

COFFEE PARTNERS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31st MARCH 2000

Company Registration Number SC153721



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COFFEE PARTNERS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2000

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COFFEE PARTNERS LIMITED**OFFICERS AND PROFESSIONAL ADVISERS****The board of directors**

DS Leggate
SJ Senior
CJC Whimster
KJ Sim

Company secretary

SJ Senior

Registered office

7 St Albans Road
Edinburgh
EH9 2PA

Auditors

Hodgson and Company
Chartered Accountants
& Registered Auditors
16 Barnes Green
Livingston
EH54 8PP

Bankers

National Westminster Bank Plc
80 George Street
Edinburgh
EH2 3DZ

Girobank plc
Bridle Road
Bootle
Merseyside
GIR 0AA

The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Solicitors

Gillespie MacAndrew WS
31 Melville Street
Edinburgh
EH3

COFFEE PARTNERS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31st MARCH 2000

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the operation and management of coffee shops, cafes and lounge bars.

The directors are pleased with the progress shown by the company in the year under review. The company opened eight new sites during this period, taking the total number of sites to thirty two. Both sales and profitability follow the trend and show significant increases over the previous year.

New Government employment legislation, and in particular that relating to holiday payments and entitlements for part-time staff had an adverse affect on the company's costs, but increasingly strong stock control and site cost measures have helped to balance this out. The company continues to have a strong management team running the day-to-day operations, and investment in key personnel continues to form a core element of the company's strategy.

The directors have established an extensive reinvestment programme for the existing sites and expect this to be rewarded by corresponding strong growth in sales in future years.

The company maintains an aggressive expansion programme and expects to continue to show substantial growth during the coming year, with the directors being particularly excited by the potential sales growth arising from foreign ventures.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2000	1999
	£	£
Dividends paid on ordinary shares	<u>25,000</u>	<u>17,000</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 March 2000	At 1 April 1999
DS Leggate	2,700	2,700
SJ Senior	2,700	2,700
CJC Whimster	600	600
KJ Sim	-	-

COFFEE PARTNERS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st MARCH 2000

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

AUDITORS

On 30th November 1999, Stevenson Associates, Chartered Accountants, resigned as auditors to the company and the directors appointed Hodgson and Company, Chartered Accountants, to fill the casual vacancy created.

A resolution to appoint Hodgson and Company, Chartered Accountants, as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
7 St Albans Road
Edinburgh
EH9 2PA

Signed by order of the directors



SJ SENIOR
Company Secretary

Approved by the directors on 23rd August 2000

COFFEE PARTNERS LIMITED
AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31st MARCH 2000

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 3, the company's directors are responsible for the preparation of the 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.

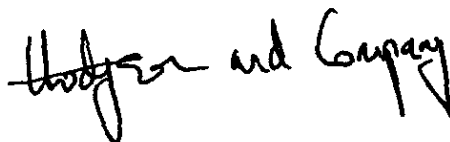
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31st March 2000 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

16 Barnes Green
Livingston
EH54 8PP

24th August 2000



HODGSON AND COMPANY
Chartered Accountants
& Registered Auditors

COFFEE PARTNERS LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31st MARCH 2000**

	Note	2000 £	1999 £
TURNOVER	2	3,154,227	1,929,098
Cost of sales		(2,345,653)	(1,423,892)
GROSS PROFIT		808,574	505,206
Administrative expenses		(637,335)	(399,330)
Other operating income	3	2,164	3,082
OPERATING PROFIT	4	173,403	108,958
Interest payable	7	(23,066)	(11,943)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		150,337	97,015
Tax on profit on ordinary activities	8	(14,821)	(44,212)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		135,516	52,803
Dividends	9	(25,000)	(17,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR		110,516	35,803
Balance brought forward		88,755	52,952
Balance carried forward		199,271	88,755

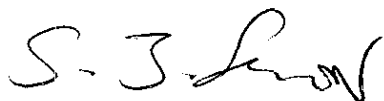
The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

COFFEE PARTNERS LIMITED**BALANCE SHEET****31st MARCH 2000**

	Note	2000		1999	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10		838,018		456,710
CURRENT ASSETS					
Stocks	11	49,290		41,990	
Debtors	12	18,077		27,125	
Cash at bank and in hand		164,153		161,429	
		<u>231,520</u>		<u>230,544</u>	
CREDITORS: Amounts falling due within one year	13	<u>(624,237)</u>		<u>(423,500)</u>	
NET CURRENT LIABILITIES			<u>(392,717)</u>		<u>(192,956)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			445,301		263,754
CREDITORS: Amounts falling due after more than one year	14		<u>(202,380)</u>		<u>(132,649)</u>
			242,921		131,105
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	15		<u>(37,650)</u>		<u>(36,350)</u>
			<u>205,271</u>		<u>94,755</u>
CAPITAL AND RESERVES					
Called-up equity share capital	19		6,000		6,000
Profit and loss account			199,271		88,755
SHAREHOLDERS' FUNDS	20		<u>205,271</u>		<u>94,755</u>

These financial statements were approved by the directors on the 23rd August 2000 and are signed on their behalf by:



SJ SENIOR

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2000

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office equipment	-	25% reducing balance
Motor Vehicles	-	25% reducing balance
Cafe equipment	-	15% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2000

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2000	1999
	£	£
United Kingdom	<u>3,154,227</u>	<u>1,929,098</u>

3. OTHER OPERATING INCOME

	2000	1999
	£	£
Other operating income	<u>2,164</u>	<u>3,082</u>

4. OPERATING PROFIT

Operating profit is stated after charging:

	2000	1999
	£	£
Depreciation	99,073	56,259
Auditors' remuneration		
- as auditors	4,000	3,537
Operating lease costs:		
Land and buildings	1,991	7,274
Plant and equipment	<u>47,860</u>	<u>24,388</u>

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2000	1999
	No.	No.
Number of management staff	5	5
Number of administrative staff	2	2
Number of catering staff	<u>149</u>	<u>114</u>
	<u>156</u>	<u>121</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2000

5. PARTICULARS OF EMPLOYEES *(continued)*

The aggregate payroll costs of the above were:

	2000	1999
	£	£
Wages and salaries	1,178,034	717,341
Social security costs	63,424	37,661
Other pension costs	38,996	18,828
	<u>1,280,454</u>	<u>773,830</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2000	1999
	£	£
Aggregate emoluments	105,674	95,098
Value of company pension contributions to money purchase schemes	<u>33,380</u>	<u>16,650</u>
	<u>139,054</u>	<u>111,748</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2000	1999
	No.	No.
Money purchase schemes	<u>3</u>	<u>3</u>

7. INTEREST PAYABLE

	2000	1999
	£	£
Finance charges	8,603	5,133
Other similar charges payable	<u>14,463</u>	<u>6,810</u>
	<u>23,066</u>	<u>11,943</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2000

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
Corporation tax based on the results for the year at 20% (1999 - 21%)	13,521	7,862
Increase in deferred tax provision (Note 15):		
Capital allowances	1,300	36,350
	<u>14,821</u>	<u>44,212</u>

9. DIVIDENDS

The following dividends have been paid in respect of the year:

	2000 £	1999 £
Dividends paid on equity shares	<u>25,000</u>	<u>17,000</u>

10. TANGIBLE FIXED ASSETS

	Freehold Property £	Office equipment £	Motor Vehicles £	Cafe equipment £	Total £
COST					
At 1 April 1999	147,608	15,790	4,551	392,775	560,724
Additions	149,667	17,659	9,216	303,839	480,381
At 31 March 2000	<u>297,275</u>	<u>33,449</u>	<u>13,767</u>	<u>696,614</u>	<u>1,041,105</u>
DEPRECIATION					
At 1 April 1999	-	6,582	2,631	94,801	104,014
Charge for the year	-	6,017	2,784	90,272	99,073
At 31 March 2000	<u>-</u>	<u>12,599</u>	<u>5,415</u>	<u>185,073</u>	<u>203,087</u>
NET BOOK VALUE					
At 31 March 2000	<u>297,275</u>	<u>20,850</u>	<u>8,352</u>	<u>511,541</u>	<u>838,018</u>
At 31 March 1999	<u>147,608</u>	<u>9,208</u>	<u>1,920</u>	<u>297,974</u>	<u>456,710</u>

Hire purchase agreements

Included within the net book value of £838,018 is £86,198 (1999 - £96,603) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £17,433 (1999 - £17,047).

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2000

10. TANGIBLE FIXED ASSETS *(continued)*

Capital commitments

	2000	1999
	£	£
Contracted but not provided for in the accounts	<u>54,804</u>	<u>-</u>

11. STOCKS

	2000	1999
	£	£
Stock	<u>49,290</u>	<u>41,990</u>

12. DEBTORS

	2000	1999
	£	£
Trade debtors	14,857	21,748
Prepayments and accrued income	<u>3,220</u>	<u>5,377</u>
	<u>18,077</u>	<u>27,125</u>

13. CREDITORS: Amounts falling due within one year

	2000	1999
	£	£
Bank loans and overdrafts	43,331	11,066
Trade creditors	194,944	120,927
Advance Corporation Tax	1,850	1,850
Corporation tax	13,521	3,612
Other taxation and social security	113,736	102,589
Other creditors	54,722	37,950
Accruals and deferred income	<u>202,133</u>	<u>145,506</u>
	<u>624,237</u>	<u>423,500</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2000

13. CREDITORS: Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2000	1999
	£	£
Bank loans and overdrafts	<u>43,331</u>	<u>11,066</u>

Bank loans and overdrafts are secured in favour of the company's bankers by means of a floating charge debenture executed on 8th February 1995, a legal mortgage executed on 12th June 1998 on the company's property in Keswick and a standard security executed on 3rd April 2000 over the company's property in Edinburgh.

14. CREDITORS: Amounts falling due after more than one year

	2000	1999
	£	£
Bank loans and overdrafts	164,754	86,510
Other creditors:		
Hire purchase agreements	<u>37,626</u>	<u>46,139</u>
	<u>202,380</u>	<u>132,649</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2000	1999
	£	£
Bank loans and overdrafts	<u>164,754</u>	<u>86,510</u>

The following aggregate liabilities are repayable by instalments, and are due for repayment after more than five years from the balance sheet date:

	2000	1999
	£	£
Bank loans and overdrafts	<u>109,416</u>	<u>67,120</u>

At the Balance Sheet date, bank loans and overdrafts repayable after more than five years by instalments consist of a Business Loan repayable by monthly instalments with a variable interest rate (8.75% at 31st March 2000) and a Flexible Business Loan repayable by monthly instalment with a variable interest rate (8.5% at 31st March 2000).

Following the Balance Sheet date, the company consolidated these loans into a Term Loan repayable by quarterly instalments over ten years at an initial interest rate of 7.5%.

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2000

15. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2000	1999
	£	£
Provision brought forward	36,350	-
Increase in provision	1,300	36,350
Provision carried forward	<u>37,650</u>	<u>36,350</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2000	1999
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>37,650</u>	<u>36,350</u>

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2000	1999
	£	£
Amounts payable within 1 year	-	7,949
Amounts payable between 2 to 5 years	81,954	80,583
	<u>81,954</u>	<u>88,532</u>
Less interest and finance charges relating to future periods	<u>(9,380)</u>	<u>(11,830)</u>
	<u>72,574</u>	<u>76,702</u>

17. COMMITMENTS UNDER OPERATING LEASES

At 31st March 2000 the company had annual commitments under non-cancellable operating leases as set out below.

	2000		1999
	Land & Buildings	Other Items	Land & Buildings
	£	£	£
Operating leases which expire:			
Within 1 year	-	54,811	583
Within 2 to 5 years	-	21,436	-
	<u>-</u>	<u>76,247</u>	<u>583</u>
			<u>56,111</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2000

18. RELATED PARTY TRANSACTIONS

On 4th April 1997, Mr S J Senior and Mr D S Leggate granted personal guarantees of £10,000 each in respect of the company's overdraft facilities with the National Westminster Bank plc.

19. SHARE CAPITAL

Authorised share capital:

	2000	1999
	£	£
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2000	1999
	£	£
Ordinary share capital	<u>6,000</u>	<u>6,000</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Profit for the financial year	135,516	52,803
Dividends	<u>(25,000)</u>	<u>(17,000)</u>
	110,516	35,803
Opening shareholders' equity funds	<u>94,755</u>	<u>58,952</u>
Closing shareholders' equity funds	<u>205,271</u>	<u>94,755</u>