COBURG GROUP

COBURG GROUP PLC

Annual Report and Accounts

for the year ended 30 April 2005

Contents

Directors and Advisers

The Board of Directors

Mr A G Summers FCA
(Executive Chairman)
Mr Summers was appointed as a non-executive director on 27 August 2002 and then appointed Chief Executive in November 2003. He moved to the position of Executive Chairman on 3 May 2005. He is also a director of Basing Hill Industrial Securities Limited and Techclean Plc (Age 40).

Mr C W Birkle ACA
(Executive Group Managing Director)
Mr Birkle joined the company on 1 October 2004 and was appointed as Group Managing Director on 3 May 2005. He has previously been a director of Admiral Management Services Limited and on board info Limited (Age 39).

Mr K P Legg
*(Non-Executive Director)**
Mr Legg was appointed as a director of the company on 8 July 1999 and was Executive Chairman and Chief Executive from November 2001 to November 2003. He was then non-executive Chairman until April 2004. He is also a director of M.P. Evans Group Plc (Age 61).

Mrs A V Higgins
(Non-Executive Director) †*
Mrs Higgins was appointed a non-executive director of the company on 25 April 1995. Mrs Higgins has many years of experience of investment fund management and has held a number of non-executive directorships of both investment trusts and smaller companies (Age 64).

Mr R Forrester
(Non-Executive Director) †*
Mr Forrester was appointed as a non-executive director on 8 December 2003. He was Managing Director of Bisgood International, an Executive Director of Natwest Investment Bank and Managing Director of Bridge International Trading and is currently Chairman of Techclean Plc (Age 64).

Mr R Hendy
*(Non-Executive Director)**
Mr Hendy was appointed as a non-executive director on 13 September 2004. Mr Hendy was a partner in Bisgood Bishop, for almost 20 years and has served as a non-executive director of Durlacher Corporation plc and of Instinet Europe Limited, a subsidiary of Reuters and is currently a Director of Techclean Plc (Age 60).

**Member of the Audit Committee*
†Member of the Remuneration Committee

Secretaries
Cargil Management Services Ltd
22 Melton Street
London NW1 2BW

Head office and Registered office
Unit 3, Harrington Way
Warspite Road
Woolwich
London SE18 5NU
020 8317 0103

Registered number
2956279

Auditors
Lees Chartered Accountants
1 Purley Road
Purley
Surrey CR8 2HA

Bankers
Barclays Bank Plc
Level 27
1 Churchill Place
London E14 5HP

Nominated Adviser
Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Registrar
Capita Registrars
Northern House
Woodson Park
Fennay Bridge
Huddersfield
Yorks HD8 0LA

Brokers
Fiske Plc
Salisbury House
London Wall
London EC2M 5QS

Chairman's Statement

Overview

Following many years of challenging conditions and a shortage of funds for investment the present Board joined the Company to turn around the business. The loss for the year reflects this process.

Over the last year we have substantially rationalised the vast number of items the Company was selling and the brands through which they reached our customers. In parallel we have embarked on a programme of investment in our core "Langdons of London", "Giovanni Rizzi" and "Citifilter" labels to create modern attractive brands that reinforce the quality of the tea and coffee we make.

We have invested in our factory in Woolwich, South East London. For ten years there had been little investment and as a result much of the equipment was old and prone to breakdown. There is still much to be done but with the purchase of a new roaster and investment in our existing equipment we have started to see some improvements in efficiency in our operations.

We have had to invest in the basic infrastructure of IT, software and office equipment that makes it possible for us to serve our customers to their satisfaction.

Finally our job has been to raise our presence in the market. This is a long process. Rolling out a strategy based around the quality of our product has taken time and the loss for the year reflects the need to invest before we are able to see a return. Slowly we are raising our profile and now all our efforts are towards improving sales.

This process has not been helped in the year by a near doubling of the green coffee bean prices. Since the year end prices have fallen but we remain alert to the need to move away from low margin sales to higher margin premium business that more accurately reflect our expertise in coffee and tea blending and our associated marketing.

Trading results

Sales during the year increased by 7% as a result of a full year of contribution from the "Giovanni Rizzi" acquisition that we made in July 2003. The rise in raw coffee prices increased cost of sales by 15% whilst overheads increased 23% as the Company began the process of investing in the business and recruiting a professional management team.

Current trading

Conditions on the High Street remain difficult and the Company is looking for a small increase in sales over the year. The management has conducted a thorough review of the Company's overheads in the last quarter and identified a number of areas of saving which will be implemented before the half year ends. This is likely to lead to extra one-off overheads in the first half that will be recovered in the second half and beyond.

Future developments and prospects

The Company's objective is to move towards sustainable profitability and the difficult but necessary work over the last few years has laid the foundations for this.

In the light of the loss for the year, the need for investment and a number of new product developments, the Board is looking at raising funds for the business through a placing. The Board expects to announce the results of its review of this shortly.

The Board is still looking for suitable acquisitions but will do so only at a price that adds value to Coburg's shares.

I would like to thank the staff for their continued efforts throughout the year. In recognition of this and my strong desire to correlate the staff's interests with shareholders we are putting in place an Option scheme for all the Company's employees. I believe strongly that it is the staff that will deliver the returns for the Company and I would therefore like them to share in the success of the business.

ALISTAIR SUMMERS
Chairman

26 July 2005

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 April 2005.

Principal activity

The principal activity of the group during the year was the roasting, packing and distribution of coffee beans and the blending, packing and distribution of tea.

The principal customers of the group were the catering and food distribution sectors.

Results and dividends

The group's loss for the year after taxation was £397,000 (2004: loss of £49,000) full details of which are set out on page 13.

The directors do not recommend the payment of a dividend (2004: Nil).

Review of business and future developments

A detailed review of the business and of future expected developments of the group is set out in the Chairman's Statement on page 3.

Directors' interests

The directors' shareholdings at 30 April 2005 and at the latest date practicable prior to preparation of this document are set out on pages 9 and 10.

Policy on the payment of creditors

The company does not follow a standard payment practice or code. It is the company's current practice, to make payments to suppliers in accordance with agreed terms provided the supplier has performed in accordance with the relevant terms and conditions. The creditor days of the parent company calculated as at 30 April 2005 amounted to 206 days (2004: 87 days).

Directors

The directors who served during the year were:

Name	Title	Appointed	Resigned
K P Legg	non-executive chairman	8 July 1999	–
A V Higgins	non-executive director	25 April 1995	–
A G Summers	group chief executive	27 August 2002	–
R Forrester	non-executive director	8 December 2003	–
R Hendy	non-executive director	13 September 2004	–
J S P Maynard	non-executive director	7 February 2003	13 September 2004

Substantial shareholdings

As at 26 July 2005, shareholdings in excess of 3% of the company's issued ordinary share capital had been registered as follows:

	Number of Ordinary shares	Percentage
K P Legg	3,300,000*	19.89%
A G Summers	2,325,000	14.01%
M Cronk	1,491,200	8.99%
Westcombe Investments Ltd	902,500	5.44%

**Included in the above number of shares are 2,900,000 shares (17.48%) held by Tudeley Holdings, a company controlled by K P Legg.*

Report of the Directors

Annual General Meeting

The directors advise that this document contains the formal Notice of the Annual General Meeting of Coburg Group Plc which you will find on page 30. The Notice convenes the Annual General Meeting of the company for 10.00 a.m. on 14 September 2005 at which the following resolutions will be proposed:

Ordinary Business

1. To receive the company's annual accounts for the financial statements for the year ended 30 April 2005 together with the last directors' report, the last directors' remuneration report and the auditors' report on those accounts and the auditable part of the remuneration report.
2. To re-appoint Alistair Summers as a director who retires by rotation.
3. To re-appoint Konrad Legg as a director who retires by rotation.
4. To approve Christopher Birkle as a director, who has been appointed since the last AGM.
5. To re-appoint Lees Chartered Accountants as auditors of the company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the company at a remuneration to be determined by the directors.

Special Business

6. To approve the directors' remuneration report for the financial year ended 30 April 2005.

To consider and if thought fit pass the following resolution as Ordinary Resolutions:

7. THAT in substitution for all existing authorities to the extent unused the directors be and they are generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section):

   (a) up to an aggregate nominal amount of £250,000 for cash; and

   (b) up to an aggregate nominal amount of £600,000 where such securities form the whole or part of the consideration for the acquisition of any other company;

   provided this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the directors may allot relevant securities pursuant to an offer or agreement made by the Company on or before that date as if such authority had not expired.

8. To consider and if thought fit pass the following resolution as a Special Resolution:

   THAT in substitution for all existing authorities to the extent unused, and subject to the passing of the previous resolution the directors be generally empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) pursuant to the authority conferred by the above resolution as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

   (i) in connection with a rights issue or other pre-emptive share issue in favour of ordinary shareholders where the securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly may be) to the respective number of ordinary shares held by them but subject to such exclusions or arrangements as the directors may deem necessary or expedient to deal with fractional entitlements arising or any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or exchange or otherwise; and

(ii) otherwise than pursuant to sub-paragraph (a) above for cash up to an aggregate nominal value of £250,000;

provided this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the directors may allot relevant securities pursuant to an offer or agreement made by the Company on or before that date as if such authority had not expired.

Recommendation

Your directors consider the resolutions to be proposed at the Annual General Meeting to be in the best interests of the company and its shareholders. Accordingly, the directors unanimously recommend shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

Registered office:
Unit 3 Harrington Way
Warspite Road
Woolwich
London SE18 5NU

By order of the Board
C Birkle
Managing Director
26 July 2005

Corporate Governance

Although not required to, the directors have decided to provide corporate governance disclosures and the board has considered the principles and provisions of "The Combined Code: Principles of Good Governance and the Code of Best Practice" ("the Code"). As part of this process Turnbull guidelines set out in "Guidance for Directors on the Combined Code" have also been reviewed and are covered under "Internal control" below.

An explanation of how the company has applied the principles and the extent to which the provisions in the Code have been complied with appears below.

1 Compliance statement

(a) Directors

The details of the company's board, together with the audit and remuneration committees, are set out on page 2. The board meets at least six times a year and is provided with information which includes executive operating reports, management accounts, cash flows and budgets. At the year end there was a non-executive chairman, who chaired the audit committee, three independent non-executive directors, all of whom are members of the audit committee, and two of whom comprise the remuneration committee, and one Executive Director. The remuneration and audit committees are both chaired by an independent director. The current constitution of these boards is shown on page 2. Subsequent to the end of the year the non-executive chairman who chaired the audit committee became a non-executive director and continues to chair this committee.

Appointments to the board are nominated by an individual director and then considered by the full board.

The service contracts of the executive directors are less than one year and determinable by three months notice. In accordance with the company's articles one third of the directors are required to retire by rotation each year, and where eligible may offer themselves for re-appointment.

(b) Directors' remuneration

As set out on pages 9 and 10 the remuneration of the executive directors is determined by the remuneration committee whilst that of the non-executives is determined by the whole board. The directors are conscious of the importance of performance related incentives but in view of the company's performance in recent years it has not proved possible to implement an effective bonus scheme.

(c) Relations with shareholders

The company encourages two-way communications with all its shareholders and responds to all requests or queries received. All shareholders have at least twenty one working days' notice of the annual general meeting at which all of the directors and the chairman are normally available for questions. Comments and questions are encouraged from the shareholders at the meeting.

(d) Accountability and Audit

(i) Financial reporting

Detailed reviews of the performance and financial position of the group are included in the chairman's statement. The board uses this and the directors' report on pages 4 to 6 to present a balanced and understandable assessment of the group's position and prospects. The directors' responsibility for the financial statements is described on page 11.

(ii) Internal control

The board confirms that it has established the procedures necessary to implement the guidance set out in "Internal Control: Guidance for Directors on the Combined Code". The process of risk identification, evaluation and management has been considered by the board. It is the intention that this will continue to be kept under constant review and will be considered at each board meeting in the future. The Board is continuing to take steps to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management and the Board's attention.

The directors acknowledge their responsibilities for the group's system of internal financial control. Such a system can provide reasonable but not absolute assurance against material misstatement or loss. The Board confirms that the procedures necessary to comply with the provisions of the code, including the guidance of Turnbull, have been in place throughout the year ended 30 April 2005 and up to the date of the directors' report. It has considered the major business risks and the control environment. Important control procedures, in addition to the day to day supervision of the business, include comparison of monthly management accounts to the budget and use of appropriate authorisation limits.

(iii) Audit committee and auditors

The executive director is not a member of the committee, but is invited to attend their meetings. The auditors of the group may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of the executive directors. The audit committee may examine any matters relating to the financial affairs of the group, and to the group's audit. This includes reviews of the annual accounts and announcements, accounting policies, compliance with accounting standards, the appointment and fees of auditors and such other related functions as the board may require.

Going concern basis

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Report of the Remuneration Committee

The Remuneration Committee

The Remuneration Committee was established to keep under review the remuneration and terms of employment of executive directors and to recommend such remuneration and terms and changes thereof to the Board. The Committee's composition, responsibilities and operation comply with the Combined Code. In forming its remuneration policy, the Committee confirms that it has complied with the Combined Code. The Committee comprised of Mrs A Higgins (chairman) and Mr R Forrester.

Remuneration policy

The group's executive remuneration policy objectives are:

(a) to ensure that individual rewards and incentives are directly aligned with the performance of the group and the interests of the shareholders; and

(b) to maintain a competitive programme which enables the group to attract and retain high calibre executives.

Directors' emoluments

	2005 Salaries & fees £	**2005 Benefits £**	**2005 Total emoluments £**	**2005 Pension costs £**	2004 Salary & fees £	2004 Benefits £	2004 Total emoluments £	2004 Pension costs £
K P Legg *(i)*	**18,000**	**—**	**18,000**	**—**	22,000	—	22,000	—
A V Higgins	**5,000**	**—**	**5,000**	**—**	5,000	—	5,000	—
J S P Maynard	**7,265**	**—**	**7,265**	**—**	26,900	—	26,900	—
R Forrester	**5,830**	**—**	**5,830**	**—**	2,500	—	2,500	—
R Hendy	**2,915**	**—**	**2,915**	**—**	—	—	—	—
A G Summers *(ii)*	**65,000**	**—**	**65,000**	**—**	23,333	—	23,333	—
	104,010	**—**	**104,010**	**—**	79,733	—	79,733	—

Notes:
(i) K P Legg's fees were paid to Tudeley Holdings Limited.
(ii) A G Summers' fees were paid to Summers & Co.

Directors' interests

The respective interests, all of which are beneficial, in the shares of the company for the members of the Board at the year end and subsequent to that date are stated below:

	As at 26 July 2005	**As at 30 April 2005**	As at 1 May 2004
K P Legg	**3,300,000**	**3,300,000**	3,225,000
A V Higgins	**122,564**	**122,564**	122,564
A G Summers	**2,325,000**	**2,325,000**	2,325,000
R Forrester	**412,500**	**412,500**	412,500
R Hendy	**902,500**	**902,500**	902,500

Of the 19.89% shareholding held by K P Legg 17.48% is held by Tudeley Holdings Limited, a company in which he is the majority shareholder.

Report of the Remuneration Committee

The 5.44% shareholding shown above in respect of R Hendy is held by Westcombe Investments Limited, a company in which he beneficially owns 50%.

Under the terms of the proposed share option scheme the company has given a commitment to C Birkle in respect of 700,000 Ordinary Shares, 350,000 at 10p and 350,000 at 12p. As at 26 July 2005 the options had not yet been granted.

Approved by the Remuneration Committee
signed on its behalf by

Mrs A V Higgins
Chairman of Remuneration Committee

26 July 2005

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 group and of the company and of the profit or loss of the group for that period. 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) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business;

(d) state whether applicable accounting standards have been followed.

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 the group's system of internal financial control, for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors to the members of Coburg Group Plc

We have audited the financial statements of Coburg Group Plc for the year ended 30 April 2005 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out on pages 17 and 18.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of director's responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom Law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the Annual Report, for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 circumstances of the company and the group, 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 affairs of the company, and of the group as at 30 April 2005, and of the loss of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Lees
Chartered Accountants
Registered Auditors

1 Purley Road
Purley
Surrey CR8 2HA

26 July 2005

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 30 APRIL 2005

	Note	**2005 £000**	2004 £000
Turnover			
Continuing operations		**2,874**	1,910
Acquisitions		**—**	774
Total Turnover	*3*	**2,874**	2,684
Cost of sales	*2b*	**(1,577)**	(1,366)
Gross profit		**1,297**	1,318
Distribution and selling costs	*2b*	**(495)**	(430)
Administrative costs	*2b*	**(1,182)**	(934)
Operating (loss)/profit			
Continuing operations		**(380)**	(61)
Acquisitions		**—**	15
Group operating loss		**(380)**	(46)
Profit/(loss) on sale of fixed assets in continuing operations		**1**	2
Loss on ordinary activities before interest		**(379)**	(44)
Interest payable	*5*	**(17)**	(6)
Loss on ordinary activities before taxation	*6*	**(396)**	(50)
Taxation	*8*	**—**	—
Loss on ordinary activities after taxation		**(396)**	(50)
Equity minority interests		**(1)**	1
Loss retained for the financial year	*18*	**(397)**	(49)
Loss per share in pence – basic and diluted	*9*	**(2.39)**	(0.35)

There are no recognised gains or losses in either the current or previous financial years other than the profits and losses disclosed in the profit and loss account. Accordingly no statement of total recognised gains and losses has been prepared.

Consolidated Balance Sheet

AS AT 30 APRIL 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Tangible assets	*10a*	**593**		610	
Intangible assets	*10b*	**317**		344	
			910		954
Current assets					
Stocks	*11*	**193**		229	
Debtors	*12*	**551**		472	
Cash at bank and in hand		**26**		236	
		770		937	
Creditors: amounts falling due within one year	*13*	**(924)**		(714)	
Net current assets			**(154)**		223
Total assets less current liabilities			**756**		1,177
Creditors: amounts falling due after more than one year	*14*		**(87)**		(112)
Minority Interests					
Equity minority interests			**(10)**		(9)
Net assets			**659**		1,056
Capital and reserves					
Called up share capital	*17*		**830**		830
Share premium account	*18*		**346**		346
Other reserves	*18*		**428**		428
Profit and loss account	*18*		**(945)**		(548)
Equity shareholders' funds	*18*		**659**		1,056

Approved by the board of directors on 26 July 2005 and signed on its behalf by:

A G Summers
Director

C W Birkle
Director

Company Balance Sheet

AS AT 30 APRIL 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Intangible assets	*10b*	**181**		201	
Investments	*10c*	**201**		201	
			382		402
Current assets					
Debtors – due within one year		**1,302**		531	
Due in more than one year		**651**		651	
Total debtors	*12*	**1,953**		1,182	
Cash at bank and in hand		**—**		11	
		1,953		1,193	
Creditors: amounts falling due within one year	*13*	**(973)**		(227)	
Total assets less current liabilities			**980**		966
Creditors: amounts falling due after more than one year	*14*		**—**		(7)
Total assets less current liabilities			**1,362**		1,361
Capital and reserves					
Called up share capital	*17*		**830**		830
Share premium account	*18*		**346**		346
Other reserves	*18*		**428**		428
Profit and loss account	*18*		**(242)**		(243)
Equity shareholders' funds			**1,362**		1,361

Approved by the board of directors on 26 July 2005 and signed on its behalf by:

A G Summers
Director

C W Birkle
Director

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 APRIL 2005

	Note	**2005** £000	**2005** £000	2004 £000	2004 £000
Net cash (outflow)/inflow from operating activities	*21*		**(98)**		23
Returns on investment and servicing of finance					
Interest paid		**(17)**		(6)	
			(17)		(6)
Capital expenditure and financial investment					
Purchase of tangible assets		**(142)**		(313)	
Sale of tangible fixed assets		**25**		8	
			(117)		(305)
Acquisitions and disposals					
Purchase of business undertaking	*24*	**—**		(220)	
			—		(220)
Net cash outflow before financing			**(232)**		(312)
Financing					
Proceeds of ordinary share issue		**—**		320	
Net (decrease)/increase in borrowings		**(14)**		147	
Net cash (outflow)/inflow from financing			**(14)**		467
(Decrease)/increase in cash during the year	*23*		**(246)**		155

Notes to the Financial Statements

1. Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

(a) Accounting convention

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

(b) Consolidation and goodwill

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries.

On the acquisition of a business, fair values are attributed to the group's share of net tangible assets. Where the cost of acquisition is more or less than the values attributable to such net assets, the difference is treated as positive or negative goodwill respectively and is capitalised as an intangible asset, and amortised over its expected useful economic life up to a maximum of ten years.

(c) Turnover

Turnover represents the amount receivable for goods sold during the year, net of trade discounts and value added tax.

(d) Depreciation

Depreciation is provided in equal amounts over the estimated useful economic lives of the assets.

The annual depreciation and amortisation rates are:

Motor vehicles	25%
Plant and machinery	5%
Fixtures and fittings	20%
Leasehold improvements	25%
Coffee machines	25%

(e) Leases

The capital cost of equipment acquired under finance leases is capitalised. Finance costs are charged to the profit and loss account over the period of the agreement. Obligations under finance leases are included in creditors net of finance costs allocated to future periods.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

(f) Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

(g) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase price together with appropriate production overheads.

1. Accounting policies (continued)

(h) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(i) Foreign currencies

Transactions completed in foreign currencies during the year are translated at the appropriate ruling rates of exchange. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. All translation differences are dealt with in the profit and loss account.

2. (a) Acquisitions and goodwill

On 24 July 2003 the group acquired the goodwill, stock, plant & machinery and fixtures and fittings of G&M Rizzi Coffee Company Limited, the balance of goodwill arising as a result of this purchase is £132,000 and this has been capitalised in the Group balance sheet.

The following table shows the major categories of assets and liabilities acquired. No adjustments have been made to book values in arriving at the provisional fair values to the group. The cash flow effects of the acquisition are given in note 24.

	£000
Fixed Assets	**65**
Stock	**23**
	88
Goodwill	**132**
Cash consideration	**220**

2. (b) Analysis of continuing and acquired operations

	2005 Continuing operations £000	**2005 Acquisitions £000**	**2005 Total £000**	*2004 Continuing operations £000*	*2004 Acquisitions £000*	*2004 Total £'000*
Turnover	**2,874**	**—**	**2,874**	1,910	774	2,684
Cost of sales	**(1,577)**	**—**	**(1,577)**	(735)	(631)	(1,366)
Gross profit	**1,297**	**—**	**1,297**	1,175	143	1,318
Distribution costs	**(495)**	**—**	**(495)**	(401)	(29)	(430)
Administrative expenses	**(1,182)**	**—**	**(1,182)**	(835)	(99)	(934)
Operating (loss)/profit	**(380)**	**—**	**(380)**	(61)	15	(46)

3. Turnover, (loss)/profit before taxation and net assets

The turnover, loss before taxation and net assets are wholly attributable to the group's principal activity and arise almost entirely in the UK.

4. Profit of parent company

In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account for the company is not presented. The profit of the parent company was £1,000 (2004: profit £6,000).

5. Interest payable

	2005 £000	*2004 £000*
Finance lease interest	**8**	3
Bank loans and overdrafts	**9**	3
	17	6

6. (Loss)/profit on ordinary activities before taxation

	2005 £000	*2004 £000*
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	**14**	14
Other services	**4**	4
Depreciation		
Owned assets	**105**	79
Under finance arrangements	**14**	14
Property rentals payable under operating leases	**113**	145
Amortisation of goodwill	**40**	36
Amortisation of branding costs	**3**	1

7. Directors and employees

	2005	*2004*
	Number	*Number*
Production	**12**	12
Sales and distribution	**15**	13
Administration	**6**	14
	33	39

The aggregate payroll costs were as follows:

	2005	*2004*
	£000	*£000*
Wages and salaries	**912**	608
Social security costs	**70**	54
	982	662

Details of directors' remuneration required by the Companies Act 1985 and those for audit by the UK Listing Authority are shown within the report of the Remuneration Committee on pages 9 and 10, and form part of these audited financial statements.

8. Taxation

There is no tax charge in respect of the year. As at the balance sheet date the group has trading losses of approximately £2,400,000 (2004: £2,060,000) available for set off against future trading profits of the same trade subject to Inland Revenue agreement.

9. Loss per share

Loss per share for the year ended 30 April 2005 is calculated on the consolidated loss on ordinary activities after tax of £397,000, divided by 16,590,914 this being the weighted average number of ordinary shares in issue during the year. The earnings per share for the year ended 30 April 2004 is calculated on the consolidated loss on ordinary activities after tax of £49,000 divided by 14,055,394 being the weighted average number of shares in issue during the year.

10. Fixed assets

(a) Tangible assets

	Leasehold Improvements *£000*	Coffee machines *£000*	Plant & machinery *£000*	Fixtures & fittings *£000*	Motor vehicles *£000*	Total *£'000*
Group						
Cost						
At 1 May 2004	44	120	1,165	335	98	1,762
Additions	25	8	25	68	—	126
Disposals	—	—	(10)	(5)	(27)	(42)
At 30 April 2005	69	128	1,180	398	71	1,846
Depreciation						
At 1 May 2004	6	69	717	305	55	1,152
Charge for the year	22	21	42	21	13	119
No longer required	—	—	(2)	(1)	(15)	(18)
At 30 April 2005	28	90	757	325	53	1,253
Net book value						
At 30 April 2005	**41**	**38**	**423**	**73**	**18**	**593**
At 30 April 2004	38	51	448	30	43	610

The net book value of motor vehicles includes an amount of £13,000 (2004: £32,000) in respect of assets held under finance leases or hire purchase contracts. Included in plant and machinery are assets held under finance leases or hire purchase contracts with a net book value of £146,000 (2004: £153,000). Included in fixtures and fittings are assets held under finance leases or hire purchase contracts with a net book value of £28,000 (2004: £nil).

(b) Intangible assets

	Product Branding *£000*	Goodwill *£000*	Total *£000*
Group			
Cost			
At 1 May 2004	26	1,400	1,426
Additions	16	—	16
At 30 April 2005	42	1,400	1,442
Amortisation			
At 1 May 2004	1	1,081	1,082
Provision for the year	3	40	43
At 30 April 2005	4	1,121	1,125
Net book value at 30 April 2005	**38**	**279**	**317**
Net book value at 30 April 2004	25	319	344

10. Fixed assets (continued)

(b) Intangible assets (continued)

	Goodwill *£000*
Company	
Cost	
At 1 May 2004	222
At 30 April 2005	222
Amortisation	
At 1 May 2004	21
Charge for the year	20
At 30 April 2005	41
Net book value	
At 30 April 2005	**181**
At 30 April 2004	201

(c) Fixed asset investments

At the balance sheet date the market value of the shares in listed companies was approximately £375 (2004: £375).

	Shares in Group undertakings *£000*	Shares in listed companies *£000*	Total *£000*
Company			
Cost			
At 1 May 2004	4,239	40	4,279
At 30 April 2005	4,239	40	4,279
Provision for impairment in value			
At 1 May 2004	4,038	40	4,078
At 30 April 2005	4,038	40	4,078
Net book value at 30 April 2005	**201**	**—**	**201**
Net book value at 30 April 2004	201	—	201

10. Fixed assets (continued)

(c) Fixed asset investments (continued)

All investments in the group undertakings are by way of ordinary shares.

Subsidiary Undertaking	Country of registration and incorporation	Activity	Percentage of Ordinary shares held
Langdons (Coffee and Tea) Limited	England and Wales	Buying, roasting, blending and selling coffee & tea	100%
Capital Coffee Limited	England and Wales	Non Trading	100%
CK Coffee Limited	England and Wales	Provision of quality coffee service for use on customer premises	78%
G & M Rizzi Coffee Company Limited	England and Wales	Non Trading	100%

11. Stocks

	Group	
	2005	2004
	£000	*£000*
Raw materials and consumables	**82**	107
Work in progress	**19**	3
Finished goods and goods for resale	**92**	119
	193	229

12. Debtors

	Group		Company	
	2005	2004	**2005**	2004
	£000	*£000*	***£000***	*£000*
Trade debtors	**460**	309	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**1,933**	1,163
Other debtors	**54**	90	**5**	7
ACT recoverable	**9**	9	**9**	9
Prepayments and accrued income	**28**	64	**6**	3
	551	472	**1,953**	1,182

Included within the amounts owed by subsidiary undertakings shown above is £651,000 (2004: £651,000) which is interest free, secured by a debenture, and due for payment on 30 April 2007.

13. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	**2005**	2004
	£000	*£000*	***£000***	*£000*
Bank loans and overdraft (note 16)	**94**	51	**88**	30
Net obligations under finance lease and hire purchase contracts (note 16)	**39**	35	**—**	—
Trade creditors	**537**	432	**123**	50
Amounts owed to subsidiary undertakings	**—**	—	**737**	46
Other taxation and social security	**39**	18	**—**	—
Other creditors	**60**	36	**3**	24
Accruals and deferred income	**155**	142	**22**	77
	924	714	**973**	227

Bank loans and overdrafts of £94,000 (2004: £51,000) are secured by a fixed and floating charge over the assets of the Group.

Net obligations under finance lease and hire purchase contracts shown above are secured on the assets concerned.

14. Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	**2005**	2004
	£000	*£000*	***£000***	*£000*
Bank loans and overdraft (note 16)	**—**	7	**—**	7
Net obligations under finance lease and hire purchase contracts (note 16)	**87**	105	**—**	—
	87	112	**—**	7

Net obligations under finance lease and hire purchase contracts shown above are secured on the assets concerned. The bank loan shown above is repayable by instalments falling due between one and two years and is secured by a fixed and floating charge over the assets of the group.

15. Financial instruments disclosures

The group's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade debtors, trade creditors etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

Liquidity

Historically the group's policy has been to finance its business primarily with equity and short-term borrowings. During the year ended 30 April 2004 the group financed the acquisition of the business of G & M Rizzi Coffee Company Limited through a bank loan of £60,000, the balance being funded through the issue of additional equity. The group also invested heavily in plant & machinery during that year and this was funded by a fixed rate hire purchase of £119,000. At the year end all but £87,000 (2004: £112,000) of the group's borrowings were due to mature within one year.

Foreign currency risk

The majority of goods purchased by the group originate from overseas. However they are almost all purchased in sterling through UK intermediaries. At the year end the group had no foreign currency debtors, or creditors and it had not entered into any foreign exchange contracts.

The disclosure below excludes short-term trade debtors and trade creditors.

(a) Interest rate profile of financial assets

At the year end the group had financial assets in the form of cash investments in fully listed companies as disclosed in note 10c.

(b) Interest rate and maturity profile of financial liabilities

The interest rate profile of the group's financial liabilities all of which are in Sterling at 30 April 2005 were as follows:

	April 2005 Floating rate financial liabilities *£000*	**April 2005 Fixed rate financial liabilities *£000***	April 2004 Floating rate financial liabilities *£000*	April 2004 Fixed rate financial liabilities *£000*
Bank loans and overdraft	**94**	**—**	58	—
Hire purchase	**—**	**126**	—	140
Total	**94**	**126**	58	140

The bank loans and overdraft at 30 April 2005 carried average interest rates of 8% and the hire purchase liabilities 4% to 10%.

15. Financial instruments disclosures (continued)

(c) Borrowing facilities

At 30 April 2005 the group had £94,000 bank borrowing facilities that expire within one year and all conditions in respect of these had been met at that date. In addition liabilities under hire purchase contracts were in existence at that date.

(d) Fair value of financial assets and liabilities

The fair values of the group's financial assets and liabilities are not materially different from those at which they are carried in the accounts.

16. Borrowings

	Group		Company	
	2005	2004	**2005**	2004
	£000	*£000*	***£000***	*£000*
Bank loans & overdrafts:				
Due within one year	**94**	51	**88**	30
Bank loans & overdrafts:				
Due in more than one year	**—**	7	**—**	7
Net obligations under finance lease and hire purchase contracts:				
Due within one year	**47**	42	**—**	—
Due between one and two years	**43**	37	**—**	—
Due between two and five years	**60**	88	**—**	—
	150	167	**—**	—
Finance charges allocated to future periods	**(24)**	(27)	**—**	—
	126	140	**—**	—
Total borrowings	**220**	198	**88**	37

Obligations under finance lease and hire purchase contracts are secured on the related assets. The bank loans & overdraft are secured by way of a fixed and floating charge over the assets of the group.

17. Called up share capital

	2005	2004
	£000	*£000*
Authorised:		
51,169,137 ordinary shares of 5p each	**2,558**	2,558
Allotted capital called up and fully paid:		
16,590,514 ordinary shares of 5p each	**830**	830

18. Reserves

	Share premium account	Merger relief reserve	Profit and loss account
	£000	*£000*	*£000*
Group			
At 1 May 2004	346	428	(548)
Retained loss for the year	—	—	(397)
At 30 April 2005	**346**	**428**	**(945)**
Company			
At 1 May 2004	346	428	(243)
Retained profit for the year	—	—	1
At 30 April 2005	**346**	**428**	**(242)**

19. Reconciliation of movements in shareholders' funds

	Group		**Company**	
	2005	2004	**2005**	2004
	£000	*£000*	***£000***	*£000*
(Loss)/Profit for the financial year	(397)	(49)	1	6
Issue of ordinary shares	—	320	—	320
Net increase in shareholders' funds	(397)	271	1	326
Opening shareholders' funds	1,056	785	1,361	1,035
Closing shareholders' funds	659	1,056	1,362	1,361

20. Commitments

At 30 April 2005 the group was committed to making the following payments during the next year under non-cancellable operating leases in subsequent years

	Land and building	
	2005	2004
	£000	*£000*
On leases expiring:		
Within one year	**—**	16
Within two to five years	**96**	88
	96	104

21. Reconciliation of operating loss to net cash outflow from operating activities

	2005	2004
	£000	*£000*
Operating loss	**(380)**	(46)
Depreciation	**119**	93
Amortisation and impairment of goodwill	**43**	37
Decrease/(Increase) in stocks	**36**	(42)
Increase in debtors	**(79)**	(58)
Increase in creditors	**163**	235
Net cash (outflow)/inflow from operating activities	**(98)**	219

22. Analysis of net funds

	At 1 May 2004	Cash Flow	Other non cash changes	**At 30 April 2005**
	£000	*£000*	*£000*	***£000***
Cash at bank and in hand	236	(210)	—	**26**
Bank overdrafts	(21)	(73)	—	**(94)**
Debt due within one year	(30)	30	—	**—**
Debt due after more than one year	(7)	7	—	**—**
Net obligations under finance leases and hire purchase agreements	(140)	44	(30)	**(126)**
	38	(202)	(30)	**(194)**

23. Reconciliation of net cash flow to movement in net debt

	2005	2004
	£000	*£000*
(Decrease)/Increase in cash in the period	**(246)**	155
Cash outflow from decrease in debt and lease financing	**44**	2
Change in net debt/funds resulting from cash flows	**(202)**	157
New finance lease and hire purchase obligations	**(30)**	(149)
Movement in net debt/funds in the period	**(232)**	8
Opening net funds	**38**	30
Closing net funds	**(194)**	38

24. Purchase of business undertaking

	£000
Net assets acquired;	
Fixed Assets	**65**
Stock	**23**
	88
Goodwill	**132**
Satisfied by: Cash consideration	**220**

Notice of Annual General Meeting

(REGISTERED IN ENGLAND NO. 2956279)

The directors advise that this document contains the formal Notice of the Annual General Meeting of Coburg Group Plc. The Notice convenes the Annual General Meeting of the company for 10.00 a.m. on 14 September 2005 at which the following resolutions will be proposed:

Ordinary Business

1. To receive the company's annual accounts for the financial statements for the year ended 30 April 2005 together with the last directors' report, the last directors' remuneration report and the auditors' report on those accounts and the auditable part of the remuneration report.
2. To re-appoint Alistair Summers as a director who retires by rotation.
3. To re-appoint Konrad Legg as a director who retires by rotation.
4. To approve Christopher Birkle as a director, who has been appointed since the last AGM.
5. To re-appoint Lees Chartered Accountants as auditors of the company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the company at a remuneration to be determined by the directors.

Special Business

6. To approve the directors' remuneration report for the financial year ended 30 April 2005.

To consider and if thought fit pass the following resolution as Ordinary Resolutions:

7. THAT in substitution for all existing authorities to the extent unused the directors be and they are generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section):

   (a) up to an aggregate nominal amount of £250,000 for cash; and

   (b) up to an aggregate nominal amount of £600,000 where such securities form the whole or part of the consideration for the acquisition of any other company;

provided this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the directors may allot relevant securities pursuant to an offer or agreement made by the Company on or before that date as if such authority had not expired.

8. To consider and if thought fit pass the following resolution as a Special Resolution:

   THAT in substitution for all existing authorities to the extent unused, and subject to the passing of the previous resolution the directors be generally empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) pursuant to the authority conferred by the above resolution as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

   (i) in connection with a rights issue or other pre-emptive share issue in favour of ordinary shareholders where the securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly may be) to the respective number of ordinary shares held by them but subject to such exclusions or arrangements as the directors may deem necessary or expedient to deal with fractional entitlements arising or any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or exchange or otherwise; and

(ii) otherwise than pursuant to sub-paragraph (a) above for cash up to an aggregate nominal value of £250,000;

provided this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the directors may allot relevant securities pursuant to an offer or agreement made by the Company on or before that date as if such authority had not expired.

Registered office:
Unit 3 Harrington Way
Warspite Road
Woolwich
London SE18 5NU

By order of the Board
C BIRKLE
Managing Director
26 July 2005

1. A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a Member of the Company.

2. A form of proxy is enclosed with this notice. To be valid, the form of proxy, together with the power of attorney or other authority under which it is executed or a notarially certified copy of such power or authority, must be lodged at Capita Registrars, Northern House, Woodson Park, Fennay Bridge, Huddersfield, Yorks, HD8 0JQ not later than 48 hours before the time of the Meeting or any adjournment thereof.

3. The completion and return of a form of proxy will not prevent a member from attending and voting in person at the Meeting if so desired.

4. The following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company from the date of this notice until the conclusion of the Meeting:

(a) copies of directors' service and consultancy agreements (or a memorandum of the terms of such agreements) with the Company or with any of its subsidiary undertakings; and

(b) the Register of Directors' interests in the share capital of the Company.

Proxy Form

Proxy for use at the Annual General Meeting to be held at the company registered offices Unit 3, Harrington Way, Warspite Road, Woolwich, London SE18 5NU on 14 September 2005.

I/We (block capitals)

....

of

....(see note 1)

being (a) holder(s) of Ordinary Shares of 5p each in the capital of the Company, hereby appoint the Chairman of the meeting

or ....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 14 September 2005 and at any adjournment thereof in relation to the proposed resolutions and any amendments thereof.

I/We direct my/our proxy to vote in the manner indicated by an X in the appropriate column. Unless otherwise indicated, or upon any matter properly put before the meeting but not referred to below, my/our proxy may exercise his discretion as to how he votes and whether or not he abstains from voting.

ORDINARY BUSINESS	**FOR**	**AGAINST**
1. To receive the Company's financial statements for the year ended 30 April 2005 together with the reports of the directors and auditors thereon.		
2. To re-appoint the following director who retires by rotation: Alistair Summers.		
3. To re-appoint the following director who retires by rotation: Konrad Legg.		
4. To approve the appointment of Christopher Birkle who was appointed since the last AGM as a director.		
5. To re-appoint Lees Chartered Accountants as auditors of the company to hold office from the conclusion of the AGM to the conclusion of the next AGM at which the accounts are laid before the company at a remuneration to be determined by the directors.		
SPECIAL BUSINESS		
6. To approve the directors' remuneration report for the financial year ended 30 April 2005.		
ORDINARY RESOLUTION		
7. Pursuant to S80 Companies Act 1985 to authorise the directors to allot relevant securities: (a) up to an aggregate nominal amount of £250,000 for cash; (b) up to an aggregate nominal amount of £600,000 as consideration in acquisitions.		
SPECIAL RESOLUTION		
8. To empower the directors to allot equity securities as if S89(1) Companies Act 1985 did not apply limited to such equity securities being allotted in connection with: (a) a rights issue or other pre-emptive share issue in favour of ordinary shareholders; (b) for cash up to an aggregate nominal value of £250,000.		

Dated .... 2005 Signature(s) ....

Notes:

1. If you wish to appoint a person as a proxy other than the Chairman of the meeting, insert the name in the space provided and delete "the Chairman of the meeting or".
2. In the case of a corporation, this proxy must be given under its common seal or signed on its behalf by a duly authorised office or an attorney.
3. To be effective at the meeting this proxy must be lodged at the address shown overleaf not later than 48 hours before the time of the meeting together, if appropriate, with the power of attorney or other authority under which it is signed or a duly certified copy of that power of authority.
4. In the case of joint holders the signature of any one holder will be sufficient but the names of all the joint holders should be stated. The vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose security is determined by the order in which the names stand in the register of members in respect of the joint holding.

First Fold

Second Fold

BUSINESS REPLY SERVICE
Licence No MB122

1

Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent BR3 4BR

Third Fold

First Fold