

THE SWEET FACTORY (UK) LIMITED

REGISTERED NUMBER : 2400769

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 1997

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THE SWEET FACTORY (UK) LIMITED

DIRECTORS AND ADVISORS

MANAGING DIRECTOR

C. M. Adams

DIRECTOR

A. G. Horton

COMPANY SECRETARY

A. G. Horton

REGISTERED OFFICE

Wellington House
New Zealand Avenue
Walton On Thames
Surrey
KT12 1PY

AUDITORS

Menzies
Ashby House
64 High Street
Walton on Thames
Surrey
KT12 1BW

THE SWEET FACTORY (UK) LIMITED

REPORT OF THE DIRECTORS

FINANCIAL STATEMENTS

The directors submit their report and the audited financial statements for the year ended 31 October 1997.

DIVIDENDS

The directors are unable to recommend the payment of a dividend.

PRINCIPAL ACTIVITY

The company's principal activity during the year comprised the retailing of confectionery, ice-cream and related products.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The results of the company are as detailed in the accounts on page 6.

The directors anticipate that results will improve in the forthcoming year.

FIXED ASSETS

The directors do not consider that there is any significant difference between the market value and net book value of the company's tangible fixed assets.

DIRECTORS

The directors in office at 31 October 1997 are listed on page 2.

DIRECTORS' INTERESTS

The directors' interests in the share capital of the company at 1 November 1996 and at 31 October 1997 as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows:

	31 October 1997	1 November 1996
Ordinary shares of £1 each		
A. G. Horton	-	-
C. M. Adams	-	-
	<hr/>	<hr/>

The company is a wholly owned subsidiary of The Sweet Factory (International) Limited, and the interests of the directors who are the directors of the parent undertaking are disclosed in the financial statements of that company.

THE SWEET FACTORY (UK) LIMITED

REPORT OF THE DIRECTORS

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 the affairs of the company and of the profit of the company for that year. In preparing those financial statements the directors are required to:

- a) Select suitable accounting policies and then apply them consistently.
- b) Make judgements and estimates that are reasonable and prudent.
- c) Follow applicable Accounting Standards, subject to any material departures disclosed and explained in the financial statements.
- d) 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 also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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

Menzies have expressed their willingness to continue in office as auditors and in accordance with Section 385(2) of the Companies Act 1985 a resolution proposing their re-appointment will be submitted to the forthcoming Annual General Meeting.

By Order of the Board



A. G. Horton
Secretary

Date 18/5/98

REPORT OF THE AUDITORS TO THE MEMBERS OF THE SWEET FACTORY (UK) LIMITED

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the company's financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 31 October 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ashby House
64 High Street
Walton on Thames
Surrey
KT12 1BW

Date 18th May 1998

Menzies

**Menzies
Chartered Accountants
and Registered Auditors**

THE SWEET FACTORY (UK) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 OCTOBER 1997

		1997	1996
	Note	£	£
TURNOVER	2	353,480	409,940
Cost of sales		<u>331,652</u>	<u>393,338</u>
GROSS PROFIT		21,828	16,602
Administrative and other operating costs		<u>9,654</u>	<u>7,913</u>
OPERATING PROFIT		12,174	8,689
Interest receivable	3	<u>-</u>	<u>2,196</u>
		12,174	10,885
Interest payable	4	<u>-</u>	<u>422</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	12,174	10,463
Tax on profit on ordinary activities	5	<u>1,714</u>	<u>204</u>
PROFIT FOR THE FINANCIAL YEAR	12	<u>10,460</u>	<u>10,259</u>

All amounts above are derived from continuing operations and the company has no recognised gains or losses other than the profit for the financial periods detailed above.

The notes on pages 8 to 12 form part of these financial statements.

THE SWEET FACTORY (UK) LIMITED

BALANCE SHEET

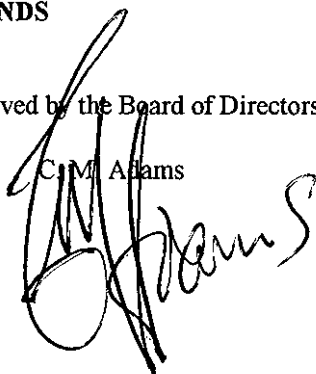
31 OCTOBER 1997

		1997		1996	
	Note	£	£	£	£
FIXED ASSETS					
Tangible fixed assets	7		55,925		29,606
CURRENT ASSETS					
Stock	8	26,533		25,571	
Debtors	9	10,899		44,743	
Cash at bank and in hand		123		475	
		37,555		70,789	
CREDITORS: amounts falling due within one year	10	20,078		37,453	
NET CURRENT ASSETS			17,477		33,336
TOTAL ASSETS LESS CURRENT LIABILITIES			73,402		62,942
CAPITAL AND RESERVES					
Called up share capital	11		421,002		421,002
Profit and loss account	12		(347,600)		(358,060)
EQUITY SHAREHOLDERS' FUNDS			73,402		62,942

The financial statements were approved by the Board of Directors on 18/5/98

DIRECTORS

C. M. Adams



The notes on pages 8 to 12 form part of these financial statements.

THE SWEET FACTORY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 1997

1 ACCOUNTING POLICIES

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Accounting convention

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is charged on the following bases to reduce the cost of the company's tangible fixed assets to their net realisable values over their estimated useful lives at the following rates:

Leasehold land and buildings	over the life of the lease
Plant and machinery	20% on a straight line basis
Fixtures and fittings	12.5% on a straight line basis

Stock

Stock is stated at the lower of cost and net realisable value. In the case of raw materials and consumable stores, cost means purchase price calculated on a first in, first out basis. Net realisable value means the estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

Deferred taxation

Provision is made for deferred taxation on the liability method for all short-term timing differences. Provision is also made for long-term timing differences, except to the extent that there is a reasonable probability of the tax not falling due for payment in the foreseeable future. Such tax not provided for is disclosed as a contingent liability.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the rate 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. All exchange differences are dealt with through the profit and loss account.

THE SWEET FACTORY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 1997

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation is attributable to the principal activity of the company.

The profit is stated after charging:

	1997	1996
	£	£
Loss on disposal of tangible fixed assets	24,151	21,684
Auditors' remuneration	4,038	-
Aggregate directors' emoluments	1,750	1,750
Amounts paid in respect of other operating leases	-	-
	<u>75,000</u>	<u>75,000</u>

3 INTEREST RECEIVABLE

	1997	1996
	£	£
Other interest receivable	-	2,196

4 INTEREST PAYABLE

	1997	1996
	£	£
Bank loans and overdrafts	-	422

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996
	£	£
U.K. corporation tax at 31 and 33% (1996 - 33%)	<u>1,714</u>	<u>204</u>

THE SWEET FACTORY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 1997

6 STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	1997	1996
	£	£
Wages and salaries	74,991	83,596
Social security costs	5,012	5,825
	<u>80,003</u>	<u>89,421</u>

The directors received no emoluments during the year.

The average monthly number of employees during the year was 11 (1996 - 12).

7 TANGIBLE FIXED ASSETS

	Leasehold land and buildings	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£
COST				
At 1 November 1996	9,726	12,622	170,350	192,698
Additions	-	9,863	45,445	55,308
Disposals	(7,310)	(7,492)	(93,403)	(108,205)
At 31 October 1997	<u>2,416</u>	<u>14,993</u>	<u>122,392</u>	<u>139,801</u>
DEPRECIATION				
At 1 November 1996	2,912	12,622	147,558	163,092
Charge for the year	384	-	23,767	24,151
Released on disposals	(2,472)	(7,492)	(93,403)	(103,367)
At 31 October 1997	<u>824</u>	<u>5,130</u>	<u>77,922</u>	<u>83,876</u>
NET BOOK VALUE				
At 31 October 1996	<u>6,814</u>	<u>-</u>	<u>22,792</u>	<u>29,606</u>
At 31 October 1997	<u>1,592</u>	<u>9,863</u>	<u>44,470</u>	<u>55,925</u>

THE SWEET FACTORY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 1997

8 STOCK

	1997	1996
	£	£
Goods for re-sale	<u>26,533</u>	<u>25,571</u>

There were no significant differences between the replacement cost and the values disclosed for all categories of stock.

9 DEBTORS

	1997	1996
	£	£
Other debtors	-	27,446
Prepayments and accrued income	<u>10,899</u>	<u>17,297</u>
	<u>10,899</u>	<u>44,743</u>

All amounts included above are considered receivable within one year of the balance sheet date.

10 CREDITORS: amounts falling due within one year

	1997	1996
	£	£
Bank overdraft	-	9,749
Amounts owed to group undertakings	16,614	27,500
Current corporation tax	1,714	204
Accruals and deferred income	<u>1,750</u>	<u>-</u>
	<u>20,078</u>	<u>37,453</u>

11 CALLED UP SHARE CAPITAL

	1997	1996
	£	£
Authorised		
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>421,002</u>	<u>421,002</u>

THE SWEET FACTORY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 1997

12 PROFIT AND LOSS ACCOUNT

	1997	1996
	£	£
At 1 November 1996	(358,060)	(368,319)
Profit for the financial year	10,460	10,259
At 31 October 1997	<u>(347,600)</u>	<u>(358,060)</u>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997	1996
	£	£
Profit for the financial year	10,460	10,259
Opening shareholders' funds	62,942	52,683
Closing shareholders' funds	<u>73,402</u>	<u>62,942</u>

14 COMMITMENTS UNDER OPERATING LEASES

The company is committed to making the following payments under operating leases over the next twelve months:

	Land and buildings
	£
Contracts to expire:	
- after five years	<u>52,500</u>

15 CAPITAL COMMITMENTS

There were no capital commitments at 31 October 1997 (1996 - £nil).

16 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 October 1997 (1996 - £nil).

17 ULTIMATE HOLDING COMPANY

The directors consider the immediate parent undertaking to be The Sweet Factory International Limited, a company registered in Great Britain and the ultimate parent undertaking to be C.B.A. Enterprises Limited, a company which is registered in the Channel Islands.

18 RELATED PARTY TRANSACTIONS

During the year the company's parent undertaking The Sweet Factory (International) Limited bore the cost of approximately 50% of the rental cost of the sites operated by the company to support the group's operations at high profile, costly sites. This support amounted to £42,000 (1996 - £37,500). The Sweet Factory (International) Limited also provided administrative support to the company without charge.