Registered number: 04027169

COFFEE #1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 SEPTEMBER 2018

COFFEE #1 LIMITED

CONTENTS

COFFEE #1 LIMITED

COMPANY INFORMATION

Directors	A W Darby (appointed 26 October 2018 & resigned on 6 February 2019) J F W Rhys (appointed 6 April 2018 & resigned on 6 February 2019) G W Ford (appointed 6 February 2019) G M House (appointed 6 February 2019) B Newman (appointed 6 February 2019) B J Price (appointed 6 February 2019) M S Reed (resigned 6 February 2019) J S Waddington (resigned 26 October 2018) D P Bonney (resigned 6 April 2018)
Company secretary	J H Stewart
Registered number	04027169
Registered office	9-15 Neal Street London WC2H 9QL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW

STRATEGIC REPORT
FOR THE YEAR ENDED 29 SEPTEMBER 2018

The directors present the Strategic Report of Coffee #1 Limited ("the company") for the year ended 29 September 2018.

Business review

We have built Coffee#1 as a distinctive brand in a growing market and it is well placed to meet the challenge of its many competitors.

Total sales grew by 13%, driven by 11 new store openings in the year, which (having closed Bishopston) took our estate up to 92 at the year-end. However, like-for-like sales increased by just 0.1%. The glorious summer weather was not helpful for hot drink or food sales in our coffee shops, which were also disadvantaged by limited outdoor seating. We faced significant food inflation in the year and continued to invest in the infrastructure of the business to enable it to support its increasing scale of operation. Overall, divisional contribution grew by 17%.

Future developments

Following the year end on 6th February 2019, S.A. Brain & Company Limited entered an agreement with Caffè Nero Group Holdings Limited where, ultimately, Caffè Nero Group Holdings Limited owns 67% of the business and S.A. Brain & Company Limited the remaining 33%. This agreement will allow Coffee#1 to benefit from Caffè Nero's scale and expertise and continue to develop.

Financial key performance indicators (KPIs)

The directors use a number of key performance indicators to manage the business, examples of which are shown below.

	2018	2017
	£	£
Profit for the financial year	**1,025,920**	1,224,126
Turnover	**30,781,010**	27,164,756
Turnover increase	**13.31%**	19.42%
Administrative expenses	**1,756,877**	1,453,498
Operating profit	**1,706,862**	1,714,991
Operating profit before exceptional items	**1,815,862**	1,714,991
Profit on ordinary activities before taxation	**1,498,297**	1,555,510
Profit for the financial year	**1,025,920**	1,224,126
Operating profit as a % of turnover	**5.55%**	6.31%
Operating profit before exceptional items as a % of turnover	**5.90%**	6.31%
Balance sheet		
Intangible assets	**184,389**	261,433
Tangible assets	**14,890,688**	14,187,185
Net assets	**7,299,989**	6,274,069

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties for the business relate primarily to the performance of the UK economy and continued competition in the coffee shop market.

The directors will continually monitor the principal and other risks and uncertainties for the business. The directors will closely monitor business performance, including the use of monthly KPI reports, and will take appropriate action when required.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 29 SEPTEMBER 2018

This report was approved by the Board on and signed on its behalf by:

B J Price
Director

Date: 28/6/19

DIRECTORS' REPORT
FOR THE YEAR ENDED 29 SEPTEMBER 2018

The directors present their annual report and the audited financial statements of Coffee #1 Limited (the "company") for the year ended 29 September 2018.

Principal activities

The principal activity is that of a coffee retailer.

Results and dividends

The profit for the year, after taxation, amounted to £1,025,920 (2017: £1,224,126).

The directors do not recommend the payment of a dividend for the 2018 financial year (2017: £Nil).

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were as follows:

A W Darby (appointed 26 October 2018 and resigned on 6 February 2019)
J F W Rhys (appointed 6 April 2018 and resigned on 6 February 2019)
G W Ford (appointed 6 February 2019)
G M House (appointed 6 February 2019)
B Newman (appointed 6 February 2019)
B J Price (appointed 6 February 2019)
M S Reed (resigned 6 February 2019)
J S Waddington (resigned 26 October 2018)
D P Bonney (resigned 6 April 2018)

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Going concern

The financial statements have been prepared on a going concern basis. The company is financed through cash held at bank and funding from the parent company, S A Brain & Company Limited. Following the year end, and the entering of the agreement with Caffè Nero Group Holdings Limited, the intercompany loans with S A Brain & Company Limited were repaid. The company continues to be cash generative and the company's forecasts also show that it is expected to continue to be cash generative at an operating level over the foreseeable future.

Future developments

The future developments of the company are detailed in the Strategic Report on page 2.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 29 SEPTEMBER 2018

Financial risk management

The company's activities expose it to a number of financial risks including price risk, credit risk and interest rate risk.

Price risk
The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk as the costs of managing this exposure exceed any potential benefits.

Credit risk
The company's financial assets are bank balances. The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by appropriate credit-ratings agencies.

Interest rate risk
The company has interest bearing liabilities with its parent company S A Brain & Company Limited. Interest rate risk is managed at a group level using a mixture of fixed and variable interest rates. Fixed rates do not expose the group to cash flow interest rate risk, but do not enjoy a reduction in borrowing costs in markets where rates are falling. On the other hand, floating rate borrowings expose the group to cash flow risk following rises in interest rates.

Employee involvement

The directors are fully cognisant of the need to make employees aware of, and involve them in, factors which influence the company's success. Through this knowledge and their direct influence employees are able to benefit from this success through greater job security, job satisfaction and receiving financial reward based on their contribution.

The main channels of communication are companywide with communications delivered on a regular basis including face-to-face, departmental meetings, employee presentations and electronically.

The company's performance and future plans are just some of the aspects shared with employees where the Company actively encourages and promotes employee interaction and feedback at every stage.

We have further enhanced the company's online learning platform, CPL, which supports communication across the coffee estate.

We continually strive to improve and enhance the flow of communication across the business, ensuring the opportunity for the dissemination of key information and two-way feedback. This includes acting on the information to improve our ability to attract and retain quality employees as well as enhance employee benefits, create organisational values and develop course content.

The company's appraisal system continues to operate and includes objectives to ensure that all team member annual reviews correlate with the factors that are critical to the success of the business. This process also identifies training requirements and a number of training courses were undertaken during the year to develop and enhance employee skills.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 29 SEPTEMBER 2018

Employee involvement (continued)

The company understands, and is committed to, its obligations to promote equality and inclusiveness. Full and fair consideration has been, and will always be, given to employment applications from disabled persons having regard to their particular aptitudes and abilities. If an appropriate vacancy is available then, where practicable, arrangements will be made to continue employment of an employee who has become disabled. Disabled employees are given fair consideration for training, career development and promotion. The belief is borne out by our approach to recruitment, promotion and training where all prospective applicants and current employees are judged on their merits.

We are committed to our social responsibilities and support activities that allow us to engage with our communities particularly through our partnership with various charities. The focus on our charity partnership in the last twelve months has provided an opportunity to further develop the "one team" culture across the company as well as raise a significant amount of money for those in need.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 29 SEPTEMBER 2018

This report was approved by the board and signed on its behalf by:

B J Price
Director

Date: 26/6/19

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COFFEE #1 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Coffee #1 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 29 September 2018; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 29 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
Date:
26 June 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 SEPTEMBER 2018

	Note	2018 £	2017 £
Turnover	5	**30,781,010**	27,164,756
Cost of sales		**(27,317,271)**	(23,996,267)
Gross profit		**3,463,739**	3,168,489
Administrative expenses		**(1,647,877)**	(1,453,498)
Exceptional administrative expenses	6	**(109,000)**	-
Operating profit	7	**1,706,862**	1,714,991
Interest payable and similar expenses	11	**(208,565)**	(159,481)
Profit before taxation		**1,498,297**	1,555,510
Tax on profit	12	**(472,377)**	(331,384)
Profit for the financial year		**1,025,920**	1,224,126
Total comprehensive income for the financial year		**1,025,920**	1,224,126

The notes on pages 13 to 26 form part of these financial statements.

COFFEE #1 LIMITED
REGISTERED NUMBER: 04027169

BALANCE SHEET
AS AT 29 SEPTEMBER 2018

	Note		29 September 2018 £		30 September 2017 £
Fixed assets					
Intangible assets	13		**184,389**		261,433
Tangible assets	14		**14,890,688**		14,187,185
			15,075,077		14,448,618
Current assets					
Stocks	15	**270,539**		223,814	
Debtors	16	**1,414,693**		2,229,928	
Cash at bank and in hand	17	**473,155**		573,750	
		2,158,387		3,027,492	
Creditors: amounts falling due within one year	18	**(9,301,463)**		(10,595,763)	
Net current liabilities			**(7,143,076)**		(7,568,271)
Total assets less current liabilities			**7,932,001**		6,880,347
Provisions for liabilities					
Deferred tax	19	**(341,116)**		(335,382)	
Other provisions	20	**(290,896)**		(270,896)	
			(632,012)		(606,278)
Net assets			**7,299,989**		6,274,069
Capital and reserves					
Called up share capital	21		**2,041,604**		2,041,604
Profit and loss account	22		**5,258,385**		4,232,465
Total shareholders' funds			**7,299,989**		6,274,069

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

B J Price
Director

Date: 26/6/19

G W Ford
Director

The notes on pages 13 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 SEPTEMBER 2018

	Called up share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 2 October 2016	**2,041,604**	**3,008,339**	**5,049,943**
Comprehensive income for the financial year			
Profit for the financial year	-	1,224,126	1,224,126
Total comprehensive income for the financial year	**-**	**1,224,126**	**1,224,126**
At 30 September 2017	**2,041,604**	**4,232,465**	**6,274,069**
Comprehensive income for the financial year			
Profit for the financial year	-	1,025,920	1,025,920
Total comprehensive income for the financial year	**-**	**1,025,920**	**1,025,920**
At 29 September 2018	**2,041,604**	**5,258,385**	**7,299,989**

The notes on pages 13 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2018

1. General information

Coffee #1 Limited (the "Company") is a private company limited by shares and is incorporated in Wales. The address of the company's registered office is 9-15 Neal Street, London, WC2H 9QL.

2. Statement of compliance

The financial statements of Coffee #1 Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 4).

The following principal accounting policies have been applied consistently throughout the year:

3.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of S A Brain & Company Limited as at 29 September 2018 and these financial statements may be obtained from Dragon Brewery, Pacific Road, Cardiff, CF24 5HJ.

3.3 Going concern

The financial statements have been prepared on a going concern basis. The company is financed through cash held at bank and funding from the parent company, S A Brain & Company Limited. Following the year end, and the entering of the agreement with Caffè Nero Group Holdings Limited, the intercompany loans with S A Brain & Company Limited were repaid. The company continues to be cash generative and the company's forecasts also show that it is expected to continue to be cash generative at an operating level over the foreseeable future.

3. Accounting policies (continued)

3.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. Turnover is recognised at the point of sale.

3.5 Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life of five years, on a straight line or reducing balance basis. Where factors such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate is amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

3.6 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following bases:

Short term leasehold property	-	10% on cost
Plant and machinery	-	15% on reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

3.7 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

3. Accounting policies (continued)

3.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

3.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.11 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.12 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the

3. Accounting policies (continued)

3.12 Financial instruments (continued)

contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3.14 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

3.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

3. Accounting policies (continued)

3.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

4. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible and intangible assets
The annual depreciation and amortisation charges for tangible and intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the intangible assets, note 14 for the carrying amount of the property plant and equipment and note 3.6 for the useful economic lives for each class of assets.

5. Turnover

The whole of the turnover is attributable to the principal activities of the entity.

All turnover arose within the United Kingdom.

6. Exceptional administrative expenses

	2018 £	2017 £
Administration restructure costs	**109,000**	-

These costs relate to accrued redundancy costs associated with the ongoing restructuring of the Group's operations and administrative functions.

7. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible assets	**2,158,468**	1,949,355
Amortisation of intangible assets	**77,044**	46,741
Operating lease rentals	**3,286,269**	2,562,681

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2018

8. Auditors' remuneration

All auditors' remuneration was borne by the company's ultimate parent company, S A Brain & Company Limited, and no recharge has been made. Details of the auditors' remuneration can be found in the financial statements of S A Brain & Company Limited.

9. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	**9,094,817**	7,858,137
Social security costs	**517,429**	413,916
Other pension costs	**61,658**	35,505
	9,673,904	8,307,558

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Retail services	**702**	635

10. Directors' remuneration

Directors' emoluments of £Nil (2017: £Nil) are payable to certain directors. A W Darby, M S Reed, J F W Rhys and S Waddington are remunerated by S A Brain & Company Limited for their services to the group as a whole. It is not practicable to allocate their remuneration for their services as a director between group companies. Details of their remuneration can be found in the financial statements of S A Brain & Company Limited.

11. Interest payable and similar expenses

	2018 £	2017 £
Loans from group undertakings	**208,565**	159,481

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2018

12. Tax on profit

	2018 £	2017 £
Corporation tax		
Current tax on profits for the financial year	**448,008**	438,408
Adjustments in respect of prior years	**18,635**	(119,851)
Total current tax	**466,643**	318,557
Deferred tax		
Origination and reversal of timing differences	**29,080**	24,151
Adjustments in respect of prior years	**(23,346)**	(11,324)
Total deferred tax	**5,734**	12,827
Total tax	**472,377**	331,384

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%). The differences are explained below:

	2018 £	2017 £
Profit before tax	**1,498,297**	1,555,510
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	**284,676**	303,324
Effects of:		
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	**2,415**	2,341
Depreciation on assets ineligible for capital allowances	**193,418**	160,447
Adjustments in respect of prior years	**(4,711)**	(131,175)
Change in tax rates	**(3,421)**	(3,553)
Total tax charge for the year	**472,377**	331,384

12. Tax on profit (continued)

Factors that may affect future tax charges

Changes to the UK Corporation tax rates were substantively enacted as part of Finance Bill 2016 (On 6 September 2016). These include reductions to the main rate of corporation tax to 17% from 1 April 2020. Deferred taxes at the Balance Sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13. Intangible assets

	Software £
Cost	
At 1 October 2017	**308,174**
At 29 September 2018	**308,174**
Accumulated amortisation	
At 1 October 2017	**46,741**
Charge for the year	**77,044**
At 29 September 2018	**123,785**
Net book value	
At 29 September 2018	**184,389**
At 30 September 2017	261,433

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2018

14. Tangible assets

	Short term leasehold property £	Plant and machinery £	Total £
Cost			
At 1 October 2017	**6,537,434**	**15,666,715**	**22,204,149**
Additions	**1,876,220**	**1,100,885**	**2,977,105**
Disposals	**(169,317)**	**(43,850)**	**(213,167)**
At 29 September 2018	**8,244,337**	**16,723,750**	**24,968,087**
Accumulated depreciation			
At 1 October 2017	**1,784,129**	**6,232,835**	**8,016,964**
Charge for the year	**800,705**	**1,357,763**	**2,158,468**
Disposals	**(98,033)**	**-**	**(98,033)**
At 29 September 2018	**2,486,801**	**7,590,598**	**10,077,399**
Net book value			
At 29 September 2018	**5,757,536**	**9,133,152**	**14,890,688**
At 30 September 2017	4,753,305	9,433,880	14,187,185

15. Stocks

	29 September 2018 £	30 September 2017 £
Finished goods	**270,539**	223,814

The difference between purchase price or production cost of stocks and their replacement cost is not material.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2018

16. Debtors

	29 September 2018 £	30 September 2017 £
Trade debtors	**229**	-
Other debtors	**17,060**	87,177
Corporation tax receivable	**-**	672,609
Prepayments and accrued income	**1,397,404**	1,470,142
	1,414,693	2,229,928

17. Cash at bank and in hand

	29 September 2018 £	30 September 2017 £
Cash at bank and in hand	**473,155**	573,750

18. Creditors: amounts falling due within one year

	29 September 2018 £	30 September 2017 £
Trade creditors	**779,348**	1,092,482
Amounts owed to group undertakings	**6,305,255**	7,391,785
Other taxation and social security	**959,445**	736,281
Other creditors	**807,276**	729,448
Accruals and deferred income	**450,139**	645,767
	9,301,463	10,595,763

Amounts owed to group undertakings are unsecured, repayable on demand and are interest bearing. Interest is charged at a rate of LIBOR plus a variable margin.

19. Deferred tax

	2018 £
At beginning of year	(335,382)
Charged to profit or loss	(5,734)
At end of year	**(341,116)**

The provision for deferred taxation is made up as follows:

	29 September 2018 £	30 September 2017 £
Accelerated capital allowances	**(341,116)**	(335,382)

20. Other Provisions

	Restructuring provision £	Dilapidation provision £	Total £
At 1 October 2017	-	270,896	270,896
Charged to profit or loss	20,000	-	20,000
At 29 September 2018	**20,000**	**270,896**	**290,896**

Dilapidation provision

Provision relate to dilapidation obligations required under the terms of the leases of certain premises. These costs will be incurred over the period of the leases.

Restructuring provision

The restructuring provision relates to expected costs associated with the restructuring of the Group's operations and administrative functions, primarily redundancy payments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2018

21. Called up share capital

	29 September 2018 £	30 September 2017 £
Shares classified as equity		
Allotted, called up and fully paid		
50,000 (2017: 50,000) Ordinary A shares of £0.01 each	**500**	500
50,000 (2017: 50,000) Ordinary B shares of £0.01 each	**500**	500
203,941,104 (2017: 203,941,104) Ordinary D shares of £0.01 each	**2,039,411**	2,039,411
110,000 (2017: 110,000) Ordinary E shares of £0.01 each	**1,100**	1,100
9,302 (2017: 9,302) Ordinary F shares of £0.01 each	**93**	93
	2,041,604	2,041,604

Ordinary shares

(i) Rights to dividends
- A, B, D, E and F Ordinary shares of 1p each - None.

(ii) Rights to redemption
- A, B, D, E and F Ordinary shares of 1p each - None.

(iii) Rights on winding up
The assets of the company remaining after all liabilities and costs have been discharged are to be distributed in the event of a winding up as follows:
- D Ordinary shares entitles the shareholder to monies up to the par value of the shares.
- No other share have rights on winding up.

(iv) Voting rights
- A, B, E, and F Ordinary shares of 1p each- Full voting rights.
- D Ordinary shares of 1p each - No voting rights.

22. Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

23. Pension commitments

The company operates a defined contribution pension scheme. The assets of the defined contribution pension scheme are held separately from those of the company under independent administration. The pension cost charge for the scheme represents contributions payable by the company to the scheme in the year amounting to £61,658 (2017: £35,505).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2018

24. Commitments under operating leases

At 29 September 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	29 September 2018	30 September 2017
	£	£
Not later than 1 year	**3,613,126**	3,141,328
Later than 1 year and not later than 5 years	**10,046,518**	9,367,556
Later than 5 years	**5,000,845**	3,139,167
Total	**18,660,489**	15,648,051

25. Post balance sheet events

Following the year end on 6th February 2019, S.A. Brain & Company Limited entered an agreement with Caffè Nero Group Holdings Limited where, ultimately, Caffè Nero Group Holdings Limited owns 67% of the business and S.A. Brain & Company Limited the remaining 33%. This agreement will allow Coffee#1 to benefit from Caffè Nero's scale and expertise and continue to develop.

26. Ultimate parent undertaking and controlling party

The immediate and ultimate parent company at the year-end is S.A. Brain & Company Limited, which is incorporated and registered in England and Wales.

S.A. Brain & Company Limited is the parent of both the smallest and largest group in respect of which group financial statements are prepared. Copies of the group financial statements are held at Dragon Brewery, Pacific Road, Cardiff, CF24 5HJ.

After the year end, on 6th February 2019, 100% of the issued share capital of Coffee #1 Limited was transferred to Storm Finance Company Limited. 100% of the issued share capital of Storm Finance Company Limited is held by Storm Hold Co Limited. Storm Equity Finance Limited holds 67% of the issued share capital in Storm Hold Co Limited and S.A. Brain & Company Limited holds 33% of the issued share capital in Storm Hold Co Limited. Caffè Nero Group Holdings Limited is the ultimate parent company and controlling party of Storm Equity Finance Limited and thus Coffee #1 Limited.