

COFFEE PARTNERS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2002

Company Registration Number SC153721



SCT SBEJFHM 0670
COMPANIES HOUSE 15/01/03

COFFEE PARTNERS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2002

CONTENTS	PAGES
Officers and professional advisers	1
The directors' report	2 to 4
Independent auditors' report to the shareholders	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 to 20

COFFEE PARTNERS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

DS Leggate
SJ Senior
CJC Whimster
KJ Crook

Company secretary

K J Crook

Registered office

Adam Ferguson House
Eskmills Retail Park
Musselburgh
Edinburgh
EH21 7PQ

Auditors

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

Bankers

Girobank plc
Bridle Road
Bootle
Merseyside
GIR 0AA

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

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 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March 2002.

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 performance of the company during the year under review given the global economic environment and the impact on sales caused by the 11th September USA tragedy.

During the year, the company opened 20 new sites in the UK in addition to one site in France under the auspices of the French subsidiary undertaking. At the end of the period the French subsidiary undertaking was closed, incurring an extraordinary loss of £60k. The high level of social costs associated with staff in France made the business unprofitable.

The number of UK site openings was significantly greater than initially budgeted and this has led to the costs associated with Regional Management staff and overhead being substantially higher than anticipated. The benefits in terms of turnover from the sharp increase in site numbers and the putting in place of a highly motivated and focused operations team will be seen in the current and future years.

The higher than budgeted level of capital costs incurred due to the number of site openings put a temporary strain on the company's cash flow during the year prompting a review of the company's banking and financial structure. Following a lengthy and wide ranging evaluation, the Bank of Scotland has been chosen to support the company due to its ability to offer a more flexible and growth-orientated financial package. The transfer to the Bank of Scotland took place after the year-end.

The company's rapid growth provoked the need for additional staffing and hence office space. In conjunction with the overall financial review mentioned above, the decision was taken to sell the existing office building and lease new premises allowing for substantial future growth without the need to relocate. The sale of the existing office building went through after the year-end.

During the period under review the company's sales increased by 25% and the gross profit margin was maintained at 26% of net sales. Administrative costs increased substantially due principally to a doubling of depreciation and increased overhead staff costs due to the intensity of site openings. Other costs remained in line with budget. Depreciation will continue to have a significant impact on reported results as capital expenditure continues in the current and future periods.

The directors anticipate 12 new sites opening during the current financial year and, with the renewed contract with B&Q plc providing for long-term planning security, are confident that the continued successful and profitable growth of the company will be sustained for the foreseeable future.

COFFEE PARTNERS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST MARCH 2002

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:

	2002	2001
	£	£
Proposed dividends on ordinary shares	15,000	—
Dividends paid on ordinary shares	—	28,000
	<u>15,000</u>	<u>28,000</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	At
	31 March 2002	1 April 2001
DS Leggate	2,700	2,700
SJ Senior	2,700	2,700
CJC Whimster	600	600
KJ Crook	—	—

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 consistently;

make judgements and estimates that are reasonable and prudent; and

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.

COFFEE PARTNERS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST MARCH 2002

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:
Adam Ferguson House
Eskmills Retail Park
Musselburgh
Edinburgh
EH21 7PQ

Signed by order of the directors



K J CROOK
Company Secretary

Approved by the directors on 16th December 2002

COFFEE PARTNERS LIMITED**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 31ST MARCH 2002**

We have audited the financial statements on pages 6 to 20 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

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 on page 3.

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. Our responsibilities do not extend to any other information.

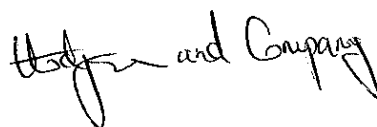
BASIS OF AUDIT OPINION

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 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 2002 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

20th December 2002

COFFEE PARTNERS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST MARCH 2002

	Note	2002 £	2001 £
TURNOVER	2	4,923,873	3,918,866
Cost of sales		<u>3,636,804</u>	<u>2,893,498</u>
GROSS PROFIT		1,287,069	1,025,368
Administrative expenses		1,135,897	781,437
Other operating income	3	<u>(1,903)</u>	<u>(3,921)</u>
OPERATING PROFIT	4	153,075	247,852
Amounts written off investments	7	(60,120)	—
Interest payable	8	<u>53,812</u>	<u>33,671</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		39,143	214,181
Tax on profit on ordinary activities	9	<u>20,569</u>	<u>42,832</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		18,574	171,349
Dividends	10	<u>15,000</u>	<u>28,000</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		3,574	143,349
Balance brought forward		<u>342,620</u>	<u>199,271</u>
Balance carried forward		<u>346,194</u>	<u>342,620</u>

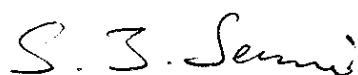
The company has no recognised gains or losses other than the results for the year as set out above.

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

COFFEE PARTNERS LIMITED**BALANCE SHEET****31ST MARCH 2002**

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	11	2,595,013	1,327,315
Investments	12	—	52,405
		<u>2,595,013</u>	<u>1,379,720</u>
CURRENT ASSETS			
Stocks	13	118,951	42,309
Debtors	14	42,969	9,367
Cash at bank and in hand		<u>163,894</u>	<u>222,050</u>
		325,814	273,726
CREDITORS: Amounts falling due within one year	15	<u>2,278,665</u>	<u>709,922</u>
NET CURRENT LIABILITIES		<u>(1,952,851)</u>	<u>(436,196)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>642,162</u>	<u>943,524</u>
CREDITORS: Amounts falling due after more than one year	16	<u>188,918</u>	<u>520,104</u>
		453,244	423,420
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	18	<u>101,050</u>	<u>74,800</u>
		<u>352,194</u>	<u>348,620</u>
CAPITAL AND RESERVES			
Called-up equity share capital	21	6,000	6,000
Profit and Loss Account		<u>346,194</u>	<u>342,620</u>
SHAREHOLDERS' FUNDS	22	<u>352,194</u>	<u>348,620</u>

These financial statements were approved by the directors on the 16th December 2002 and are signed on their behalf by:



SJ SENIOR

COFFEE PARTNERS LIMITED**CASH FLOW STATEMENT****YEAR ENDED 31ST MARCH 2002**

	Note	2002 £	2001 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	1,007,174	422,613
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(44,895)	(26,986)
Interest element of hire purchase and finance lease		<u>(8,917)</u>	<u>(6,685)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(53,812)	(33,671)
TAXATION		(5,682)	(15,372)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(1,441,656)	(633,049)
Receipts from sale of fixed assets		999	—
Loans to group undertakings		<u>(44,552)</u>	<u>(47,846)</u>
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,485,209)	(680,895)
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)
CASH OUTFLOW BEFORE FINANCING		(537,529)	(339,884)
FINANCING	24	352,243	379,967
(DECREASE)/INCREASE IN CASH	25	<u>(185,286)</u>	<u>40,083</u>

The notes on pages 9 to 20 form part of these financial statements.

COFFEE PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

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:

Leasehold Property	-	over the life of the lease
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 at a constant rate of charge on the balance of capital repayments outstanding.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element which reduces the outstanding obligation for future instalments.

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.

COFFEE PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2002

1. ACCOUNTING POLICIES *(continued)*

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- * provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- * provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- * deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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:

	2002	2001
	£	£
United Kingdom	<u>4,923,873</u>	<u>3,918,866</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2002

3. OTHER OPERATING INCOME

	2002	2001
	£	£
Other operating income	<u>1,903</u>	<u>3,921</u>

4. OPERATING PROFIT

Operating profit is stated after charging:

	2002	2001
	£	£
Depreciation	280,211	143,752
Loss on disposal of fixed assets	464	—
Auditors' remuneration		
- as auditors	7,500	4,000
Operating lease costs:		
Land and buildings	11,922	1,448
Plant and equipment	<u>56,659</u>	<u>45,538</u>

5. PARTICULARS OF EMPLOYEES

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

	2002	2001
	No.	No.
Number of management staff	12	10
Number of administrative staff	5	4
Number of catering staff	217	178
	<u>234</u>	<u>192</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	1,993,542	1,530,488
Social security costs	117,516	75,086
Other pension costs	35,241	38,477
	<u>2,146,299</u>	<u>1,644,051</u>

6. DIRECTORS' EMOLUMENTS

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

	2002	2001
	£	£
Aggregate emoluments	130,055	141,114
Value of company pension contributions to money purchase schemes	25,200	32,800
	<u>155,255</u>	<u>173,914</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2002

6. DIRECTORS' EMOLUMENTS *(continued)*

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

	2002	2001
	No.	No.
Money purchase schemes	<u>3</u>	<u>3</u>

7. AMOUNTS WRITTEN OFF INVESTMENTS

	2002	2001
	£	£
Amount written off investments	<u>60,120</u>	<u>—</u>
Total write off charge	<u>60,120</u>	<u>—</u>

Following poor initial trading in France, the company decided to cease the operations of its subsidiary undertaking, Café Centre SARL. The company is in the process of being liquidated in France and the directors do not anticipate that a dividend will be paid at the conclusion of this process. Accordingly, the whole of the cost of the investment, together with loans made to get the business running, have been written off.

8. INTEREST PAYABLE

	2002	2001
	£	£
Interest payable on bank borrowing	2,541	210
Finance charges	8,917	6,685
Other similar charges payable	<u>42,354</u>	<u>26,776</u>
	<u>53,812</u>	<u>33,671</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2002

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation

	2002		2001	
	£	£	£	£
Current tax:				
UK Corporation tax based on the results for the year at 20% (2001 - 20%)		—		5,682
Over/under provision in prior year		<u>(5,681)</u>		—
Total current tax		<u>(5,681)</u>		5,682
Deferred tax:				
Increase in deferred tax provision (note 18)				
Capital allowances	92,950		37,150	
Losses	<u>(66,700)</u>		—	
Total deferred tax (note 18)		<u>26,250</u>		37,150
Tax on profit on ordinary activities		<u>20,569</u>		<u>42,832</u>

10. DIVIDENDS

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

	2002	2001
	£	£
Proposed dividend on ordinary shares	15,000	—
Dividend paid on ordinary shares	<u>—</u>	<u>28,000</u>
	<u>15,000</u>	<u>28,000</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2002

11. TANGIBLE FIXED ASSETS

	Freehold & Leasehold Property £	Office equipment £	Motor Vehicles £	Cafe equipment £	Total £
COST					
At 1 April 2001	297,275	49,568	68,183	1,259,128	1,674,154
Additions	21,704	36,508	120,573	1,333,749	1,512,534
Disposals	—	—	(4,935)	—	(4,935)
Transfers	—	—	—	36,838	36,838
At 31 March 2002	<u>318,979</u>	<u>86,076</u>	<u>183,821</u>	<u>2,629,715</u>	<u>3,218,591</u>
DEPRECIATION					
At 1 April 2001	—	19,885	14,644	312,310	346,839
Charge for the year	1,446	12,898	34,333	231,534	280,211
On disposals	—	—	(3,472)	—	(3,472)
At 31 March 2002	<u>1,446</u>	<u>32,783</u>	<u>45,505</u>	<u>543,844</u>	<u>623,578</u>
NET BOOK VALUE					
At 31 March 2002	<u>317,533</u>	<u>53,293</u>	<u>138,316</u>	<u>2,085,871</u>	<u>2,595,013</u>
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>

Hire Purchase and finance lease agreements

Included within the net book value of £2,595,013 is £285,791 (2001 - £73,269) relating to assets held under hire purchase agreements, and £61,203 (2001 - £Nil) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of assets held under hire purchase agreements amounted to £21,321 (2001 - £12,929), and £9,675 (2001 - £Nil) in respect of assets held under finance lease agreements.

Capital commitments

	2002 £	2001 £
Contracted but not provided for in the financial statements	<u>62,336</u>	<u>53,568</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2002

12. INVESTMENTS

	£
COST:	
At 1st April 2001 and 31st March 2002	<u>4,559</u>
AMOUNTS WRITTEN OFF:	
Written off in year	<u>4,559</u>
At 31st March 2002	<u>4,559</u>
LOANS:	
At 1st April 2001	47,846
Advanced in year	44,552
Write-down in year	<u>(92,398)</u>
At 31st March 2002	<u>—</u>
NET BOOK VALUE:	
At 31st March 2002	<u>—</u>
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 performed poorly in the first few months of trading and a decision was taken to cease trading during the year. The company is in the process of being liquidated.

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.

13. STOCKS

	2002 £	2001 £
Stock	<u>118,951</u>	<u>42,309</u>

14. DEBTORS

	2002 £	2001 £
Trade debtors	30,256	8,182
Corporation tax repayable	5,682	—
Prepayments and accrued income	7,031	1,185
	<u>42,969</u>	<u>9,367</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2002

15. CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	927,896	128,190
Trade creditors	483,253	155,167
Other creditors including taxation and social security:		
Corporation tax	—	5,681
PAYE and social security	28,089	15,229
VAT	161,775	126,668
Hire Purchase and finance lease agreements	111,877	30,145
Dividends payable	15,000	—
Other creditors	120,000	—
Directors current accounts	22,803	37,358
	<u>1,870,693</u>	<u>498,438</u>
Accruals and deferred income	407,972	211,484
	<u>2,278,665</u>	<u>709,922</u>

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

	2002	2001
	£	£
Bank loans and overdrafts	<u>927,896</u>	<u>128,190</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.

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

	2002	2001
	£	£
Bank loans and overdrafts	—	512,623
Other creditors:		
Hire Purchase and finance lease agreements	188,918	7,481
	<u>188,918</u>	<u>520,104</u>

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

	2002	2001
	£	£
Bank loans and overdrafts	<u>—</u>	<u>512,623</u>

COFFEE PARTNERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST MARCH 2002****16. CREDITORS: Amounts falling due after more than one year (continued)**

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:

	2002 £	2001 £
Bank loans and overdrafts	<u>—</u>	<u>200,000</u>

17. COMMITMENTS UNDER HIRE PURCHASE AND FINANCE LEASE AGREEMENTS

Future commitments under hire purchase and finance lease agreements are as follows:

	2002 £	2001 £
Amounts payable within 1 year	7,808	20,858
Amounts payable between 1 and 2 years	61,203	—
Amounts payable between 3 and 5 years	<u>257,215</u>	<u>19,521</u>
	326,226	40,379
Less interest and finance charges relating to future periods	<u>(25,431)</u>	<u>(2,753)</u>
	<u>300,795</u>	<u>37,626</u>
Hire purchase and finance lease agreements are analysed as follows:		
Current obligations	111,877	30,145
Non-current obligations	<u>188,918</u>	<u>7,481</u>
	<u>300,795</u>	<u>37,626</u>

18. DEFERRED TAXATION

	2002 £	2001 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	74,800	37,650
Profit and Loss Account movement arising during the year	<u>26,250</u>	<u>37,150</u>
Provision carried forward	<u>101,050</u>	<u>74,800</u>

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

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	167,750	74,800
Tax losses available	<u>(66,700)</u>	<u>—</u>
	<u>101,050</u>	<u>74,800</u>

COFFEE PARTNERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST MARCH 2002****19. COMMITMENTS UNDER OPERATING LEASES**

At 31st March 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	2002		2001	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	–	1,446	–	51,319
Within 2 to 5 years	–	46,320	–	12,398
After more than 5 years	25,000	–	–	–
	<u>25,000</u>	<u>47,766</u>	<u>–</u>	<u>63,717</u>

20. 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.

Following the year end, the company sold the property in Edinburgh at an open market valuation to a partnership consisting of three directors of the company and two senior employees.

21. SHARE CAPITAL**Authorised share capital:**

	2002 £	2001 £
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2002 £	2001 £
Ordinary share capital	<u>6,000</u>	<u>6,000</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	18,574	171,349
Dividends	<u>(15,000)</u>	<u>(28,000)</u>
	3,574	143,349
Opening shareholders' equity funds	<u>348,620</u>	<u>205,271</u>
Closing shareholders' equity funds	<u>352,194</u>	<u>348,620</u>

COFFEE PARTNERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST MARCH 2002****23. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2002 £	2001 £
Operating profit	153,075	247,852
Depreciation	280,211	143,752
Loss on disposal of fixed assets	464	—
(Increase)/Decrease in stocks	(76,642)	6,981
(Increase)/Decrease in debtors	(27,920)	8,710
Increase in creditors	677,986	15,318
Net cash inflow from operating activities	<u>1,007,174</u>	<u>422,613</u>

24. FINANCING

	2002 £	2001 £
Increase in bank loans	159,952	414,915
Capital element of hire purchase and finance lease	192,291	(34,948)
Net cash inflow from financing	<u>352,243</u>	<u>379,967</u>

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
(Decrease)/Increase in cash in the period	(185,286)	40,083
Net cash (inflow) from bank loans	(159,952)	(414,915)
Cash outflow in respect of hire purchase and finance lease	(192,291)	34,948
Change in net debt resulting from cash flows	(537,529)	(339,884)
New finance leases	(70,878)	—
Movement in net debt in the period	(608,407)	(339,884)
Net debt at 1 April 2001	(456,389)	(116,506)
Net debt at 31 March 2002	<u>(1,064,797)</u>	<u>(456,389)</u>

COFFEE PARTNERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2002

26. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 2001 £	Cash flows £	Other changes £	At 31 Mar 2002 £
Net cash:				
Cash in hand and at bank	222,050	(58,156)	—	163,894
Overdrafts	(45,690)	(127,131)	—	(172,821)
	<u>176,360</u>	<u>(185,287)</u>	<u>—</u>	<u>(8,927)</u>
Debt:				
Debt due within 1 year	(82,500)	(672,575)	—	(755,075)
Debt due after 1 year	(512,623)	512,623	—	—
Hire Purchase and finance lease agreements	<u>(37,626)</u>	<u>(192,291)</u>	<u>(70,878)</u>	<u>(300,795)</u>
	<u>(632,749)</u>	<u>(352,243)</u>	<u>(70,878)</u>	<u>(1,055,870)</u>
Net debt	<u>(456,389)</u>	<u>(537,530)</u>	<u>(70,878)</u>	<u>(1,064,797)</u>

27. POST BALANCE SHEET EVENTS

Following the year end, the company changed its bankers to the Bank of Scotland. The facilities provided by the Royal Bank of Scotland were all repaid and replaced by a three year Committed Working Capital Facility with an interest rate of 1.5% per annum over the Bank's base rate.

28. PENSION COMMITMENTS

Pensions

The company makes contributions into a defined contribution scheme provided by Abbey Life on behalf of its directors and employees. The total contributions made in the year was £32,839 net of employee contributions. There were no outstanding or prepaid contributions at the balance sheet date.