

Caffe Latino (Holdings) Ltd

Directors' Report and Unaudited Financial Statements
for the Period from 30 November 2006 to 30 November 2007

Bell Brown & Co LLP
Accountants
Stoneygate House
2 Greenfield Road
Holmfirth
West Yorkshire
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Caffe Latino (Holdings) Ltd
Contents Page

Company Information	1
Directors' report	2 to 3
Accountants' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 to 12

The following pages do not form part of the statutory financial statements

Detailed profit and loss account	13 to 15
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Caffe Latino (Holdings) Ltd
Company Information

Directors	S H Kiaie	(appointed 30 November 2006)
	K Whitehouse	(appointed 30 November 2006)
Secretary	K Whitehouse	(appointed 30 November 2006)
Registered office	48 Station Road Holywell Green Halifax West Yorkshire United Kingdom HX4 9AW	
Bankers	Alliance & Leicester Commercial Bank Bridle Road Bootle Merseyside GIR 0AA	
Accountants	Bell Brown & Co LLP Accountants Stoneygate House 2 Greenfield Road Holmfirth West Yorkshire HD9 2JT	

Caffe Latino (Holdings) Ltd

Directors' Report for the Period Ended 30 November 2007

The directors present their report and the financial statements for the period ended 30 November 2007

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on a 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 enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Incorporation details

The company was incorporated on 30 November 2006 and commenced trading on 31 July 2007

On 31 July 2007 the company acquired the trade and certain assets of Caffe Latino Limited from that company's liquidators

Principal activity

The principal activity of the company is that of developing and franchising restaurant concepts

Directors

The directors who held office during the period were as follows

- S H Kiaie (appointed 30 November 2006)
- K Whitehouse (appointed 30 November 2006)

Election to dispense laying accounts

In accordance with s 252, Companies Act 1985, the company has elected to dispense with laying accounts before the members in general meeting. Members, however, may by notice in writing to the company at its registered office require that accounts are laid before the members in general meeting.

Small company provisions

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Caffe Latino (Holdings) Ltd
Directors' Report for the Period Ended 30 November 2007

continued

Review of the year and future prospects

The first period of trading for Caffe Latino Holdings Limited ("CLH") from 31 July to 30 November 2007 was a challenging one

Having launched the new franchise operations it was important to put the right infrastructure, systems, processes and marketing campaigns into effect straight away. This entailed working with a range of consultants with expertise in building franchise-based businesses as well as specialists in IT systems, marketing and franchise law. Whilst the cost of this work, which was started in the period covered by these financial statements, has been significant the Directors believe that it will increase the value of the Company's brands to our franchisees going forward and hence, the return on the investments made in the Company.

One example of this investment is the IT systems. These are now on a par with organisations such as McDonalds and Manchester United football club. We can now provide our franchisees with the sort of up to the minute management reports that are so critical to the success of their businesses.

To reduce the cost of using property agents to locate and sign-up suitable units for our franchise outlets (sometimes up to 10% of the rent) the Company has invested in the most up to date technology enabling us to locate not just available units that are being marketed but also identify units which, while not actively on the market, are actually available for lease or will be in the very near future. The systems also allow us to assess the going rents in those locations enabling us to assist franchisees to negotiate very competitive lease deals with landlords.

Using a team of internationally experienced consultants used to working with the likes of Costa Coffee and Café Ritazza the Company has created a complete set of operations manuals for our franchisees. This investment will help us ensure that not only do our franchisees understand the Caffe Latino business model they also operate at as high a level of efficiency as possible with all the professionalism inherent in our brand.

That brand is constantly being strengthened through activities such as seasonal point of sale material for the current season's products. Our marketing consultants have also put together an advertising campaign with franchise adverts appearing regularly in magazines such as What Franchise and Making Money. We are also making extensive use of the internet for marketing and brand promotion. This commitment means that the Caffe Latino brand will be appearing on the front covers of some of these magazines.

The Directors are satisfied with the result for this first period of trading reflecting, as it does, this up-front investment in building the brand and its underpinnings and creating valuable franchises for the future. Indeed, the Directors believe that a further five franchisees will soon sign-up bringing the total in our family to 15 with an estimate of 10 further stores being added to the network in the current financial year.

Since year end the Directors have negotiated the sale of a Master Franchise for the whole of Yorkshire and negotiations are ongoing for a similar Master Franchise for the Greater Manchester and Lancashire territory.

Approved by the Board and signed on its behalf by



K Whitehouse
Company Secretary

Date 24/9/08

**Accountants' Report to the Directors on the Unaudited Financial
Statements of
Caffe Latino (Holdings) Ltd**

In order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company which comprise the Profit and Loss Account, the Balance Sheet, and the related notes from the accounting records and information and explanations you have given to us

This report is made to the Company's Board of Directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the Company's Board of Directors that we have done so, and state those matters that we have agreed to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Board of Directors, as a body, for our work or for this report

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements

You have acknowledged on the balance sheet as at 30 November 2007 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the period

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements

Bell Brown & Co LLP.

Bell Brown & Co LLP
Accountants

Date *24/9/08.*

Stoneygate House
2 Greenfield Road
Holmfirth
West Yorkshire
HD9 2JT

Caffe Latino (Holdings) Ltd
Profit and Loss Account for the Period Ended 30 November 2007

	Note	30 November 2006 to 30 November 2007 £
Turnover		354,193
Cost of sales		(185,433)
Gross profit		<hr/> 168,760
Administrative expenses		(235,884)
Operating loss	2	<hr/> (67,124)
Other exceptional profit	3	45,850
Other interest receivable and similar income		63
Interest payable and similar charges		(201)
Loss on ordinary activities before taxation		<hr/> (21,412)
Loss for the financial period	9	<hr/> <u>(21,412)</u>

The notes on pages 7 to 12 form an integral part of these financial statements

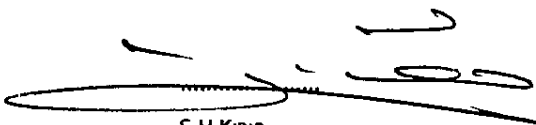
Caffe Latino (Holdings) Ltd
Balance Sheet as at 30 November 2007

		30 November 2007	
	Note	£	£
Fixed assets			
Intangible assets	4		36,384
Tangible assets	5		53,430
			<u>89,814</u>
Current assets			
Stocks		5,500	
Debtors	6	109,640	
Cash at bank and in hand		39,243	
		<u>154,383</u>	
Creditors: Amounts falling due within one year	7	<u>(215,609)</u>	
Net current liabilities			<u>(61,226)</u>
Net assets			<u>28,588</u>
Capital and reserves			
Called up share capital	8		50,000
Profit and loss reserve	9		<u>(21,412)</u>
Shareholders' funds			<u>28,588</u>

For the financial period ended 30 November 2007, the company was entitled to exemption from audit under section 249A(1) of the Companies Act 1985, and no notice has been deposited under section 249B(2) requesting an audit. The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Act and preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the period and of its profit or loss for the financial period in accordance with the requirements of section 226 and which otherwise comply with the Companies Act 1985, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Approved by the Board on 24/09/08 and signed on its behalf by



S H Kiaie
Director



K Whitehouse
Director

The notes on pages 7 to 12 form an integral part of these financial statements

Caffe Latino (Holdings) Ltd

Notes to the Financial Statements for the Period Ended 30 November 2007

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

Going concern

These financial statements have been prepared on a going concern basis

The loss in this first period of trading relates to the Company's investment in systems, controls and branding. At the period end the Company had net assets of £28,588 but net current liabilities of £61,226. The Directors have amounts owing to them which total £89,910 at the period end. They have agreed that these amounts will not be repaid until such time as the Company has adequate funds available to allow it to pay its other debts as they fall due. On this basis the Directors believe that it is appropriate to draw up these financial statements on the going concern basis.

Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers.

Amortisation

Amortisation is provided on intangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Patents	20 years straight line
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Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Plant and machinery	25% reducing balance basis
Short leaseholds	8 years straight line

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Start-up costs

Start-up costs are accounted for on a basis consistent with similar costs incurred as part of the company's ongoing business.

Where there are no similar ongoing costs, start up costs which satisfy the criteria under the Financial Reporting Standard for Small Entities (effective January 2007) to be recognised as assets are included in the balance sheet. All other costs are written off as incurred.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Caffe Latino (Holdings) Ltd

Notes to the Financial Statements for the Period Ended 30 November 2007

continued

2 Operating loss

Operating loss is stated after charging

	30 November 2006 to 30 November 2007 £
Depreciation of tangible fixed assets	3,564
Amortisation	616
	<hr/>

3 Exceptional items

	30 November 2006 to 30 November 2007 £
Other exceptional item	45,850
	<hr/>
	£
Write back of negative purchased goodwill	64,995
Payments to creditors of business acquired (exceptional cost of sales)	(19,145)
	<hr/>
Total Other Exceptional Items	45,850

On 31 July 2007 the Company acquired the trade and certain assets of Caffe Latino Limited from that company's liquidators for the sum of £35,000. The Directors calculate that the excess of the fair value of the assets acquired over the fair value of the consideration paid was £64,995. This negative goodwill has been written back in full to the profit and loss account in the year in accordance with current accounting practice. The Company also agreed to make payments totalling £19,145 to the creditors of Caffe Latino Limited as a goodwill gesture to maintain trading relationships with certain key suppliers. This cost has been recognised in full in the current year.

Caffe Latino (Holdings) Ltd

Notes to the Financial Statements for the Period Ended 30 November 2007

continued

4 Intangible fixed assets

	Other intangibles £
Cost	
Additions	<u>37,000</u>
Amortisation	
Charge for the period	<u>616</u>
Net book value	
As at 30 November 2007	<u>36,384</u>

Other Intangible Fixed Assets represents the fair value of the Intellectual Property acquired from the liquidators of Caffe Latino Limited such as software, operating manuals and pro-forma legal agreements relating to the franchise operations

5 Tangible fixed assets

	Short leasehold land and buildings £	Plant and machinery £	Total £
Cost			
Additions	<u>28,000</u>	<u>28,994</u>	<u>56,994</u>
Depreciation			
Charge for the period	<u>1,148</u>	<u>2,416</u>	<u>3,564</u>
Net book value			
As at 30 November 2007	<u>26,852</u>	<u>26,578</u>	<u>53,430</u>

The value ascribed by the Directors of the Short Leasehold Land and Buildings is the fair value of the leases acquired from the liquidators of Caffe Latino Limited, based on independent valuations

Caffe Latino (Holdings) Ltd

Notes to the Financial Statements for the Period Ended 30 November 2007

continued

6 Debtors

	30 November 2007
	£
Other debtors	<u>109,640</u>
	£
Prepayments	52,474
Amounts held by company's solicitors pending settlement of rent negotiations	56,921
Overpayment of PAYE	<u>245</u>
Total other debtors	<u>109,640</u>

7 Creditors: Amounts falling due within one year

	30 November 2007
	£
Trade creditors	69,631
Social security and other taxes	27,199
Other creditors	<u>118,779</u>
	<u>215,609</u>
	£
Directors loans	89,910
Accruals	28,869
Total other creditors	<u>118,779</u>

Caffe Latino (Holdings) Ltd

Notes to the Financial Statements for the Period Ended 30 November 2007

continued

8 Share capital

To enable the acquisition of the trade and assets of Caffe Latino Ltd, the Directors introduced cash into the company totalling some £152,500 to enable the Company to acquire the trade and assets of Caffe Latino Limited from its liquidators and also to fund the initial costs of the franchise business

Prior to 30 November 2007, the Directors agreed to convert some of the outstanding loans to directors into capital by the issue of 49,998 additional fully paid up redeemable shares of £1 at par

At the year end these additional shares had not been issued as it was necessary to increase the authorised capital in order to allow for this. The nominal value of these issued shares is reported as "Shares to be Issued" and taken into account in the balance sheet at 30 November 2007. As the relevant documentation in respect of the authorisation and issue of these shares was not completed at the year end date, the share capital to be issued post year end is reflected separately from that already issued. The Director's loan account balances have also been reduced to reflect this position.

	30 November 2007 £
Authorised	
Equity	
10,000 Ordinary shares of £1 each	<u>10,000</u>
Allotted, called up and fully paid	
Equity	
2 Ordinary shares of £1 each	<u>2</u>
Shares to be issued after the year end	
	£
Redeemable shares of £1 to be authorised and issued after the year end	49,998
Total	<u><u>49,998</u></u>

9 Reserves

	Profit and loss reserve £
Balance at 30 November 2006	-
Transfer from profit and loss account for the period	<u>(21,412)</u>
Balance at 30 November 2007	<u><u>(21,412)</u></u>

Caffe Latino (Holdings) Ltd

Notes to the Financial Statements for the Period Ended 30 November 2007

continued

10 Related parties

Controlling entity

The company is controlled by the directors who own 100% of the called up share capital

Directors' loan accounts

The following balances owed to the directors were outstanding at the period end

	Maximum Balance £	30 November 2007 £
Mr M Kiaie	52,427	27,428
Mr K Whitehouse	87,481	62,482
	<u>139,908</u>	<u>89,910</u>

No interest is charged in respect of these balances

Caffe Latino (Holdings) Ltd
Detailed Profit and Loss Account for the Period Ended 30 November 2007

	30 November 2006 to 30 November 2007	
	£	£
Turnover		
Sales, UK		354,193
Cost of sales		
Purchases	113,870	
Closing stock	(5,500)	
Wages and salaries	<u>77,063</u>	
		<u>(185,433)</u>
Gross profit 47.65%		168,760
Administrative expenses (analysed below)		
Employment costs	30,386	
Establishment costs	174,034	
General administrative expenses	15,886	
Franchise costs	9,990	
Finance charges	1,408	
Depreciation costs	<u>4,180</u>	
		<u>(235,884)</u>
Operating loss		(67,124)
Other exceptional profit		
Other exceptional item		45,850
Other interest receivable and similar income		
Bank interest receivable		63
Interest payable and similar charges		
Other interest payable	135	
Hire purchase interest	<u>66</u>	
		<u>(201)</u>
Loss on ordinary activities before taxation		<u>(21,412)</u>
Loss for the financial period		<u><u>(21,412)</u></u>

This page does not form part of the statutory financial statements

Caffe Latino (Holdings) Ltd

Detailed Profit and Loss Account for the Period Ended 30 November 2007

continued

	30 November 2006 to 30 November 2007 £
Employment costs	
Wages and salaries	20,983
Staff NIC (Employers)	5,421
Staff training	190
Travelling	3,792
	<u>30,386</u>
	30 November 2006 to 30 November 2007 £
Establishment costs	
Rent and rates	130,721
Light, heat and power	6,394
Insurance	2,087
Hire of plant and equipment	18,538
Cleaning	6,517
Repairs and maintenance	5,559
Premises expenses	4,218
	<u>174,034</u>
	30 November 2006 to 30 November 2007 £
General administrative expenses	
Telephone and fax	1,953
Computer software and maintenance costs	2,940
Printing, postage and stationery	954
Trade subscriptions	32
Sundry expenses	1,187
Advertising	110
Accountancy fees	5,700
Legal and professional fees	3,010
	<u>15,886</u>

This page does not form part of the statutory financial statements

Caffe Latino (Holdings) Ltd
Detailed Profit and Loss Account for the Period Ended 30 November 2007

continued

	30 November 2006 to 30 November 2007 £
Franchise costs	
Advertising and marketing	<u>9,990</u>
	30 November 2006 to 30 November 2007 £
Finance charges	
Bank charges	973
Credit card charges	<u>435</u>
	<u>1,408</u>
	30 November 2006 to 30 November 2007 £
Depreciation costs	
Amortisation of Intellectual Property	616
Depreciation of short leasehold	1,148
Depreciation of plant and machinery	<u>2,416</u>
	<u>4,180</u>

This page does not form part of the statutory financial statements