

## CONTENTS

	<u>Page</u>
<u>Statutory</u>	
Directors' report	1
Auditors' report	2
Profit and loss account	3
Balance sheet	4
Cash flow statement	5
Notes to the financial statements	6 - 11
<u>Non-Statutory</u>	
Profit and loss account	12
Notes to profit and loss account	13 - 14

**CLIPPER TEAS LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED**  
**30TH JUNE 2001**

The directors present their report and the financial statements for the year ended 30<sup>th</sup> June 2001.

**Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:-

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Principal Activity**

The company's principal activity continues to be that of tea and coffee packing and distribution.

**Exceptional re-branding costs**

During the year the company undertook a review and redevelopment of its corporate image, including the re-branding of its whole range of products. The reason for this was to build the strategic appreciation of the Clipper Tea brand and product ranges with the intention of increasing public awareness and sales of products.

The expenditure on this exercise during the accounting period was £144,980.

**Directors**

The directors at 30<sup>th</sup> June 2001 and their interests in the share capital of the company were as follows:-

	<u>At 30<sup>th</sup> June 2001</u>	<u>At 30<sup>th</sup> June 2000</u>
Mr. M.I. Brehme	500	1
Mrs. L.V. Brehme	500	1

**Auditors**

The auditors are deemed to be appointed in accordance with Section 386 of the Companies Act 1985, by virtue of an elective resolution passed by the members on the 17<sup>th</sup> February 1999.

This report was approved by the board on 27<sup>th</sup> September 2001 and signed on its behalf.

M.I. Brehme  
Director



**CLIPPER TEAS LIMITED**  
**AUDITORS' REPORT TO THE SHAREHOLDERS OF**  
**CLIPPER TEAS LIMITED**

We have audited the financial statements on pages 3 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

**Respective responsibilities of directors and auditors**

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

**Basis of opinion**

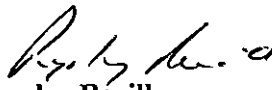
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30<sup>th</sup> June 2001 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

3<sup>rd</sup> December 2001

  
**Pugsley Revill**  
**Accountants and Registered Auditors**

**CLIPPER TEAS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

			<u>15.1.99 -</u>
			<u>30.6.00</u>
<b>Turnover</b>	<u>Notes</u> 1 & 2	4,202,741	3,414,395
<b>Cost of Sales</b>		(2,805,724)	(2,276,380)
<b>Gross Profit</b>		1,397,017	1,138,015
<b>Administrative expenses</b>			
Recurring		1,223,240	(1,044,793)
Exceptional rebranding costs		<u>144,980</u>	(1,368,220)
<b>Operating Profit</b>	3	28,797	93,222
Interest receivable		69	978
Interest payable	5	<u>(86,452)</u>	<u>(85,588)</u>
<b>(Loss)/Profit on Ordinary Activities before Taxation</b>		(57,586)	8,612
<b>Taxation on (Loss)/Profit on Ordinary Activities</b>	6	<u>7,072</u>	<u>(4,968)</u>
<b>(Loss)/Profit on Ordinary Activities after Taxation</b>		(50,514)	3,644
<b>Retained Profit brought forward</b>		<u>3,644</u>	-
<b>(Loss)/Profit carried forward</b>		<u>£ (46,870)</u>	<u>£ 3,644</u>

There were no recognised gains and losses for the year ended 30<sup>th</sup> June 2001 other than those included in the profit and loss account.

The notes on pages 6 to 11 form part of these financial statements.

**CLIPPER TEAS LIMITED**  
**BALANCE SHEET AS AT 30TH JUNE 2001**

	<u>Notes</u>		<u>2000</u>
<b>Fixed Assets</b>			
Tangible assets	7	562,892	499,153
Intangible fixed assets	8	<u>90,000</u>	<u>95,000</u>
		652,892	<u>594,153</u>
<b>Current Assets</b>			
Stock and work in progress	9	1,155,963	790,957
Debtors	10	264,361	249,180
Cash at bank and in hand		<u>499</u>	<u>1,757</u>
		<u>1,420,823</u>	<u>1,041,894</u>
<b>Creditors: Amounts falling due within one year</b>			
Creditors		1,411,014	1,178,955
Bank overdraft		<u>236,955</u>	<u>107,019</u>
	11	<u>1,647,969</u>	<u>1,285,974</u>
<b>Net Current Liabilities</b>		(227,146)	(244,080)
<b>Total Assets less Current Liabilities</b>		425,746	350,073
<b>Creditors: Amounts falling due after more than one year</b>	12	(436,570)	(304,111)
<b>Provision for Liabilities and Charges</b>			
Deferred taxation	14	(35,046)	(42,316)
<b>Net (Liabilities)/Assets</b>		£ (45,870)	£ 3,646
<b>Capital and Reserves</b>			
Called up share capital	15	1,000	2
Profit and loss account	16	<u>(46,870)</u>	<u>3,644</u>
<b>Equity Shareholders' Funds</b>	17	£ (45,870)	£ 3,646

The financial statements were approved by the board on 27<sup>th</sup> September 2001 and signed on its behalf.

M.I. Brehme (Director)



Mrs. L.V. Brehme (Director)



The notes on pages 6 to 11 form part of these financial statements.

**CLIPPER TEAS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

FOR THE YEAR ENDED 30 JUNE 2001

2000

<b><u>Reconciliation of operating profit to net cash inflow from operations</u></b>			
Operating profit	28,797	93,222	
Amortisation of goodwill	5,000	5,000	
Depreciation of tangible fixed assets	103,545	82,305	
Increase in stocks	(365,006)	(790,957)	
Increase in debtors	(15,181)	(249,180)	
Increase in creditors	<u>364,518</u>	<u>1,520,414</u>	
<b>Net cash outflow from operations</b>	<b>£121,673</b>	<b>£ 660,804</b>	
<b><u>Cash flow statement</u></b>			
Net cash outflow from operations	121,673	660,804	
Servicing of finance and return on investments (note 1)	(86,383)	(84,610)	
Taxation	(198)	-	
Capital expenditure (see note 2)	(167,284)	(681,458)	
Financing – Issue of ordinary share capital	<u>998</u>	<u>2</u>	
<b>Decrease in cash</b>	<b>£(131,194)</b>	<b>£ (105,262)</b>	
<b><u>Reconciliation of net cash flow to movement in net debt</u></b>			
Decrease in cash in the year/period	(131,194)	(105,262)	
New hire purchase and finance lease agreements	(51,326)	(194,322)	
New loans	18,066	(651,369)	
Cash paid in repaying finance leases and hire purchase agreement	<u>61,752</u>	<u>70,822</u>	
Change in net debt	(102,702)	(880,131)	
Net debt at 1 <sup>st</sup> July 2000	<u>(880,131)</u>	<u>-</u>	
<b>Net debt at 30<sup>th</sup> June 2001</b>	<b>£(982,833)</b>	<b>£ (880,131)</b>	
<b>1. <u>Servicing of finance and return on investments</u></b>			
Interest received	69	978	
Interest paid	<u>(86,452)</u>	<u>(85,588)</u>	
	<b>£ (86,383)</b>	<b>£ (84,610)</b>	
<b>2. <u>Capital expenditure</u></b>			
Payment to acquire goodwill	-	(100,000)	
Payments to acquire tangible fixed assets	(187,519)	(613,658)	
Receipts from sales of tangible fixed assets	<u>20,235</u>	<u>32,200</u>	
	<b>£(167,284)</b>	<b>£ (681,458)</b>	
<b>3. <u>Analysis of changes in net debt</u></b>			
	<b><u>Balance</u></b>	<b><u>Cash</u></b>	<b><u>Balance</u></b>
	<b><u>At 1.7.00</u></b>	<b><u>flows</u></b>	<b><u>at 30.6.01</u></b>
Cash in hand and at bank	1,757	(1,258)	499
Overdrafts	(107,019)	(129,936)	(236,955)
	(105,262)	(131,194)	(236,456)
Finance leases and hire purchase contracts	(123,500)	10,426	(113,074)
Loans: Due within one year	(423,273)	161,992	(261,281)
Due after more than one year	(228,096)	(143,926)	(372,022)
	<b>£(880,131)</b>	<b>£(102,702)</b>	<b>£(982,833)</b>



**CLIPPER TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

**1. Accounting Policies**

**a. Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

**b. Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

**c. Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:-

Computer equipment	25% reducing balance basis
Laboratory equipment	20% reducing balance basis
Motor vehicles	25% reducing balance basis
Fixtures, fittings and equipment	20% reducing balance basis
Plant and machinery	15% reducing balance basis

**d. Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors, net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account, so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**e. Operating leases**

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account as incurred.

**f. Stocks and work in progress**

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**g. Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amount payable by the company to the fund in respect of the period.

**CLIPPER TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

1. **Accounting Policies (continued)**

h. **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

i. **Deferred taxation**

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallize in the near future.

j. **Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the separable net assets. It is amortised to the profit and loss account over its estimated economic life of twenty years.

k. **Factoring**

The company's trade debts are factored prepayments of 75% and made on credit approved and undisputed factored debts subject to no individual customer account being approved for this purpose to the extent of more than 40% of the combined ledgers. The balance of 25% is paid to the company as and when payments are received by the factor.

Discount charges for prepayments are levied at 2.00% above the Barclays Bank plc base rate. The total of such charges in the year ended 30<sup>th</sup> June 2001 was £17,127 (£6,967 – 2000).

Factoring charges are levied at 0.35% of the notified value of each debt. The total of such charges in the year ended 30<sup>th</sup> June 2001 was £26,575 (£21,239 – 2000).

The gross amount of factored debts outstanding at 30<sup>th</sup> June 2001 was £453,739 (£409,391 – 2000).

The company is not obliged to support any losses from the collection of debts by the factorer and it has no intention of doing so.

2. **Turnover**

In the year ended 30<sup>th</sup> June 2001, 1.01% (1.26% - 2000) of the company's turnover was to markets outside the United Kingdom. The whole of the turnover and profit, before taxation, is attributable to tea and coffee packing and distribution.

**CLIPPER TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

		<u>2000</u>
3.	<b><u>Operating Profit</u></b>	
	The operating profit is stated after charging:	
		£
	Depreciation of tangible fixed assets:	
	• owned by the company	71,884 68,226
	• held under finance leases and hire purchase contracts	30,978 16,685
	Auditors' remuneration	6,060 8,925
	Operating lease rentals:	
	• hire of plant and machinery	2,719 1,933
	• other	24,892 18,920
	Directors' emoluments (see below)	<u>165,493 127,684</u>
	Directors' emoluments	
	• Emoluments	138,029 112,209
	• Benefits in kind	<u>27,464 15,475</u>
		<u>£165,493 £127,684</u>
4.	<b><u>Staff costs</u></b>	
	Staff costs, including directors' remuneration, were as follows:-	
	Wages and salaries	741,254 539,823
	Social security costs	74,685 47,553
	Other pension costs	<u>34,549 24,597</u>
		<u>£850,488 £611,973</u>
	The average number of employees, including directors, during the period was as follows:-	
	Office and administration	6 4
	Sales and marketing	4 6
	Production, factory management, stores and quality control	<u>31 25</u>
		<u>£ 41 £ 35</u>
5.	<b><u>Interest payable</u></b>	
	On bank loans and overdrafts	29,619 17,513
	Finance leases and hire purchase contracts	12,666 9,790
	Other loans	<u>44,167 58,285</u>
		<u>£ 86,452 £ 85,588</u>
6.	<b><u>Taxation</u></b>	
	U.K. current year taxation:	
	Transfer (from)/to deferred taxation	(7,270) 4,968
	Interest on tax paid late	<u>198 -</u>
		<u>£ (7,072) £ 4,968</u>

**CLIPPER TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

**7. Tangible Fixed Assets**

	<u>Plant &amp; machinery</u>	<u>Furniture, fixtures &amp; fittings</u>	<u>Motor vehicles</u>	<u>Computer equipment</u>	<u>Laboratory equipment</u>	<u>Total</u>
<b>Cost:</b>						
As at 1.7.2000	458,218	34,165	22,820	62,006	1,855	579,064
Additions	64,683	37,874	58,025	26,523	414	187,519
Disposals	-	-	(22,820)	-	-	(22,820)
At 30.6.2001	<u>522,901</u>	<u>72,039</u>	<u>58,025</u>	<u>88,529</u>	<u>2,269</u>	<u>743,763</u>
<b>Depreciation:</b>						
As at 1.7.2000	61,208	5,457	1,902	11,313	31	79,911
Charge for year	64,991	10,088	10,161	17,174	448	102,862
On disposals	-	-	(1,902)	-	-	(1,902)
At 30.6.2001	<u>126,199</u>	<u>15,545</u>	<u>10,161</u>	<u>28,487</u>	<u>479</u>	<u>180,871</u>
<b>Net book value:</b>						
At 30.6.2000	<u>£397,010</u>	<u>£28,708</u>	<u>£20,918</u>	<u>£50,693</u>	<u>£1,824</u>	<u>£499,153</u>
At 30.6.2001	<u>£396,702</u>	<u>£56,494</u>	<u>£47,864</u>	<u>£60,042</u>	<u>£1,790</u>	<u>£562,892</u>

The net book value of plant and machinery, motor vehicles and computer equipment includes assets held under finance leases or hire purchase contracts amounting to £163,593 (£177,637 – 2000).

**8. Intangible Fixed Assets**

	<u>Goodwill</u>
<b>Cost:</b>	
Addition	<u>100,000</u>
<b>Amortisation:</b>	
As at 1.7.2000	5,000
Charge for the year	<u>5,000</u>
	<u>£ 10,000</u>
<b>Net book value:</b>	
As at 30.6.2000	<u>£ 95,000</u>
As at 30.6.2001	<u>£ 90,000</u>

**9. Stocks**

	<u>2001</u>	<u>2000</u>
Raw materials and consumables	563,886	488,835
Finished goods, goods for resale and work in progress	<u>592,077</u>	<u>302,122</u>
	<u>£1,155,963</u>	<u>£790,957</u>

**10. Debtors**

<b>Due within one year:</b>		
Trade debtors (net of factoring advances of £314,518)	163,388	206,023
Other debtors	67,833	26,114
Prepayments	<u>33,140</u>	<u>17,043</u>
	<u>£ 264,361</u>	<u>£249,180</u>

**CLIPPER TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

2000

**11. Creditors: Amounts falling due within one year**

Bank overdrafts	236,956	107,019
Other loans	200,000	400,000
Bank loans	61,281	23,273
Net obligations under hire purchase contracts and finance leases (see note 13)	48,526	47,485
Trade creditors	928,848	595,805
Accruals	26,329	37,296
Other creditors	51,778	21,084
Other taxes	53,725	20,231
Directors' loan account	40,526	33,781
	<u>£1,647,969</u>	<u>£1,285,974</u>

Of the creditors falling due within and after more than one year:

- The bank overdraft and loans, totalling £636,926 (£141,722 – 2000), are secured by a debenture over the company's assets and a company policy on the life of Mr. M.I. Brehme, a director.
- Of the other loans £233,333 (£416,666 – 2000) is secured by a personal guarantee from the directors.
- Net obligations under hire purchase contracts and finance leases, totalling £113,074 (£123,500 – 2000), are secured on the fixed assets concerned.

Bank loans outstanding at the year end amounted to £399,970 (£34,703 – 2000) and this is payable in annual instalments, plus interest, as follows:-

Within one year and on demand	84,910	39,556
Between one and two years	73,538	39,556
Between two and five years	220,614	3,297
After more than five years	189,976	-
	<u>£569,038</u>	<u>£82,409</u>

**12. Creditors: Amounts falling due after more than one year**

Net obligations under hire purchase contracts and finance leases (see note 13)	64,548	76,015
Bank loans	338,689	11,430
Other loans – repayable between one and two years	33,333	216,666
	<u>£436,570</u>	<u>£304,111</u>

**13. Obligations under finance leases and hire purchase contracts**

The maturity of these amounts are as follows:-

Amounts payable:

Within one year	60,517	57,046
Between one and five years	78,080	92,678
	138,597	149,724
<u>Less Finance charges allocated to future periods</u>	<u>25,523</u>	<u>26,224</u>
	<u>£113,074</u>	<u>£123,500</u>

Finance leases and hire purchase contracts are analysed as follows:-

Current obligations	48,526	47,485
Non-current obligations	64,548	76,015
	<u>£113,074</u>	<u>£123,500</u>

**CLIPPER TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

2000

**14. Deferred Taxation**

Balance at 1 <sup>st</sup> July 2000	42,316	-
Re: assets purchased from Clipper Teas partnership (see note 18)	-	37,348
(Credit)/charge for year/period	<u>(7,270)</u>	<u>4,968</u>
Balance at 30 <sup>th</sup> June 2001	<u>£35,046</u>	<u>£ 42,316</u>

The provision for deferred taxation is made up of accelerated capital allowances, which have been fully provided for.

**15. Share Capital**

Authorised:		
Ordinary shares of £1 each	<u>£1,000,000</u>	<u>£ 1,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>£ 1,000</u>	<u>£ 2</u>

During the period 998 ordinary shares were issued at par and the authorised share capital was increased to £1,000,000

**16. Profit and Loss Account**

Balance at 1 <sup>st</sup> July 2000	3,644	-
(Loss)/profit retained for the year/period	<u>(50,514)</u>	<u>3,644</u>
Balance at 30 <sup>th</sup> June 2001	<u>£(46,870)</u>	<u>£ 3,644</u>

**17. Reconciliation of Movement in Shareholders' Funds**

(Loss)/profit for the year/period	(50,514)	3,644
New shares issued in the year/period	<u>998</u>	<u>2</u>
Net (reductions)/additions during the year/period	(49,516)	3,646
Shareholders' funds at 1 <sup>st</sup> July 2000	<u>3,646</u>	<u>-</u>
Shareholders' funds at 30 <sup>th</sup> June 2001	<u>£(45,870)</u>	<u>£ 3,646</u>

**18. Transactions with Directors**

The directors, Mr. and Mrs. Brehme, previously traded in partnership as Clipper Teas, which ceased trading on 30<sup>th</sup> June 1999. The company took over this business on 1<sup>st</sup> July 1999 and purchased the goodwill from the directors for £100,000.

**19. Capital Commitment**

In March 2001 the company paid a deposit of £14,403 in respect of an item of machinery which was delivered in September 2001.

The balance of the cost of the machinery was £128,075, which is being financed by a bank loan over four years, with monthly repayments, including interest, of £3,099, which commenced in September 2001.

The deposit of £14,403 is included in debtors in these accounts. The balance of £128,075 has not been provided for in these accounts.