

C. B. COSTA BROS. COFFEE COMPANY LIMITEDREPORT OF THE DIRECTORS

The Directors present their annual report with the accounts for the year ended 30th June 1991.

REVIEW OF BUSINESS

The principal activity of the company, which has remained unchanged in the period under review is that of Wholesale and Retail coffee merchants.

Although the gross profit margin has increased, the net profit after taxation remained static due to increases in overhead expenditure. In view of the current economic climate, the Directors consider the year end financial position and the general state of affairs to be satisfactory.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

TRANSFER TO RESERVES

A summary of the results of the year's trading and details of transfer to reserves are shown on page 4 of the accounts.

DIRECTORS

The Directors in office in the year and their beneficial interests in the Issued Ordinary Share Capital which have remained unchanged throughout the year, were as follows :

Ordinary Shares of £1 each

Mr. S. G. Costa	100
Mrs. Y. Costa	1

FIXED ASSETS

Acquisitions and disposals of Fixed Assets during the year are recorded in the Notes to the accounts.

CONTRIBUTIONS FOR POLITICAL AND CHARITABLE PURPOSES

Contributions made by the company during the year were as follows:

For charitable purposes	:	£1000 (1990 £840)
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C. B. COSTA BROS. COFFEE COMPANY LIMITED

REPORT OF THE DIRECTORS
CONTINUED

TAX STATUS

The company is a 'close company' within the terms of the Income and Corporation Taxes Act 1988.

AUDITORS

The Auditors, Messrs. Rhodes & Rhodes, will be proposed for re-appointment in accordance with Section 384 of the Companies Act 1985.

BY ORDER OF THE BOARD



SECRETARY

Dated this 26th day of May 1992

C. B. COSTA BROS. COFFEE COMPANY LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
C. B. COSTA BROS. COFFEE COMPANY LIMITED

We have audited the financial statements on pages 4 to 13 in accordance with Auditing Standards.

In our opinion, the company is entitled for the year ended 30th June 1991 to the exemption conferred by S.248 of the Companies Act 1985 from the requirement to prepare group accounts.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30th June 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

42 Doughty Street,
London, WC1N 2LY.

Signed



Auditors

Rhodes & Rhodes
Chartered Accountants

Dated this 26th day of MAY 1992

C. B. COSTA BROS. COFFEE COMPANY LIMITED

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 1991

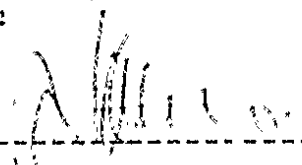
	Note	£	£	1 9 9 0 £ £
Turnover	3		2505690	2455661
Cost of Sales			1002669	1029013
GROSS PROFIT			<u>1503021</u>	<u>1426648</u>
Net Operating Expenses	4		1284559	1218115
OPERATING PROFIT	5		<u>218462</u>	<u>208533</u>
Interest Receivable and Similar Income	8		<u>283</u> 218745	<u>203</u> 208736
Interest Payable and Similar Charges	9		<u>37177</u>	<u>6532</u>
PROFIT on Ordinary Activities before Taxation			181568	202204
Tax on Profit on Ordinary Activities	10		<u>60000</u>	<u>82300</u>
PROFIT on Ordinary Activities after Taxation			121568	119904
Extraordinary Income	11	24005		-
Extraordinary Profit	12	<u>17380</u>	<u>41385</u>	(<u>8744</u>) (<u>8744</u>)
PROFIT for the Financial Year			162953	111160
Balance at 1st July 1990			<u>1315289</u>	<u>1204129</u>
Balance carried forward			£1478242	£1315289

C. B. COSTA BROS. COFFEE COMPANY LIMITED

BALANCE SHEET AT 30TH JUNE 1991

	Note	£	£	1 9 9 0 £ £
<u>FIXED ASSETS</u>				
Tangible Assets	13		1890476	1636006
Investments	14		205	205
			<u>1890681</u>	<u>1636211</u>
<u>CURRENT ASSETS</u>				
Stocks	15	240479		199323
Debtors	16	650434		580094
Cash at Bank and in Hand		23799		3928
		<u>914712</u>		<u>783345</u>
<u>CREDITORS : AMOUNTS FALLING DUE</u>				
<u> WITHIN ONE YEAR</u>	17	<u>933453</u>		<u>1002326</u>
<u>NET CURRENT LIABILITIES</u>			<u>18741</u>	<u>218981</u>
<u>TOTAL ASSETS LESS CURRENT</u>				
<u> LIABILITIES</u>			<u>1871940</u>	<u>1417230</u>
<u>CREDITORS : AMOUNTS FALLING DUE</u>				
<u> AFTER MORE THAN ONE YEAR</u>	18	<u>296798</u>		<u>19841</u>
<u>PROVISION FOR LIABILITIES AND</u>				
<u> CHARGES</u>	20	<u>96800</u>	<u>393598</u>	<u>82000</u> <u>101841</u>
<u>NET ASSETS</u>			<u>£1478342</u>	<u>£1315389</u>
Financed by :				
<u>CAPITAL AND RESERVES</u>				
Called up Share Capital	21		100	100
Profit & Loss Account			<u>1478242</u>	<u>1315289</u>
<u>SHAREHOLDERS FUNDS</u>			<u>£1478342</u>	<u>£1315389</u>

Approved by the Board on 26th MAY 1992 and signed on their behalf by :


----- Director


----- Director

C. B. COSTA BROS. COFFEE COMPANY LIMITED

SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH JUNE 1991

	£	£	£	1 9 9 0	£
<u>SOURCE OF FUNDS</u>					
<u>Funds generated from operations:</u>					
Profit on ordinary activities before taxation		181568		202204	
Extraordinary item before tax		<u>15700</u>		-	
		197268		<u>202204</u>	
Adjustment for items not involving the movement of funds :					
Amounts written off Fixed Assets		186325		183767	
(Profit)/Loss on disposal of Fixed Assets		(<u>3636</u>)		<u>7708</u>	
		379957		<u>393679</u>	
<u>Funds from other sources:</u>					
Bank loan	295000		-		
Extraordinary item - net proceeds arising on sale of Leasehold Properties	45000		-		
Proceeds on disposal of other tangible assets	<u>49474</u>	<u>389474</u>	<u>15650</u>	<u>15650</u>	
		769431		<u>409329</u>	

APPLICATION OF FUNDS

Repayment of bank loan	2590		-		
Purchase of tangible fixed assets	497628		405845		
Taxation Paid (net)	88160		253387		
Loan to Associated Company	(<u>1680</u>)	<u>586698</u>	<u>8744</u>	<u>667976</u>	
		£182733		£(258647)	

MOVEMENT IN WORKING CAPITAL

Stock	Increase	41156		114324	
Debtors	Increase	70340		73601	
Creditors(Increase)	(<u>25491</u>)	86005	(<u>424289</u>)	(236364)	
<u>Movement in Net Liquid Funds:</u>					
Cash and Bank					
	Increase/(Decrease)	19871	(2966)		
Bank Overdraft					
	Decrease/(Increase)	76857	<u>96728</u>	(<u>19317</u>)	(<u>22283</u>)
		£182733		£(258647)	

C. B. COSTA BROS. COFFEE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1991

1. These Notes form part of the accounts for the year ended 30th June 1991.

2. ACCOUNTING POLICIES

- (a) Basis of accounting
The accounts have been prepared under the historical cost convention.
- (b) Compliance with accounting standards
The financial statements have been prepared in accordance with applicable accounting standards.
- (c) Turnover
Turnover which excludes Value Added Tax represents the invoiced value of goods and services supplied.

- (d) Depreciation
(i) Depreciation is provided so as to write off the cost of fixed assets over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold Property	: 2% on Cost
Short Leasehold Property	: In equal instalments over the number of years of the life of the lease;
Plant, Fixtures and Fittings	: 15% on Net Book Value;
Motor Vehicles	: 25% on Net Book Value.
Leased Assets	: Over the period of the Lease.

(ii) Leasehold land and buildings are amortized over the shorter of 50 years or the period of the lease. Freehold land and leasehold land with an unexpired term of more than 50 years is not depreciated.

- (e) Stocks
Stocks and work in progress are valued at the lower of cost and net realisable value.
- (f) Taxation
The charge for taxation is based on the profits for the year as adjusted for disallowable items and for timing differences to the extent that they are unlikely to result in a tax liability in the foreseeable future.
Provision for taxation has been calculated at current rates.
- (g) Deferred Taxation
Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes.
Provision is made at current rates for deferred taxation, to the extent that it is considered the liability or asset will arise in the foreseeable future.

C. B. COSTA BROS. COFFEE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1991
CONTINUED2. ACCOUNTING POLICIES (Continued)

(h) Leasing and Hire Purchase

The cost of assets held under finance leases and hire purchase agreements is included under tangible assets, and depreciation is provided in accordance with the company's accounting policy for the class of asset concerned. Interest calculated on the reducing balance basis and straightline basis respectively is charged as interest payable over the period of the lease or hire purchase agreement, and the capital element of future lease and hire purchase payments is included in creditors. The cost of operating leases is charged as incurred.

(i) Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value. Current asset investments are stated at the lower of cost and net realisable value.

(j) Investment Properties

In accordance with SSAP.19 (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve, and (ii) no depreciation is provided in respect of freehold or leasehold investment properties with over 20 years to run. The Directors consider that this policy results in the accounts giving a true and fair view.

3. TURNOVER

The turnover wholly relating to the United Kingdom, and profit before taxation is attributable to the one principal activity of the company.

4. NET OPERATING EXPENSES

	<u>1991</u> £	<u>1990</u> £
Net Operating Expenses are made up as follows :		
Administration Expenses	1879223	1606334
Less: Other operating income	<u>594664</u>	<u>388219</u>
Net Operating Expenses	<u>£1284559</u>	<u>£1218115</u>

5. OPERATING PROFIT

The operating profit is stated after charging and crediting :

Amounts written off tangible fixed assets	186325	183767
Hire and Leasing Charges	6152	1821
Directors' Emoluments (Note 6)	134625	93625
Staff Costs (Note 7)	665911	510367
Auditors' Remuneration	11500	10000
(Profit)/Loss on Sale of Fixed Assets (3636)	7708

C. B. CCSTA BROS. COFFEE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1991
CONTINUED6. DIRECTORS' EMOLUMENTS 1991 1990

Directors' Emoluments disclosed and excluding pension contributions, were as follows :

Emoluments of the Chairman (Highest Paid Director)	£100575	£ 59625
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Number of directors whose annual emoluments were within the scale :

	<u>Number</u>	
£ 30001 to £ 35000	1	1
£ 55001 to £ 60000	-	1
£100001 to £105000	1	-

7. EMPLOYEE INFORMATION £ £

Wages and Salaries	593970	455964
Social Security Costs	71941	54403
	£665911	£510367

The average weekly number of employees, including Directors, during the period was as follows :

	<u>Number</u>	
Production and Sales	41	45

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME £ £

Bank Interest Received	£ 283	£ 203
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9. INTEREST PAYABLE

On Bank Loans and Overdrafts wholly repayable :

(i) within five years	11841	6532
(ii) after more than five years	25336	-
	£ 37177	£ 6532

10. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows :

Corporation Tax at 34% less Small Companies Marginal Rate based on the adjusted results of the year	51200	60000
Adjustment for Deferred Taxation computed at 34%	8800	22300
	£ 60000	£ 82300

C. B. COSTA BROS. COFFEE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1991
CONTINUED

11.	EXTRAORDINARY INCOME	1991 £	1990 £			
	Net Profit on Sale of Leasehold Properties	34005	-			
	<u>Less: Provision for Corporation Tax</u>	<u>10000</u>	<u>-</u>			
		£ 24005	£ -			
		<u> </u>	<u> </u>			
12.	EXTRAORDINARY PROFIT					
	Provision for Loss on investment in Associated Company no longer required	1680	(8744)			
	<u>Adjustment for Group Relief payment</u>	<u>15700</u>	<u>-</u>			
		£ 17380	£(8744)			
		<u> </u>	<u> </u>			
13.	TANGIBLE FIXED ASSETS					
	Plant Fixtures, and Fittings	Motor Vehicles	Short Term Leasehold Properties	Freehold Land and Building	Freehold Invest- ment Property	TOTAL
	£	£	£	£	£	£
Cost						
At 1.7.90	1069983	205716	239454	710441	-	2225594
Additions	113302	54444	14501	-	315381	497628
Disposals	(56200)	(42944)	(13092)	-	-	(112236)
At 30.6.91	<u>1127085</u>	<u>217216</u>	<u>240863</u>	<u>710441</u>	<u>315381</u>	<u>2610986</u>
Depreciation						
At 1.7.90	399665	107525	57989	24409	-	589588
Additions	113342	36331	24451	12201	-	186325
Disposals	(23427)	(29879)	(2097)	-	-	(55403)
At 30.6.91	<u>489580</u>	<u>113977</u>	<u>80343</u>	<u>36610</u>	<u>-</u>	<u>720510</u>
Net Book Value						
At 30.6.91	£ 637505	£103239	£160520	£673831	£315381	£1890476
At 30.6.90	£ 670318	£ 98191	£181465	£686032	£ -	£1636006

- (a) The freehold investment property was acquired in the year and, in the opinion of the directors, its value on an open market existing use basis at the Balance Sheet date is equivalent to cost. In accordance with SSAP.19, investment properties are revalued annually on this basis, any surplus being credited to revaluation reserve. Accordingly, such properties are not depreciated as this would conflict, in the opinion of the directors, with the requirements to give a true and fair view. It is not possible to quantify the depreciation that would otherwise have been charged.

C. B. COSTA BROS. COFFEE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1991
CONTINUED

13. TANGIBLE FIXED ASSETS (Continued)

(b) Details of lease items included above are as follows :

	Plant, Fixtures and Fittings		Motor Cars	
	1991	1990	1991	1990
	£	£	£	£
Depreciation charge for year	1503	1502	2465	206
Net Book Value at 30th June 1991	3756	5259	1643	4108

(c) Short term Leasehold Properties includes expenditure on premises occupied under tenancy agreements.

14. <u>FIXED ASSET INVESTMENTS</u>	<u>1991</u>	<u>1990</u>
Shares in Group Companies		
- Subsidiaries	204	204
- Associated	<u>1</u>	<u>1</u>
	£205	£205
	==	==

The following companies which have remained dormant throughout the year under review, are wholly-owned subsidiaries and are incorporated in England :

Costa Coffee Boutique Limited
The Caterers Coffee Company Limited
The Victorian Tea Company Limited
Costa Colonial Tea Company Limited

The following company is a 50% owned associated company and is incorporated in England :

Breakmain Costa Distributions Limited

15. STOCKS

Raw Materials and Finished Goods for Resale	£240479	£199323
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16. DEBTORS

	<u>1991</u>	<u>1990</u>
<u>Amounts falling due within one year</u>	£	£
Trade Debtors	426107	405129
Amounts owed by Group Companies	-	245
Other Debtors	754	6213
Prepayments and Accrued Income	<u>223573</u>	<u>168507</u>
	£650434	£580094
	==	==

C. B. COSTA BROS. COFFEE CO. LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1991
CONTINUED

	<u>1991</u> <u>£</u>	<u>1990</u> <u>£</u>
17. <u>CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR</u>		
Bank Loan and Overdrafts (Note 19)	141883	203990
Trade Creditors	370602	294347
Amount due to Group Companies	204	21955
Other Creditors and Accrued Charges	296728	301355
PAYE and Social Security	44210	79468
United Kingdom Corporation Tax	53086	86029
Obligations under Finance Leases and Hire Purchase	<u>26740</u>	<u>15182</u>
	<u>£933453</u>	<u>£1002326</u>
18. <u>CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u>		
Bank Loans (Note 19)	277660	-
Obligations under Finance Leases and Hire Purchase	<u>19138</u>	<u>19841</u>
	<u>£296798</u>	<u>£ 19841</u>
19. <u>BANK LOANS AND OVERDRAFTS</u>		
The aggregate amount of Bank Loans and Overdrafts was as follows:		
a) Falling due within one year :		
Bank Overdrafts	127133	203990
Bank Loan - current portion	<u>14750</u>	<u>-</u>
	<u>£141883</u>	<u>£203990</u>
b) Falling due after more than one year :		
Bank Loan		
- repayable within 5 years by instalments	73750	-
- repayable after 5 years by instalments	<u>203910</u>	<u>-</u>
	<u>£277660</u>	<u>£ -</u>
c) Aggregate amounts	<u>£419543</u>	<u>£203990</u>

The Bank Loans and Overdrafts which amount to £419543 are secured by a fixed charge on the Freehold Properties. The rates of interest are :

Bank Loan : 2% above Bank Base Rate
Overdrafts : 2% above Bank Base Rate

C. B. COSTA BROS. COFFEE CO. LIMITED

NOTES TO THE ACCOUNTS - 30TH JUNE 1991
CONTINUED

	<u>1991</u>	<u>1990</u>
	<u>£</u>	<u>£</u>
20. PROVISIONS FOR LIABILITIES AND CHARGES		
<u>Deferred Taxation</u>		
In respect of Accelerated Capital Allowances	52800	44000
In respect of Deferred Taxation	<u>44000</u>	<u>38000</u>
	£ 96800	£ 82000
	<u> </u>	<u> </u>
21. CALLED UP SHARE CAPITAL		
Authorised, Issued, Called Up and Fully Paid :		
100 Ordinary Shares of £1 each	£ 100	£ 100
	<u> </u>	<u> </u>