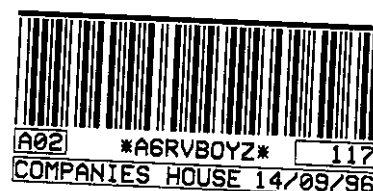


**SEATTLE COFFEE COMPANY (UK) LIMITED**  
(Registered Number 2959325)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 1995**



## **SEATTLE COFFEE COMPANY (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE SIXTEEN MONTHS ENDED 31 DECEMBER 1995**

The directors present their report and the audited accounts for the sixteen months ended 31 December 1995.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company is the operation of coffee shops.

#### **BUSINESS REVIEW AND FUTURE DEVELOPMENT**

Seattle Coffee Company was founded by Scott and Allyson Svenson on 16 August 1994, initially being incorporated as Strendell Limited. On 16 November 1994, the company changed its name to Seattle Coffee Company (UK) Limited.

The first Seattle Coffee Company shop was opened on 2 April 1995 in Covent Garden. Based upon the positive response from customers at this pilot location, the founding shareholders invested further funds to develop the concept in several new locations. In December 1995 the company opened a shop in Cabots Place East at Canary Wharf and a cafe within the Waterstone's bookshop in Cambridge.

This report therefore covers a period during which the company opened its first three shops, one trading for approximately 39 weeks and the other two for less than three weeks each. Considering that this is the first accounting period for the company, the directors are of the opinion that the company has traded satisfactorily.

Since the year end, the company has embarked upon a dynamic growth programme. This growth programme, which has been funded by further shareholders' funds invested in July 1996, has increased the shops in operation to eight as at 29 August 1996. As a result of this growth the company now has shops operating in the following locations.

London	51/54 Long Acre, Covent Garden, WC2 365 Cabot Place East, Canary Wharf, E14 25 Kensington High Street, W8 14 James Street, W1 3 Grosvenor Street, W1 74 Cornhill, EC3
Cambridge	Waterstones Bookshop at 6 Bridge Street, CB2
Edinburgh	Waterstones Bookshop at 128 Princess Street, EH2

The company has plans to open a minimum of a further six shops in Greater London by the end of 1996 with substantial further growth to come in 1997.

The results for the year to 31 December 1995 are shown on page 5. The directors do not recommend payment of a dividend.

## SEATTLE COFFEE COMPANY (UK) LIMITED

### DIRECTORS' REPORT FOR THE SIXTEEN MONTHS ENDED 31 DECEMBER 1995 (CONTINUED)

#### SHARE CAPITAL

At incorporation the authorised share capital was 100 ordinary shares of £1 each, of which 2 ordinary shares were issued. The authorised share capital was increased to 1 million ordinary shares of 50p each on 31 January 1995, and also on that date 109,996 shares were issued at a premium of £45,000. A further 165,000 shares were issued on 8 November 1995 at a premium of £67,500.

On 28 March 1996, a further £100,000 was raised through the issue of an additional 110,000 ordinary shares at a premium of £45,000.

On 23 May 1996, certain existing shareholders exercised options over 7,000 ordinary shares. The exercise price was £1.00 per share, resulting in net proceeds of £7,000.

The ordinary shares of the company were sub-divided on a five for one basis from a par value of 50p to a par value of 10p on 13 June 1996. This increased the authorised share capital to 5,000,000 shares of 10p each.

Also on 13 June 1996, 509,263 new ordinary shares were issued at a price of £2.70 per share to raise a total of £1,375,011.

#### DIRECTORS

The directors of the company during the year, and their interests in the ordinary share capital at 31 December 1995, were as follows:

	Ordinary shares of 50p each	Share options
N D Taeë (appointed 9 November 1994)	-	-
R M Taeë (appointed 9 November 1994)	-	-
A Svenson (appointed 31 January 1995)	75,000	35,000
P G Saltonstall (appointed 31 January 1995)	25,000	-

S T Svenson was appointed a director on 13 June 1996.

Following the share split and further share issues referred to above, the interests of the directors in the ordinary shares of 10p each, at 29 August 1996, were as follows:

	Ordinary shares of 10p each	Share options
N D Taeë	1	-
R M Taeë	1	20,500
A Svenson*	525,000	205,000
P G Saltonstall	-	-
S T Svenson*	525,000	205,000

\*The holdings and share options of S T Svenson and A Svenson are in respect of the same shares.

## SEATTLE COFFEE COMPANY (UK) LIMITED

### DIRECTORS' REPORT FOR THE SIXTEEN MONTHS ENDED 31 DECEMBER 1995 (CONTINUED)

#### DIRECTORS (CONTINUED)

In certain circumstances, Messrs N D Taeë and R M Taeë could become entitled to an interest in shares and share options issued to an existing shareholder. The potential interests of these two directors are as follows:

	<u>Ordinary shares of 50p each</u>	<u>Share options</u>
N D Taeë	96,250	10,500
R M Taeë	96,250	10,500

S T Svenson and P G Saltonstall have a material beneficial interest in a partnership which owns 175,000 ordinary shares of 10p each.

The above options may be exercised at £2.70 per share, other than options over 175,000 shares held by A and S T Svenson which may be exercised at 20p per share.

#### STATEMENT OF 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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They 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

Price Waterhouse were appointed as auditors during the financial year.

A resolution to reappoint Price Waterhouse as auditors of the company will be proposed at the Annual General Meeting.

By Order of the Board

  
J Cooper  
Secretary

29 August 1996

*Price Waterhouse*



## **AUDITORS' REPORT TO THE SHAREHOLDERS OF SEATTLE COFFEE COMPANY (UK) LIMITED**

We have audited the financial statements on page 5 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 3 the company's directors are responsible for the preparation of 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.

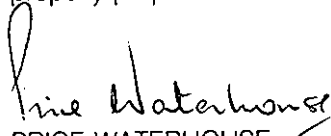
### **Basis of opinion**

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 judgments 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 December 1995 and of its loss and cashflows for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

  
PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditors

29 August 1996

# SEATTLE COFFEE COMPANY (UK) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 1995

	Note	Period ended 31 December 1995
<b>TURNOVER - Continuing operations</b>	2	167,435
Cost of sales		<u>(158,560)</u>
Gross profit		8,875
Administrative expenses		(84,661)
Pre-trading expenses		<u>(56,688)</u>
<b>OPERATING LOSS - Continuing operations</b>	3	(132,474)
Interest payable	5	<u>(38)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(132,512)
Taxation	6	<u>-</u>
<b>LOSS FOR THE PERIOD AFTER TAXATION</b>	13	<u><u>£(132,512)</u></u>

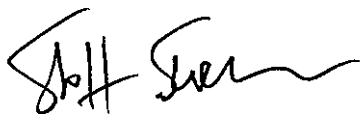
The company had no recognised gains or losses other than the loss for the period.

# SEATTLE COFFEE COMPANY (UK) LIMITED

## BALANCE SHEET - 31 DECEMBER 1995

	<u>Note</u>	<u>1995</u>
<b>FIXED ASSETS</b>		
Tangible fixed assets	7	£116,923
		<hr/>
<b>CURRENT ASSETS</b>		
Stocks	8	7,906
Debtors	9	22,717
Cash at bank and in hand		<u>124,370</u>
		154,993
<b>CREDITORS - Amounts falling due within one year</b>	10	<u>(154,428)</u>
<b>NET CURRENT ASSETS</b>		565
		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		£117,488
		<hr/>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	12	137,500
Share premium account	13	112,500
Profit and loss account	13	<u>(132,512)</u>
<b>SHAREHOLDERS' FUNDS - equity interests</b>	14	<u>£117,488</u>
		<hr/>

APPROVED BY THE BOARD ON  
29 August 1996



S T Svenson

DIRECTOR

**SEATTLE COFFEE COMPANY (UK) LIMITED**

**CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 1995**

	<u>Note</u>	<u>1995</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	16(1)	2,377
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest paid		(38)
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets		<u>(127,969)</u>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>		(125,630)
<b>FINANCING ACTIVITIES</b>		
Issue of shares		<u>250,000</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	16(2)	<u>£124,370</u>



# SEATTLE COFFEE COMPANY (UK) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

### 1 PRINCIPAL ACCOUNTING POLICIES

#### (1) Basis of accounting

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

#### (2) Turnover

Turnover represents the invoiced amount of goods supplied in the period, excluding VAT.

#### (3) Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets to write off their cost, less estimated residual value, on a straight line basis at the following rates:

Fixtures and fittings	25%
Plant and equipment	20%

#### (4) Stocks

Stocks are stated at the lower of their cost and net realisable value.

#### (5) Set-up costs

Pre-trading expenditure in respect of each shop is charged to the profit and loss account in the year in which it is incurred.

#### (6) Deferred taxation

Deferred taxation is provided in respect of the taxation effect of all timing differences to the extent that the directors consider tax liabilities are likely to crystallise in the foreseeable future.

### 2 TURNOVER

All turnover derives from the company's principal activity, and from activity in the UK.

### 3 OPERATING LOSS

1995

#### Operating loss is stated after charging

Auditors' remuneration	£4,000
Operating leases - land and buildings	£31,300
Depreciation	£11,046

Included within administrative expenses is £56,688 relating to pre-trading expenditure incurred before the opening of each shop.

# SEATTLE COFFEE COMPANY (UK) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

<b>4</b>	<b>DIRECTORS AND EMPLOYEES</b>	<u>1995</u>
	<b>Staff costs</b>	
	Wages and salaries	61,939
	Social security costs	<u>4,796</u>
		<u>£66,735</u>
		<u>Number</u>
	<b>Average number employed</b>	
	Shop staff	7
	Administration	<u>2</u>
		9
		<u>Directors' salaries, bonuses and benefits</u>
	Chairman	£-
	Highest paid director	<u>£25,385</u>
	No pension contributions were paid in the year.	
		<u>Number</u>
	<b>The emoluments of the directors fell into the following bands</b>	
	£0 - £5,000	3
	£25,001 - £30,000	1

### 5 INTEREST PAYABLE

Bank interest payable	<u>£38</u>
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### 6 TAXATION

Due to losses incurred in the year there is no charge to corporation tax.

Tax losses carried forward are estimated at £70,000.

# SEATTLE COFFEE COMPANY (UK) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

7	TANGIBLE FIXED ASSETS	Fixtures and fittings	Plant and equipment	Total
	<b>Cost</b>			
	Additions	<u>97,030</u>	<u>30,939</u>	<u>127,969</u>
	31 December 1995	<u>£97,030</u>	<u>£30,939</u>	<u>£127,969</u>
	<b>Depreciation</b>			
	Charge for the year	<u>8,505</u>	<u>2,541</u>	<u>11,046</u>
	31 December 1995	<u>£8,505</u>	<u>£2,541</u>	<u>£11,046</u>
	<b>Net book amount</b>			
	31 December 1995	<u>£88,525</u>	<u>£28,398</u>	<u>£116,923</u>
				<u>1995</u>
	<b>Future capital commitments</b>			
	Contracted			£Nil
	Authorised but not contracted			£Nil
				<u></u>
8	<b>STOCKS</b>			
	Goods for resale			<u>£7,906</u>
9	<b>DEBTORS</b>			
	Prepayments			10,514
	Other debtors			<u>12,203</u>
				<u>£22,717</u>
10	<b>CREDITORS - Amounts falling due within one year</b>			
	Trade creditors			111,068
	Other taxes and social security			1,231
	Accruals and deferred income			<u>42,129</u>
				<u>£154,428</u>
11	<b>DEFERRED TAXATION</b>			
	The company has no potential liability for deferred taxation.			

# SEATTLE COFFEE COMPANY (UK) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

12	<b>CALLED UP SHARE CAPITAL</b>	<u>Number</u>	
	<b>Ordinary shares of 50p each</b>		
	Authorised		
	31 December 1995	1,000,000	£500,000
		<u>          </u>	<u>          </u>
	Allotted, called-up and fully-paid		
	31 December 1995	275,000	£137,500
		<u>          </u>	<u>          </u>

At incorporation the company issued 2 ordinary shares of £1 each. These were subsequently converted into 4 ordinary shares of 50p each on 31 January 1995, at which date 109,996 shares were also issued at a premium of £45,000. On 8 November 1995 a further 165,000 ordinary shares were issued at a premium of £67,500.

The ordinary shares of the company were sub-divided on a five for one basis from a par value of 50p to a par value of 10p on 13 June 1996. This increased the authorised share capital to 5,000,000 shares of 10p each.

Details of all shares issued during the period since incorporation are as follows:

	<u>Number</u>	<u>Nominal value</u>	<u>Proceeds</u>
<b>Issued during the period to 31 December 1995</b>			
At incorporation (ordinary shares of £1 each)	2	2	-
31 January 1995 (ordinary shares of 50p each)	109 996	54,998	100,000
8 November 1995 (ordinary shares of 50p each)	165,000	82,500	<u>150,000</u>
			£250,000
			<u>          </u>
<b>Issued since 31 December 1995</b>			
28 March 1996 (ordinary shares of 50p each)	110,000	55,000	100,000
23 May 1996 (ordinary shares of 50p each)	7,000	3,500	7,000
13 June 1996 (ordinary shares of 10p each)	509,263	50,926	<u>1,375,011</u>
			£1,482,011
			<u>          </u>

The proceeds from the share issues have been used to fund the development of the business.

At 29 August 1996 the company had options outstanding over 365,500 ordinary shares of 10p each.

13	<b>RESERVES</b>	<u>Share premium account</u>	<u>Profit and loss account</u>
	Shares issued during the period	112,500	-
	Loss for the period	<u>          </u>	<u>(132,512)</u>
	31 December 1995	£112,500	£(132,512)
		<u>          </u>	<u>          </u>

# SEATTLE COFFEE COMPANY (UK) LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

<b>14</b>	<b>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<u>1995</u>
	Loss for the financial period	(132,512)
	Issue of share capital	<u>250,000</u>
	Net addition to shareholders' funds	117,488
	Opening shareholders' funds	<u>-</u>
	Closing shareholders' funds	<u>£117,488</u>
<b>15</b>	<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	
	The company has given bank guarantees in the normal course of business in relation to shop leases.	
	Amounts payable in the next financial year in relation to leases for properties entered into during the year amount to £60,250.	
<b>16</b>	<b>NOTES TO CASH FLOW STATEMENT</b>	<u>1995</u>
<b>(1)</b>	<b>Reconciliation of operating loss to net cash inflow from operating activities</b>	
	Operating loss	(132,474)
	Depreciation	11,046
	Increase in stocks	(7,906)
	Increase in debtors	(22,717)
	Increase in creditors	<u>154,428</u>
	Net cash inflow from operating activities	<u>£2,377</u>
<b>(2)</b>	<b>Analysis of changes in cash and cash equivalents during the period</b>	
	Net cash inflow - bank and cash balances	<u>124,370</u>
	Balance at 31 December 1995	<u>£124,370</u>