

CLIPPER TEAS LIMITED
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2004

Company Number: 3695969 (England and Wales)

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



CLIPPER TEAS LIMITED

Directors:

Mr. M.I. Brehme
Mrs. L.V. Brehme
Mr. C.J. Seager (appointed 25.5.04)

Secretary:

Mrs. L.V. Brehme

Company number:

3695969 (England and Wales)

Registered office:

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

Auditors:

Pugsley Revill Limited,
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 - 15

CLIPPER TEAS LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
30TH JUNE 2004

The directors present their report and the financial statements for the year ended 30th June 2004.

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.

The results of the year are set out on page three. The directors consider the profit achieved on ordinary activities before taxation to be satisfactory. Adequate finance has been obtained to take advantage of business opportunities and the directors consider the state of affairs to be satisfactory.

Donations

During the year the company made charitable donations totalling £410.

Directors

The directors at 30th June 2004 and their interests in the share capital of the company were as follows:-

	<u>At 30th June 2004</u>	<u>At 25th May 2004</u>	<u>At 30th June 2003</u>
Mr. M.I. Brehme	500	500	500
Mrs. L.V. Brehme	500	500	500
Mr. C. Seager (appointed 25.5.2004)	-	-	-

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

This report was approved by the board on 12th April 2005 and signed on its behalf.



M.I. Brehme
Director

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

We have audited the financial statements of Clipper Teas Limited for the year ended 30th June 2004 on pages three to eleven. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on page six.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page one, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 30th June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

26 April 2005


PUGSLEY REVILL LIMITED
Accountants and Registered Auditors

CLIPPER TEAS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2004

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
Turnover	1 & 2	7,080,526	5,699,542
Cost of Sales		<u>(4,662,670)</u>	<u>(3,529,878)</u>
Gross Profit		2,417,856	2,169,664
Administrative expenses		<u>(1,945,796)</u>	<u>(1,650,918)</u>
Operating Profit	3	472,060	518,746
Interest receivable		771	8
Interest payable	5	<u>(130,994)</u>	<u>(77,457)</u>
Profit on Ordinary Activities before Taxation		341,837	441,297
Taxation on Profit on Ordinary Activities	6	<u>(57,317)</u>	<u>(102,946)</u>
Profit on Ordinary Activities after Taxation		284,520	338,351
Dividends	7	<u>(180,000)</u>	<u>(106,500)</u>
		104,520	231,851
Retained Profit brought forward		<u>374,392</u>	<u>142,541</u>
Retained Profit carried forward		<u>£ 478,912</u>	<u>£ 374,392</u>

There were no recognised gains or losses for the year ended 30th June 2004 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 2004

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
Fixed Assets			
Tangible assets	8	2,721,622	778,011
Intangible fixed assets	9	<u>75,000</u>	<u>80,000</u>
		2,796,622	<u>858,011</u>
Current Assets			
Stock and work in progress	10	1,511,423	1,507,895
Debtors	11	539,247	345,775
Cash at bank and in hand		<u>3,721</u>	<u>1,856</u>
		<u>2,054,391</u>	<u>1,855,526</u>
Creditors: Amounts falling due within one year			
Creditors		1,852,026	1,462,054
Bank overdraft		<u>191,460</u>	<u>218,864</u>
	12	<u>2,043,486</u>	<u>1,680,918</u>
Net Current Assets		<u>10,905</u>	<u>174,608</u>
Total Assets less Current Liabilities		2,807,527	1,032,619
Creditors: Amounts falling due after more than one year	13	(2,258,419)	(592,869)
Provision for Liabilities and Charges			
Deferred taxation	15	<u>(69,196)</u>	<u>(64,358)</u>
Net Assets		£ <u>479,912</u>	£ <u>375,392</u>
Capital and Reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	<u>478,912</u>	<u>374,392</u>
Equity Shareholders' Funds	18	£ <u>479,912</u>	£ <u>375,392</u>

The financial statements were approved by the board on 12th April 2005 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 2004

	<u>2004</u>	<u>2003</u>
<u>Reconciliation of operating profit to net cash inflow from operations</u>		
Operating profit	472,060	518,746
Amortisation of goodwill	5,000	5,000
Depreciation of tangible fixed assets	170,944	139,879
Loss on disposal of fixed assets	12,656	2,546
Increase in stocks	(3,528)	(382,531)
Increase in debtors	(193,472)	(77,017)
Increase in creditors	2,096,089	283,008
Net cash inflow from operations	£2,559,749	£ 489,631
<u>Cash flow statement</u>		
Net cash inflow from operations	2,559,749	489,631
Servicing of finance and return on investments (see note 1)	(130,223)	(77,449)
Taxation	(93,046)	(30,381)
Payment of equity dividends	(180,000)	(106,500)
Capital expenditure (see note 2)	(2,127,211)	(288,007)
Increase/(Decrease) in cash	£ 29,269	£ (12,706)
<u>Reconciliation of net cash flow to movement in net debt</u>		
Increase/(Decrease) in cash in the year	29,269	(12,706)
New hire purchase and finance lease agreements	(148,612)	(163,702)
New loans	(1,817,697)	171,735
Cash paid in repaying finance leases and hire purchase agreement	134,784	74,617
Change in net debt	(1,802,256)	69,944
Net debt at 1 st July 2003	(1,025,050)	(1,094,994)
Net debt at 30th June 2004	£(2,827,306)	£(1,025,050)
1. <u>Servicing of finance and return on investments</u>		
Interest received	771	8
Interest paid	(130,994)	(77,457)
	£ (130,223)	£ (77,449)
2. <u>Capital expenditure</u>		
Payments to acquire tangible fixed assets	(2,144,961)	(293,007)
Receipts from sales of tangible fixed assets	17,750	5,000
	£(2,127,211)	£ (288,007)
3. <u>Analysis of changes in net debt</u>		
	<u>Balance</u>	<u>Cash</u>
	<u>at 1.7.03</u>	<u>flows</u>
Cash in hand and at bank	1,856	3,721
Overdrafts	(218,864)	(191,460)
	(217,008)	(187,739)
Finance leases and hire purchase contracts	(247,977)	(261,805)
Loans: Due within one year	(110,000)	(266,600)
Due after more than one year	(450,065)	(2,111,162)
	£(1,025,050)	£(2,827,306)

CLIPPER TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

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 June 2002).

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
Freehold property	2% straight line basis
Leasehold property	50% straight line basis
Portacabin	10% straight line 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 2004

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**

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxation is measured on a non-discounted basis at the average tax rates that would apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

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 85% 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 15% 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 30th June 2004 was £33,039.

Factoring charges are levied at 0.35% of the notified value of each debt. The total of such charges in the year ended 30th June 2004 was £21,117.

The gross amount of factored debts outstanding at 30th June 2004 was £914,741.

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 30th June 2004, 6.70% (3.92% - 2003) 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 2004

	<u>2004</u>	<u>2003</u>
3. <u>Operating Profit</u>	<u>£</u>	<u>£</u>
The operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
• owned by the company	103,982	82,398
• held under finance leases and hire purchase contracts	66,962	57,481
Auditors' remuneration	7,360	6,730
Operating lease rentals:		
• hire of plant and machinery	9,989	7,518
• other	38,168	34,076
Directors' emoluments (see below)	<u>87,691</u>	<u>159,708</u>
Directors' emoluments		
• Emoluments	44,333	121,000
• Benefits in kind	<u>43,358</u>	<u>38,708</u>
	<u>£ 87,691</u>	<u>£ 159,708</u>
4. <u>Staff costs</u>		
Staff costs, including directors' remuneration, were as follows:-		
Wages and salaries	1,227,992	1,022,712
Social security costs	125,991	92,696
Other pension costs	<u>46,343</u>	<u>41,283</u>
	<u>£1,400,326</u>	<u>£1,156,691</u>
The average number of employees, including directors, during the period was as follows:-		
Office and administration	6	6
Sales and marketing	11	8
Production, factory management, stores and quality control	<u>48</u>	<u>37</u>
	<u>£ 65</u>	<u>£ 51</u>
5. <u>Interest payable</u>		
On bank loans and overdrafts	62,521	58,515
Finance leases and hire purchase contracts	19,467	16,335
Other loans	<u>49,006</u>	<u>2,607</u>
	<u>£ 130,994</u>	<u>£ 77,457</u>
6. <u>Taxation</u>		
U.K. current year taxation:		
U.K. corporation tax	52,479	93,046
Transfer to deferred taxation	<u>4,838</u>	<u>9,900</u>
	<u>£ 57,317</u>	<u>£ 102,946</u>
7. <u>Dividends</u>		
Interim dividends of £180.00 per ordinary share – paid (£106.50 – 2003)	<u>£ 180,000</u>	<u>£ 106,500</u>

CLIPPER TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2004

8. Tangible Fixed Assets

	<u>Freehold land & property</u>	<u>Leasehold property</u>	<u>Plant & machinery</u>	<u>Furniture, fixtures & fittings</u>	<u>Motor vehicles</u>	<u>Computer equipment</u>	<u>Laboratory equipment</u>	<u>Porta- cabin</u>	<u>Total</u>
Cost:									
As at 1.7.03	-	665	844,486	120,136	111,240	124,218	2,369	15,420	1,218,534
Additions	1,853,939	-	78,703	72,479	110,331	27,634	1,875	-	2,144,961
Disposals	-	-	-	-	(55,667)	-	-	-	(55,667)
As at 30.6.04	<u>1,853,939</u>	<u>665</u>	<u>923,189</u>	<u>192,615</u>	<u>165,904</u>	<u>151,852</u>	<u>4,244</u>	<u>15,420</u>	<u>3,307,828</u>
Depreciation:									
As at 1.7.03	-	249	298,611	44,150	33,119	61,959	1,155	1,280	440,523
Charge for year	12,834	333	89,187	23,769	23,554	19,107	618	1,542	170,944
On disposals	-	-	-	-	(25,261)	-	-	-	(25,261)
As at 30.6.04	<u>12,834</u>	<u>582</u>	<u>387,798</u>	<u>67,919</u>	<u>31,412</u>	<u>81,066</u>	<u>1,773</u>	<u>2,822</u>	<u>586,206</u>
Net book value:									
As at 30.6.03	£ -	£416	£545,875	£ 75,986	£ 78,121	£ 62,259	£1,214	£14,140	£ 778,011
As at 30.6.04	£1,841,105	£ 83	£535,391	£124,696	£134,492	£ 70,786	£2,471	£12,598	£2,721,622

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 £403,771 (£352,526 – 2003).

9. Intangible Fixed Assets

	<u>Goodwill</u>
Cost:	
As at 1.7.2004 and 30.6.2004	<u>100,000</u>
Amortisation:	
As at 1.7.2003	<u>20,000</u>
Charge for the year	<u>5,000</u>
	<u>25,000</u>
Net book value:	
As at 30.6.2003	£ <u>80,000</u>
As at 30.6.2004	£ <u>75,000</u>

10. Stocks

	<u>2004</u>	<u>2003</u>
Raw materials and consumables	655,722	821,832
Finished goods, goods for resale and work in progress	<u>855,701</u>	<u>686,063</u>
	<u>£1,511,423</u>	<u>£1,507,895</u>

11. Debtors

Due within one year:		
Trade debtors (net of factoring advances of £665,222)	301,449	209,915
Other debtors	154,802	87,233
Prepayments	66,985	48,627
Directors' loan account	<u>16,011</u>	<u>-</u>
	<u>£ 539,247</u>	<u>£ 345,775</u>

Included in debtors is a directors' loan account balance of £16,011. The maximum borrowing during the year was £16,011.

CLIPPER TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH JUNE 2004

	<u>2004</u>	<u>2003</u>
12. Creditors: Amounts falling due within one year		
Bank overdrafts	191,460	218,864
Other loans	113,600	-
Bank loans	153,000	110,000
Net obligations under hire purchase contracts and finance leases (see note 14)	114,548	105,173
Trade creditors	1,272,195	968,671
Other creditors	44,407	47,219
Corporation tax	52,479	93,046
Other taxes	65,190	39,567
Accruals	36,607	18,671
Directors' loan account	-	79,707
	<u>£2,043,486</u>	<u>£1,680,918</u>

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

- The bank overdraft and loans, totalling £2,569,222 (£778,929 – 2003), are secured by a debenture over the company's assets and company policies on the lives of Mr. M.I. Brehme and Mrs. L.V. Brehme, directors.
- Net obligations under hire purchase contracts and finance leases, totalling £261,805 (£247,977 – 2003), are secured on the fixed assets concerned.

Bank and other loans outstanding at the year end amounted to £2,377,762 (£560,065 – 2003) and this is payable in annual instalments, plus interest, as follows:-

Within one year and on demand	410,363	138,101
Between one and two years	429,905	138,101
Between two and five years	1,228,742	414,302
After more than five years	1,383,541	42,897
	<u>£3,452,551</u>	<u>£733,401</u>

13. Creditors: Amounts falling due after more than one year

Net obligations under hire purchase contracts and finance leases (seen note 14)	147,257	142,804
Bank loans	530,845	450,065
Other loans	1,580,317	-
	<u>£2,258,419</u>	<u>£592,869</u>

14. Obligations under finance leases and hire purchase contracts

The maturity of these amounts are as follows:-

Amounts payable:

Within one year	132,665	121,149
Between one and five years	171,583	167,547
	304,248	288,696
<u>Less</u> Finance charges allocated to future periods	<u>42,443</u>	<u>40,719</u>
	<u>£ 261,805</u>	<u>£247,977</u>

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

Current obligations	114,548	105,173
Non-current obligations	147,257	142,804
	<u>£ 261,805</u>	<u>£247,977</u>

CLIPPER TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH JUNE 2004

	<u>2004</u>	<u>2003</u>
15. <u>Deferred Taxation</u>		
Balance at 1 st July 2003	64,358	54,458
Charge for year	<u>4,838</u>	<u>9,900</u>
Balance at 30 th June 2004	<u>£69,196</u>	<u>£64,358</u>

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

16. Share Capital

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

17. Profit and Loss Account

Balance at 1 st July 2003	374,392	142,541
Retained Profit for the year	<u>104,520</u>	<u>231,851</u>
Balance at 30 th June 2004	<u>£478,912</u>	<u>£374,392</u>

18. Reconciliation of Movement in Shareholders' Funds

Profit for the year	284,520	338,351
<u>Less Dividends</u>	<u>180,000</u>	<u>106,500</u>
Net additions during the year	104,520	231,851
Shareholders' funds at 1 st July 2003	<u>375,392</u>	<u>143,541</u>
Shareholders' funds at 30 th June 2004	<u>£479,912</u>	<u>£375,392</u>

19. Transaction with Directors

During the year one of the directors, Mr. M.I. Brehme, purchased a vehicle from the company for its market value of £10,000.