

COFFEE PARTNERS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2001

Company Registration Number SC153721



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COFFEE PARTNERS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2001

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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

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 2001

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The directors are pleased with the progress shown by the company in the year under review. The company opened seven new sites in the UK during this period, together with a site in France operating under the brand "Café Centre". The French operation is being run by a newly formed French subsidiary undertaking, Café Centre SARL.

The company continued the implementation of a major brand development programme and it is anticipated that this will be fully implemented during 2001/2002. The ongoing reinvestment programme for refurbishing older sites will incorporate these brand improvements.

The directors have strengthened the field operations team during the year as the number of sites has grown. This has resulted in stronger site control and adds to our policy of continued service level improvement.

The company is continuing its policy of expanding its client base and developments in this area will be announced in due course.

The directors are confident that the growth trend in sales and profitability will continue in the forthcoming year.

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:

	2001 £	2000 £
Dividends paid on ordinary shares	<u>28,000</u>	<u>25,000</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 2001	At 1 April 2000
DS Leggate	2,700	2,700
SJ Senior	2,700	2,700
CJC Whimster	600	600
KJ Sim	<u>-</u>	<u>-</u>

COFFEE PARTNERS LIMITED**THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 31ST MARCH 2001****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 pages 9 to 10, 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.

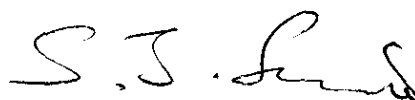
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding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

AUDITORS

A resolution to re-appoint Hodgson and Company 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 28th August 2001

COFFEE PARTNERS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31ST MARCH 2001

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

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.

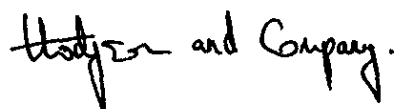
BASIS OF AUDIT OPINION

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 2001 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

HODGSON AND COMPANY
Chartered Accountants
& Registered Auditors

28th August 2001

COFFEE PARTNERS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST MARCH 2001

	Note	2001 £	2000 £
TURNOVER	2	3,918,866	3,154,227
Cost of sales		<u>2,893,498</u>	<u>2,345,653</u>
GROSS PROFIT		1,025,368	808,574
Administrative expenses		781,437	637,335
Other operating income	3	<u>(3,921)</u>	<u>(2,164)</u>
OPERATING PROFIT	4	247,852	173,403
Interest payable	7	33,671	23,066
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>214,181</u>	<u>150,337</u>
Tax on profit on ordinary activities	8	<u>(42,832)</u>	<u>(14,821)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		171,349	135,516
Dividends	9	28,000	25,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>143,349</u>	<u>110,516</u>
Balance brought forward		<u>199,270</u>	<u>88,754</u>
Balance carried forward		<u><u>342,619</u></u>	<u><u>199,270</u></u>

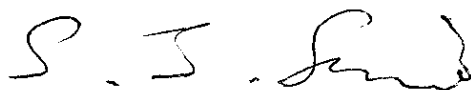
The company has no recognised gains or losses other than the results for the year as set out above.

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

COFFEE PARTNERS LIMITED**BALANCE SHEET****31ST MARCH 2001**

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	10	1,327,315	838,018
Investments	11	<u>52,405</u>	-
		1,379,720	838,018
CURRENT ASSETS			
Stocks	12	42,309	49,290
Debtors	13	9,367	18,077
Cash at bank and in hand		<u>222,050</u>	<u>164,153</u>
		273,726	231,520
CREDITORS: Amounts falling due within one year	14	<u>(709,923)</u>	<u>(624,238)</u>
NET CURRENT LIABILITIES		<u>(436,197)</u>	<u>(392,718)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		943,523	445,300
CREDITORS: Amounts falling due after more than one year	15	<u>(520,104)</u>	<u>(202,380)</u>
		423,419	242,920
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	16	<u>(74,800)</u>	<u>(37,650)</u>
		<u>348,619</u>	<u>205,270</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	6,000	6,000
Profit and Loss Account		<u>342,619</u>	<u>199,270</u>
SHAREHOLDERS' FUNDS	21	<u>348,619</u>	<u>205,270</u>

These financial statements were approved by the directors on the 28th August 2001 and are signed on their behalf by:



SJ SENIOR

COFFEE PARTNERS LIMITED**CASH FLOW STATEMENT****YEAR ENDED 31ST MARCH 2001**

	2001		2000
	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		422,614	428,403
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid	(26,986)		(14,463)
Interest element of hire purchase	(6,685)		(8,603)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(33,671)	(23,066)
TAXATION		(15,372)	(3,612)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	(633,049)		(480,381)
Loans to group undertakings	(47,846)		-
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(680,895)	(480,381)
ACQUISITIONS AND DISPOSALS			
Acquisition of shares in group undertakings	(4,559)		-
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		(4,559)	-
EQUITY DIVIDENDS PAID		(28,000)	(25,000)
CASH OUTFLOW BEFORE FINANCING		(339,883)	(103,656)
FINANCING			
Repayment of bank loans	414,915		85,336
Capital element of hire purchase	(34,948)		(4,128)
NET CASH INFLOW FROM FINANCING		379,967	81,208
INCREASE/(DECREASE) IN CASH		40,084	(22,448)

COFFEE PARTNERS LIMITED**CASH FLOW STATEMENT** *(continued)***YEAR ENDED 31ST MARCH 2001****RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2001	2000
	£	£
Operating profit	247,852	173,403
Depreciation	143,752	99,073
Decrease/(Increase) in stocks	6,981	(7,300)
Decrease in debtors	8,710	9,048
Increase in creditors	15,319	154,179
Net cash inflow from operating activities	<u>422,614</u>	<u>428,403</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001	2000
	£	£
Increase/(Decrease) in cash in the period	40,084	(22,448)
Net cash inflow from bank loans	(414,915)	(85,336)
Cash outflow in respect of hire purchase	<u>34,948</u>	<u>4,128</u>
	(339,883)	(103,656)
Change in net debt	(339,883)	(103,656)
Net debt at 1st April 2000	(116,506)	(12,849)
Net debt at 31st March 2001	<u>(456,389)</u>	<u>(116,506)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 2000 £	Cash flows £	At 31 Mar 2001 £
Net cash:			
Cash in hand and at bank	164,153	57,897	222,050
Overdrafts	<u>(27,877)</u>	<u>(17,813)</u>	<u>(45,690)</u>
	136,276	40,084	176,360
Debt:			
Debt due within 1 year	(15,454)	(67,046)	(82,500)
Debt due after 1 year	(164,754)	(347,869)	(512,623)
Hire purchase agreements	<u>(72,574)</u>	<u>34,948</u>	<u>(37,626)</u>
	(252,782)	(379,967)	(632,749)
Net debt	<u>(116,506)</u>	<u>(339,883)</u>	<u>(456,389)</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2001

1. ACCOUNTING POLICIES

Basis of accounting

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

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

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.

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2001

1. ACCOUNTING POLICIES *(continued)*

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.

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 of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

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:

	2001 £	2000 £
United Kingdom	<u>3,918,866</u>	<u>3,154,227</u>

3. OTHER OPERATING INCOME

	2001 £	2000 £
Other operating income	<u>3,921</u>	<u>2,164</u>

4. OPERATING PROFIT

Operating profit is stated after charging:

	2001 £	2000 £
Depreciation	143,752	99,073
Auditors' remuneration		
- as auditors	4,000	4,000
Operating lease costs:		
Land and buildings	1,448	1,991
Plant and equipment	<u>45,538</u>	<u>47,860</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2001

5. PARTICULARS OF EMPLOYEES

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

	2001	2000
	No.	No.
Number of management staff	10	5
Number of administrative staff	4	2
Number of catering staff	178	149
	<u>192</u>	<u>156</u>

The aggregate payroll costs of the above were:

	2001	2000
	£	£
Wages and salaries	1,530,488	1,178,034
Social security costs	75,086	63,424
Other pension costs	38,477	38,996
	<u>1,644,051</u>	<u>1,280,454</u>

6. DIRECTORS' EMOLUMENTS

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

	2001	2000
	£	£
Aggregate emoluments	141,114	105,674
Value of company pension contributions to money purchase schemes	32,800	33,380
	<u>173,914</u>	<u>139,054</u>

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

	2001	2000
	No.	No.
Money purchase schemes	<u>3</u>	<u>3</u>

7. INTEREST PAYABLE

	2001	2000
	£	£
Interest payable on bank borrowing	210	-
Finance charges	6,685	8,603
Other similar charges payable	26,776	14,463
	<u>33,671</u>	<u>23,066</u>

COFFEE PARTNERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST MARCH 2001****8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2001 £	2000 £
Corporation Tax based on the results for the year at 20% (2000 - 20%)	5,682	13,521
Increase in deferred tax provision (Note 16):		
Capital allowances	37,150	1,300
	<u>42,832</u>	<u>14,821</u>

9. DIVIDENDS

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

	2001 £	2000 £
Dividend paid on ordinary shares	<u>28,000</u>	<u>25,000</u>

10. TANGIBLE FIXED ASSETS

	Freehold Property £	Office equipment £	Motor Vehicles £	Cafe equipment £	Total £
COST					
At 1 April 2000	297,275	33,449	13,767	696,614	1,041,105
Additions	<u>-</u>	<u>16,119</u>	<u>54,416</u>	<u>562,514</u>	<u>633,049</u>
At 31 March 2001	<u>297,275</u>	<u>49,568</u>	<u>68,183</u>	<u>1,259,128</u>	<u>1,674,154</u>
DEPRECIATION					
At 1 April 2000	-	12,599	5,415	185,073	203,087
Charge for the year	<u>-</u>	<u>7,286</u>	<u>9,229</u>	<u>127,237</u>	<u>143,752</u>
At 31 March 2001	<u>-</u>	<u>19,885</u>	<u>14,644</u>	<u>312,310</u>	<u>346,839</u>
NET BOOK VALUE					
At 31 March 2001	<u>297,275</u>	<u>29,683</u>	<u>53,539</u>	<u>946,818</u>	<u>1,327,315</u>
At 31 March 2000	<u>297,275</u>	<u>20,850</u>	<u>8,352</u>	<u>511,541</u>	<u>838,018</u>

Hire purchase agreements

Included within the net book value of £1,327,315 is £73,269 (2000 - £86,198) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £12,929 (2000 - £17,433).

Capital commitments

	2001 £	2000 £
Contracted but not provided for in the accounts	<u>53,568</u>	<u>54,804</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2001

11. INVESTMENTS

	£
COST	
Additions	<u>4,559</u>
At 31st March 2001	<u>4,559</u>
 LOANS	
Advanced in year	<u>47,846</u>
At 31st March 2001	<u>47,846</u>
 NET BOOK VALUE	
At 31st March 2001	<u>52,405</u>

The company owns 90% of the issued share capital of Café Centre SARL, a company incorporated in France. Café Centre SARL will prepare its first Financial Statements for the period ending 31st March 2002.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

12. STOCKS

	2001 £	2000 £
Stock	<u>42,309</u>	<u>49,290</u>

13. DEBTORS

	2001 £	2000 £
Trade debtors	8,182	14,857
Prepayments and accrued income	<u>1,185</u>	<u>3,220</u>
	<u>9,367</u>	<u>18,077</u>

14. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	128,190	43,331
Trade creditors	155,168	194,945
Hire purchase agreements	30,145	34,948
Directors' loan accounts	37,358	19,774
Other creditors	147,578	129,107
Accruals and deferred income	<u>211,484</u>	<u>202,133</u>
	<u>709,923</u>	<u>624,238</u>

COFFEE PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2001

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

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

	2001	2000
	£	£
Bank loans and overdrafts	<u>128,190</u>	<u>43,331</u>

Bank loans and overdrafts are secured in favour of the company's bankers by means of a floating charge, a first legal charge on the company's property in Keswick and a standard security over the company's property in Edinburgh.

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

	2001	2000
	£	£
Bank loans and overdrafts	512,623	164,754
Hire purchase agreements	7,481	37,626
	<u>520,104</u>	<u>202,380</u>

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

	2001	2000
	£	£
Bank loans and overdrafts	<u>512,623</u>	<u>164,754</u>

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	2001	2000
	£	£
Bank loans and overdrafts	<u>200,000</u>	<u>109,416</u>

At the Balance Sheet date, bank loans and overdrafts repayable after more than five years by instalments consist of a Business Term Loan repayable by quarterly instalments with a variable interest rate (7.5% at 31st March 2001).

16. DEFERRED TAXATION

	2001	2000
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	37,650	36,350
Increase in provision	<u>37,150</u>	<u>1,300</u>
Provision carried forward	<u>74,800</u>	<u>37,650</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2001

16. DEFERRED TAXATION *(continued)*

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

	2001	2000
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>74,800</u>	<u>37,650</u>

17. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2001	2000
	£	£
Amounts payable within 1 year	20,858	-
Amounts payable between 2 to 5 years	<u>19,521</u>	<u>81,954</u>
	40,379	81,954
Less interest and finance charges relating to future periods	<u>(2,753)</u>	<u>(9,380)</u>
	<u>37,626</u>	<u>72,574</u>

18. COMMITMENTS UNDER OPERATING LEASES

At 31st March 2001 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2001	2000
	£	£
Operating leases which expire:		
Within 1 year	51,319	54,811
Within 2 to 5 years	<u>12,398</u>	<u>21,436</u>
	<u>63,717</u>	<u>76,247</u>

19. RELATED PARTY TRANSACTIONS

The company was under the control of Messrs D S Leggate and S J Senior throughout the current and previous year. Messrs Leggate and Senior are directors and major shareholders.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2001

20. SHARE CAPITAL

Authorised share capital:

	2001	2000
	£	£
100,000 Ordinary shares of £1.00 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2001	2000
	£	£
Ordinary share capital	<u>6,000</u>	<u>6,000</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£	£
Profit for the financial year	171,349	135,516
Dividends	<u>(28,000)</u>	<u>(25,000)</u>
	143,349	110,516
Opening shareholders' equity funds	<u>205,270</u>	<u>94,754</u>
Closing shareholders' equity funds	<u>348,619</u>	<u>205,270</u>