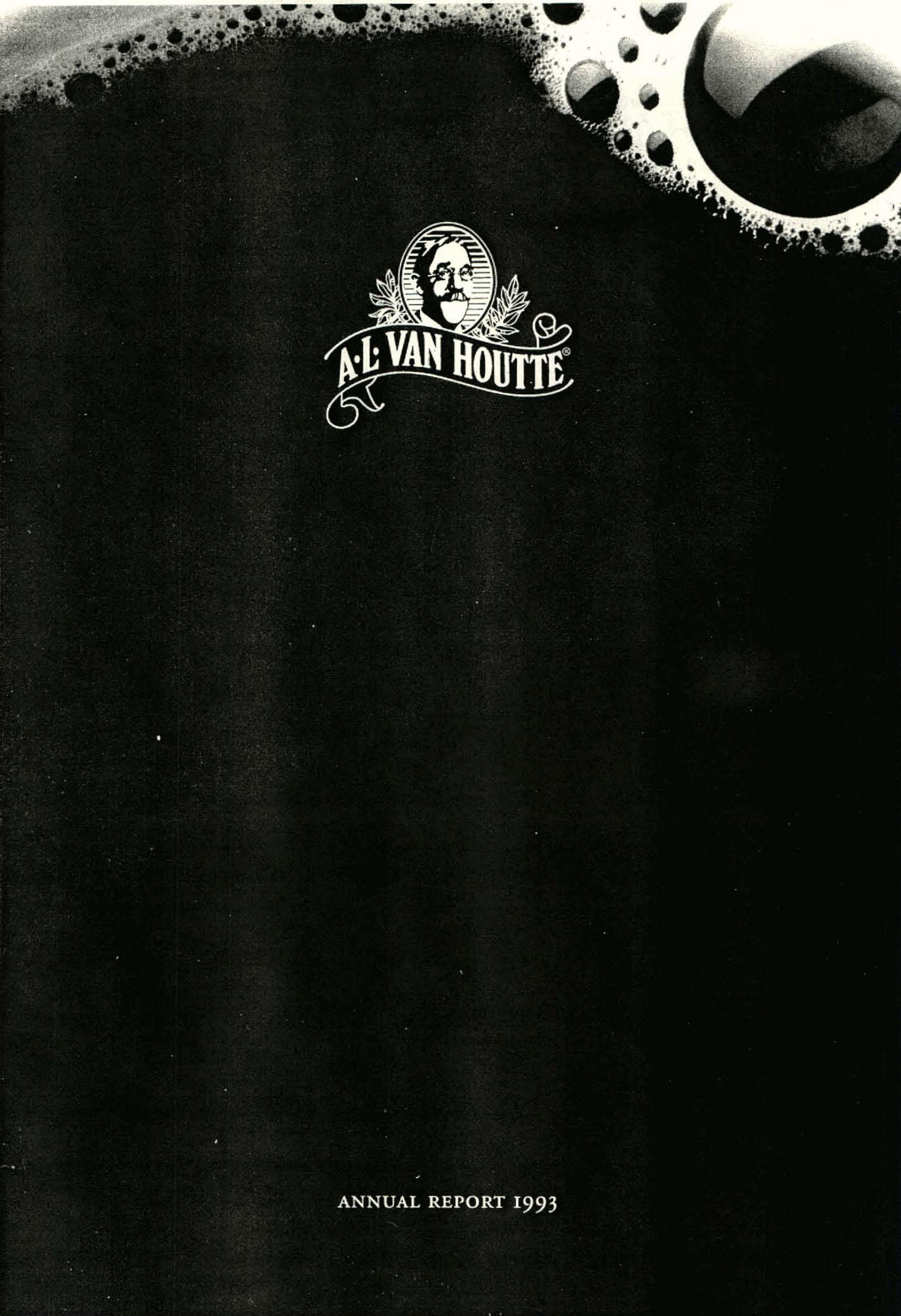


A·L·VAN HOUTTE®

ANNUAL REPORT 1993

PROFILE

A.L. Van Houtte is one of Canada's most important gourmet coffee roasting and marketing firms. The Company supplies the foodservice and retail food sectors with a wide range of coffee beans and ground coffees under the "A.L. Van Houtte", "Plantation", "Orient Express" and "Christophe Van Houtte" brand names, as well as "Azzura" and "A.L. Van Houtte" herbal and specialty teas. A.L. Van Houtte also operates a franchise network of 100 café-bistros and coffee-bars.

Since 1980, A.L. Van Houtte has pursued a targeted expansion strategy that has given the Company a leading position in Québec's growing gourmet coffee segment and enabled it to gain an increasing foothold in Ontario.

THIS STRATEGY IS BASED ON:

- *using state-of-the-art equipment for roasting and packaging coffee;*
- *constantly responding to changing consumer tastes with a growing variety of refined and differentiated products; and*
- *promoting a franchising concept that encourages flexibility and profitability within the organization while favouring consumer recognition of the A.L. Van Houtte brand name and image.*

ANNUAL MEETING

The annual general meeting of shareholders will be held on September 22, 1993 at 11:00 a.m., Montréal Sheraton Centre, Room A, 1201 René-Lévesque Blvd. West Montréal, Québec.

ANNUAL INFORMATION FORM

The annual information form of A.L. Van Houtte Ltée for the fiscal year ended April 3, 1993 will be available at the head office of the Company as of August 20, 1993.

Design and Production :
Bélanger Legault Communications Design ltée
Photography : Maggie Alongi

FINANCIAL HIGHLIGHTS

STATISTICS *(in thousands of dollars except ratios)*

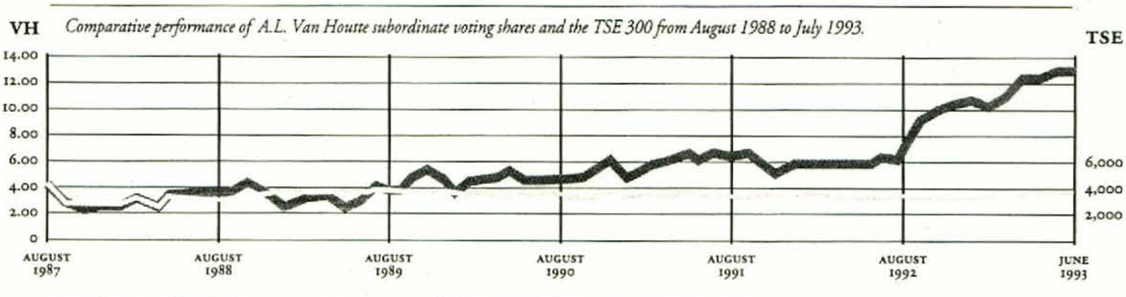
	Fiscal years ended April 3 1993	March 28 1992	March 30 1991	March 31 1990	April 1 1989	Annual Growth (%)
FINANCIAL PERFORMANCE						
Revenue from operations (1)	$35,410	$27,422	$26,383	$22,591	$20,118	15,2
Operating income (2)	5,013	2,816	3,187	2,456	2,103	24,3
Net income	3,220	2,113	2,348	1,868	1,242	26,9
Cash flow from operations	5,904	3,533	3,745	2,985	2,207	27,9
Dividends (3)	566	523				
Return on average shareholders' equity	15 %	13,1 %	16,7 %	16,4 %	15,9 % (4)	
Net margin	9,1 %	7,7 %	8,9 %	8,3 %	7,2 % (4)	
FINANCIAL POSITION						
Total assets	$44,824	$21,707	$19,922	$17,069	$13,581	
Shareholders' equity	26,120	16,866	15,276	12,928	9,789	
Long-term debt	10,655	2,264	558	1,342	1,428	
Working capital	1,908	9,596	8,459	7,949	5,588	
Long-term debt ratio (5)	0.40:1	0.13:1	0.04:1	0.10:1	0.15:1	
Current ratio	1.28:1	5.52:1	3.32:1	4.38:1	3.85:1	
System-wide sales of the café-bistro and coffee-bar network	$30,588	$28,042	$29,947	$28,757	$25,785	

Notes

(1) *Including sales and franchising revenue (royalties and entry fees), but excluding investment income.*
(2) *Before investment income, equity in net earnings of associated companies, non-controlling interest, extraordinary items and income taxes.*
(3) *Paid to holders of subordinate voting shares and multiple voting shares.*
(4) *Before extraordinary items.*
(5) *Long-term debt excluding current portion over year-end shareholders' equity*

STOCK MARKET PERFORMANCE:

Comparative performance of A.L. Van Houtte subordinate voting shares and the TSE 300 from August 1988 to July 1993.



For both VH and TSE 300, August 1987 = 100

STOCK MARKET INFORMATION

Listing: The Montréal Exchange, August 1987
Ticker symbol: VH
Number of voting, participating shares outstanding: 5,557,245
Public float: 1,357,245 subordinate voting shares
Share high/low in last 12 months: $14/$6
Trading volume: 532,647
Recent price (July 2, 1993): $13

PER-SHARE DATA *(Stock price as at July 2, 1993)*

Net earnings:	$0.65
Price/earnings:	20.00 X
Cash flow from operations:	$1.19
Price/cash flow:	10.90 X
Book value:	$4.70
Price/book:	2.77 X
Dividend:	$0.13

In 1992-1993, A.L. Van Houtte once again proved that even within a mature coffee market, avenues of growth remain open to companies that know how to capitalize on them.

Since A.L. Van Houtte has become a public company, growth has been by far the theme most often addressed by financial circles. This is a very legitimate concern because the North American coffee consumption has not shown any real growth in the past two decades, and the sharp drop in prices has caused the whole market to shrink.

Nonetheless, from 1987 to 1993, A.L. Van Houtte has recorded a remarkable rate of financial growth: indeed, our revenues have increased at an annual compound rate of 19%, net earnings at 28% and cash flow from operations at 33%.

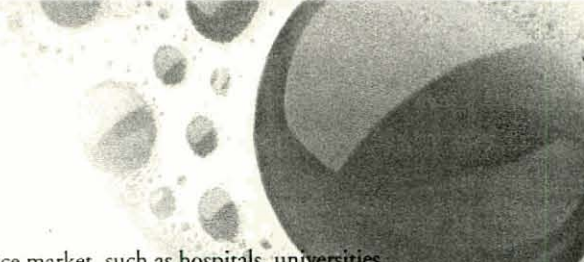
This performance, a result of both corporate acquisitions and internally generated growth, is rooted in a very specialized approach to segmenting the total coffee market into numerous micro-niches, combined with an aggressive positioning strategy for the most promising niches. Backed by A.L. Van Houtte's expertise and reputation in the gourmet coffee market, we identified , one by one, and moved into most of the market niches within this segment, concentrating on two major development goals: geographical expansion and vertical positioning within the foodservice and retail food markets.

Thus, as our café-bistro network and our distribution organization expanded throughout Québec and then Ontario, we gained a solid foothold in grocery chains, convenience stores, club stores, drugstore chains, restaurants and hotels, and finally the office coffee service sector. In keeping with the quality and image criteria associated with the A.L. Van Houtte brand, we responded to these customers specific needs by introducing differentiated products, specific brands and appropriate product sizes for each different customer group.

In the past year, we have made great strides towards each of our main development goals. The highlight of the year came in October 1992 when we made the acquisition of Café Selena, the largest in our history.

As well as furthering our geographical expansion strategy, this development gives us a stronger position in one of the foodservice industry's most dynamic sectors. In fact, it is estimated that 20% of total coffee consumption takes place in the workplace, and this proportion is expected to rise due to the economic recovery and the growing number of women working outside the home. Our new subsidiary has put us in a good position to take advantage of this growth while providing additional market opportunities for our coffee products. We have had excellent business relationships with this dynamic and profitable company for several years, so that the integration went ahead under optimum conditions and, from a financial standpoint, made a substantial contribution to A.L. Van Houtte's performance in 1992-1993.

Although Café Selena's contribution was undeniably the determining factor in the growth of sales, it should be noted that all of our operating sectors and subsidiaries contributed to the appreciable increase in our market share and profitability.



Among other things, the Company's profit margins benefitted from a 13% rise in the volume of our coffee sales and from the increased franchise revenue generated by a significant upturn in the café-bistro network.

Most of the ingredients are now in place to ensure the steady and profitable growth of our operations in the coming years, both in our traditional niches and in new market segments. To begin with, we will consolidate our gains in our traditional markets, banking in particular on the success of the private brand sector and the development of new products, such as the gourmet instant coffee introduced this year. We will then strengthen our position in some of our target sectors and territories, especially in the Toronto area where demand for our products is currently high in both the foodservice market and the retail food sector. As well, we will continue to enhance our office coffee service by introducing new ways of offering consumers a more personalized selection of products.

Despite the persistent sluggishness of the economy, A.L. Van Houtte's sales and net earnings grew by 29% and 52% respectively during the year, while the return on shareholders' equity stood at 15%.

Moreover, we are expecting renewed growth in the café-bistro network, favoured by better economic conditions and a program aimed at opening 8 to 10 new establishments per year. We are also continuing to promote our workplace buffet service, as this sector is becoming increasingly popular in Québec and elsewhere.

Although much of our future growth will be generated by products and services where our experience already lies, it will also depend on our ability to develop new niches by correctly reading consumer trends. In particular, we are planning to gain a foothold in certain non-traditional sectors of the foodservice market, such as hospitals, universities and airports, where we have in fact made successful inroads in the past year.

In assessing the many opportunities open to us, we will continue to make circumspection an important part of our development approach. In fact, if prudence is an essential quality for every company, it is all the more crucial within the context of a strategy based on complex management of an ever-growing portfolio of products and brands. Thus, the addition of each new element must be fully thought out and executed with great precision to maximize the leverage on our sales and avoid the risk of cannibalization. For this reason, our expansion hinges on the balanced development of all our operations and respect for the quality and service criteria underlying our image.

It is this last requirement that has prompted us, for example, to approach Toronto's foodservice market in a very methodical and gradual way despite high demand for the Company's products. Our strategy consists in first setting up the infrastructure needed to meet the specific requirements of this market in terms of production, marketing and equipment servicing. In this niche, as in the retail food and café-bistro sectors, we will also seek to create strategic alliances with local partners in order to manage our business risk. This approach will be used systematically whenever we move into new geographical markets.

In a more long-term perspective, the consumption trends appearing in North America will unquestionably constitute a source of new and greater opportunities and challenges for A.L. Van Houtte. While some of these orientations will clearly work in our favour, others will test the adaptability of our teams and the efficiency of our operations as never before.

For instance, in the year 2000 more consumers will be within the age groups that are qualified as heavy coffee drinkers. Generally active in the job market, they will have more financial resources, but less time for leisure activities and other discretionary spending, making them more demanding in terms of location and other practical advantages of the businesses they patronize. They will show more individuality in their purchasing decisions, looking for increasingly personalized products among a vast array of options. Finally, they will be very selective about the added value they perceive in the price/quality ratio of the products and services offered.

Obviously, we will have to respond to this context with a creative marketing approach in the restaurant sector as well as in the retail coffee market. More than ever, our products and services will have to be synonymous with freshness and quality, as well as being easily available and offering added value. Above all, we will have to pursue our segmentation strategy still further, increasing the number of products, sizes, blends and points of sale to provide consumers with personalized selection. For coffee roasters, adopting this kind of strategy requires great discipline and operating efficiency to maintain profitability in the face of restricted prices and to meet the demands of more varied, and thus more fragmented, production.

In all these areas so important to success, A.L. Van Houtte has a good head start. First, in terms of marketing, we have become experts in market segmentation and product differentiation. Second, at the operational level, we have established a flexible and efficient distribution organization, and recently built one of the most advanced roasting plants in North America.

> *For the coming years, our growth rate will remain secondary to our goals for quality, strategic positioning and, of course, profitability.*

Finally, in terms of our café-bistro network, we currently stand out as one of the only organizations in the industry in North America that is sufficiently integrated to exercise total control over all operations, from the green coffee selection to the customer's cup.

In coming years, we will develop these advantages by equipping the Company with increasingly powerful tools, especially in the area of information systems, which are currently the object of a master plan. We will also continue to advocate a corporate culture based on rigour, quality and entrepreneurship.

In closing, I would like to thank A.L. Van Houtte's employees, franchisees and distributors for their contribution to the uniformly outstanding performance of the past year. I ask each one of them to use their skills and determination to ensure that our future carries on the tradition of quality and success that has spearheaded A.L. Van Houtte's development for almost 75 years.

Paul-André Guillotte
President and General Manager
July 23, 1993

ROASTING AND MARKETING OF GOURMET COFFEES:
This sector showed outstanding growth in 1992-1993, especially with support from each component of A.L. Van Houtte's strategic approach, including product development, vertical positioning, and geographical expansion.

The introduction of new products, new package sizes, new brand names, and an updated image for some of our traditional products all contributed to a 30% increase in shipments in poundage of ground coffee sold in tins, freshness valve packs and fractional bags. Along with the integration of Café Selena, the Company's subsidiary, Orient Express, also made a strong contribution to this growth and launched its new collection of ground coffees. Packaged in recyclable, 300 gram tins, this collection of refined products with exotic names is a first in North America: the characteristic flavour and taste of each blend is indicated by a roasting index, enabling consumers to personalize their selection.

Even the whole bean coffee sector, which reached maturity several years ago, showed renewed growth in 1992-1993. Sales in pounds for this product category actually increased by almost 10% due to better penetration of certain outlets such as convenience stores and other food stores.

Finally, the Company made its first foray into the soluble coffee market during the year with the introduction of a gourmet product imported from

Colombia and sold under the A.L. Van Houtte name. Despite the decrease in soluble coffee consumption over the past ten years, this niche still accounts for 45% of the total Canadian in home coffee consumption, and there is a growing demand for superior quality soluble coffee products. By offering an instant coffee that meets the same high standards of quality and freshness as its traditional products, A.L. Van Houtte will take advantage of this opportunity to develop an additional avenue of growth.

In terms of vertical expansion, we consolidated our position within the retail food and drugstores niches in 1992-1993, mainly by developing our operations with regard to private brands. This was made possible by the expansion of our production facilities.

As well, with the introduction of new package sizes and a good effort on the part of our sales teams, we adopted an aggressive positioning policy aimed at club stores, one of the fastest-growing sectors in the retail food industry.

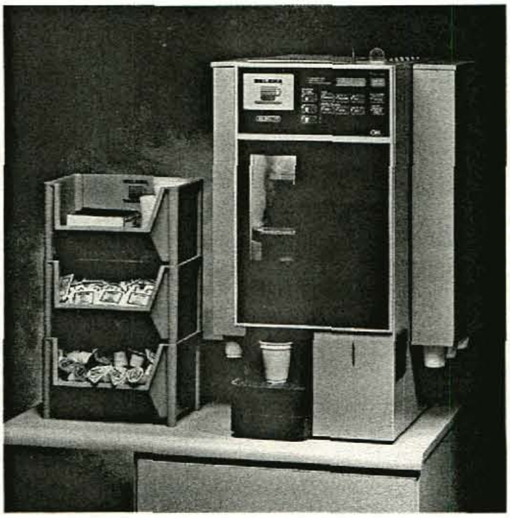
However, the year's most impressive and decisive progress was made in the foodservice market, where sales in pounds soared by 46%. While the acquisition of Café Selena provided the main impetus for this growth, total shipments to the foodservice market by A.L. Van Houtte's other subsidiaries were also substantially higher, showing an increase of more than 15%.

Café Selena is the largest office coffee service company in Québec and the third largest in

Canada. It provides a complete office coffee service, combining the sale of gourmet coffee, cold drinks and snacks with equipment rental, as well as supplying vending machines stocked with high quality products. Café Selena comprises a network of business centres in Montreal, Laval, Québec and Ottawa as well as in the Beauce and Eastern Townships regions. It is also active in the Toronto area and Southern Ontario through a 50% stake in Selena Coffee Limited, a company that ranks second in the office coffee service market of the Toronto area. At the time of acquisition, the Café Selena network and its affiliated companies had 140 employees and 9,000 customers, and served some 500,000 coffee drinkers every day.

In the latest fiscal year, Caf-Pur, another subsidiary, also performed very well in the food services market, thanks partly to the flexibility of its operations and to the selective positioning of the brands it carries. These include its own products under the Café Christophe Van Houtte and Contessa brands as well as other coffees that it markets for clients, including Orient Express and Café Selena.

Geographical expansion, another main thrust of our development strategy, also produced convincing results in 1992-1993. Given the success achieved in the Toronto area among specialty food stores, this year we began expanding our distribution base to include larger retail food stores including club stores. It is now clear that the image and quality of A.L. Van Houtte's products have pinpointed a particular need within the Ontario market.



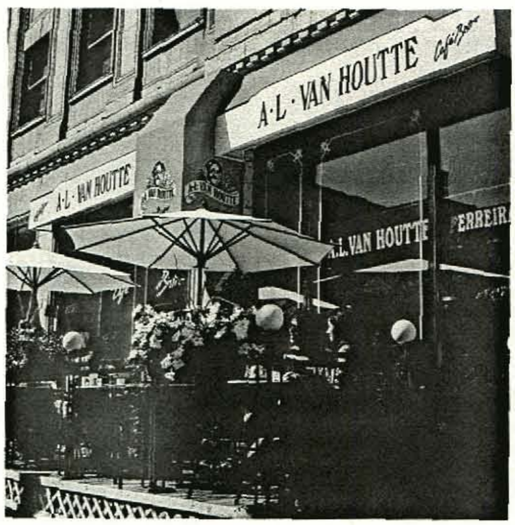
On the whole, the growth of our coffee sales over the past year is proof of our ability to read the major trends in the North American coffee industry, which has been moving towards personalized, high quality products. To support its ongoing development program, however, A.L. Van Houtte needed to have new production equipment. We therefore recently set up ultra-modern facilities where the Company's roasting plant, warehouse and head office have been relocated. The plant is equipped with two roasting machines that have considerably increased our capacity, and with energy recovery systems that will result in substantial savings. Furthermore, the plant also has state-of-the-art packaging equipment that provides more flexibility in terms of the various product types and sizes involved in our marketing strategy, including private brand products.

Additional equipment of this type can be added, to further increase our production capacity if necessary.

CAFÉ-BISTRO AND COFFEE-BAR NETWORK: Although conditions did improve slightly compared to the previous year, the Québec restaurant industry continued to feel the pinch from the recession, notably in the Montréal area. However, in spite of weak consumer spending and cut-throat competition, system-wide sales for the Company's café-bistros and coffee-bars were up by 9.3%.

This performance is due both to an increase in our market shares, as indicated by a significant rise in comparative sales per store, and to network expansion. Seven new establishments opened in Québec during the year, bringing the network to the 100 mark. One of the highlights in this area was the signing of an agreement with Cara Operations with regard to opening a café-bistro at Mirabel Airport. Given the resounding success of this initiative, we can foresee new sources of growth for the future.

In keeping with the strategy implemented in the previous year, A.L. Van Houtte continued to use a very aggressive franchise-wide commercial strategy based on a constantly changing range of products supported by dynamic promotional campaigns.



On one hand, we continued to emphasize our core products, especially liquid specialty coffees such as café au lait, cappuccino, espresso and iced coffees, with new variations such as "Granité vanille et noisettes" being introduced this year. On the other, we expanded the variety of balanced meals with no fried foods, notably in the area of Continental breakfasts, soups and hot meals, and catered workplace buffets.

Finally, some café-bistros recently began offering their customers imported coffee beans selected from among the best in the world and sold exclusively in A.L. Van Houtte outlets. Another exclusive product is a confection developed jointly by A.L. Van Houtte and Orient Express consisting of choice quality espresso beans covered in chocolate. This product was introduced in 1993 under the Pièro Machelli brand name.

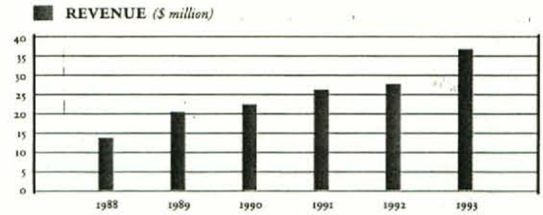
Based on its understanding of consumer trends and the new economic realities, A.L. Van Houtte is ready to introduce a second-generation concept into its franchise network: the Espresso Bar.

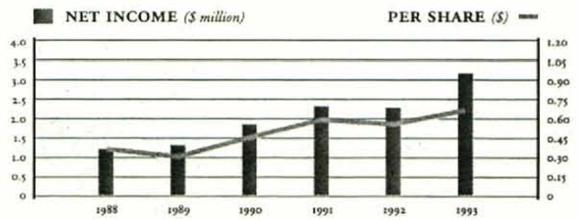
This concept, which is particularly advantageous in terms of rental costs, will be easily exported to other markets. These upscale Espresso Bars will be located in high traffic areas, and will feature espresso and espresso-based coffees only, along with a selection of complementary products.

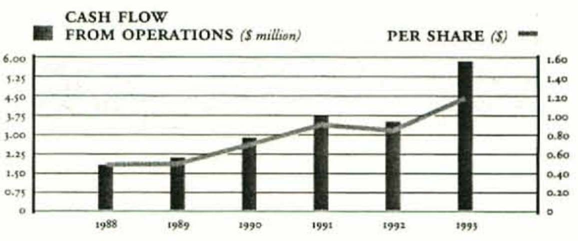
The comparative analysis of the Company's results and financial position must take into account the fact that Café Selena was acquired on October 1, 1992 and has been included in the Company's results since the third quarter of the year; and the fact that the latest fiscal year consisted of 53 weeks of operation as opposed to 52 in 1991-1992, with the additional week being added to the fourth quarter of the year.

OPERATING RESULTS:

A.L. Van Houtte's operations generated consolidated revenues of $35.4 million for the fiscal year ended April 3, 1993, an increase of 29.1% over revenues of $27.4 million for the previous year. This growth is due mainly to the contribution of Café Selena during the last two quarters of the year. Furthermore, the Company's core operating sector, the roasting and sale of gourmet coffee, grew 13% in terms of tonnage, although the year's low selling prices meant that revenue remained steady compared with 1992 figures. Finally, revenue from franchise operations, i.e. royalties and franchise entry fees, was up by 20.3% to $1.4 million. Franchise network retail sales for the year amounted to $30.6 million versus $28 million in 1992, for an increase of 9.3%.





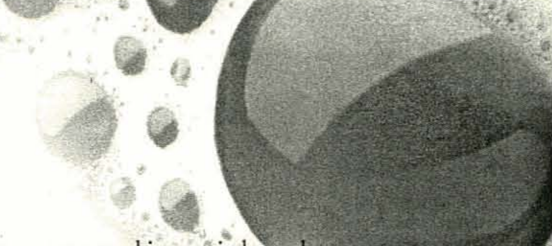


The real highlight of fiscal 1992-1993 was the increase in profit margins in all operating sectors. In fact, the Company's earnings before depreciation and amortization, financial expenses and income taxes were close to $8 million as opposed to $4.3 million a year earlier. This 84% increase stems from favourable conditions on the green coffee market and from the contribution of Café Selena, a company that has particularly high margins due to the nature of its operations and the high efficiency of its distribution network.On the other hand, the year's major developments, namely the acquisition of Café Selena and the laying out of the new plant, resulted in a $1.7 million increase in total amortization and depreciation expenses and interest charges net of investment income. After these costs are taken into account, pre-tax earnings totalled $5.2 million, up 58.2% compared with the previous year.

Finally, A.L. Van Houtte posted net earnings of $3.2 million compared with $2.1 million a year earlier, an increase of 52.4%. Taking into account the dilution resulting from the issue of 1,200,000 shares as part of the Café Selena acquisition, earnings per share were up by 35% to $0.65 compared to $0.48 for the previous year.

CASH FLOW FROM OPERATIONS:

A.L. Van Houtte's cash flow from operations amounted to



$5.9 million or $1.19 per share versus $3.5 million or $0.81 per share a year earlier. After net changes in non-cash items of working capital, operations generated net cash resources of $6.7 million or $1.36 per share.

A.L. Van Houtte made two major investments:

• the acquisition of Café Selena for a consideration of $21.3 million. This transaction was financed with a combination of a $6.6 million issue of subordinate voting shares of A.L. Van Houtte for the founders of Café Selena, as well as long-term debt, with the balance coming from the Company's liquid assets;

• a $6.6 million capital expenditure program pertaining in part to the infrastructure and equipment for the new roasting plant that came on line in 1992. A total of $1 million of this investment was financed by a debenture, with the balance coming from working capital.

In all, these investment activities used liquid assets totalling roughly $10 million that came from our cash flow from operations and from funds held as negotiable securities by the Company for this purpose.

A.L. Van Houtte continued its shareholder remuneration policy by paying dividends of $0.13 per share for a total of $566,000. Overall, operating activities and expansion programs carried out during the year used net funds of $5.6 million, with the Company's treasury holding $884,000 as at April 3, 1993 compared with $6.5 million at the beginning of the year.

FINANCIAL POSITION:

The size of the investments made during the past year and A.L. Van Houtte's decision to use its available cash resources and financial leverage had a significant effect on the Company's financial profile; specifically, total assets more than doubled, amounting to $44.8 million.

Thus, following the use of funds earmarked for laying out the new plant and taking into account the current portion of the debt incurred during the year, working capital stood at $1.9 million as at April 3, 1993, for a ratio of 1.28:1. Long-term debt amounted to $10.7 million versus $2.3 million a year earlier. On the other hand, shareholders' equity rose from $16.9 million to $26.1 million due to the share issue and the year's earnings. As a result, the Company maintained an excellent long-term debt ratio of 0.40:1 at year-end.

A.L. Van Houtte's out-look for fiscal 1993-1994 is favourable. The Company anticipates steady revenue growth fueled in part by the contribution of the new subsidiary, Café Selena, for a full twelve months, and by the expansion of both the café-bistro network and the coffee distribution territories.

Thus, in addition to its cash flow, A.L. Van Houtte will continue to enjoy a solid financial structure and, consequently, considerable leverage for financing its future growth, especially since its recent investments will increase its future revenue, earnings and cash flow from operations.

CORPORATE INFORMATION

DIRECTORS

Pierre Van Houtte [(1)]
Chairman of the Board
A.L. Van Houtte Ltée

Benoît Beauregard [(1)]
Vice-Chairman of the Board
A.L. Van Houtte Ltée

Paul-André Guillotte [(1) (2)]
President and General Manager
A.L. Van Houtte Ltée

Pierre-Luc Van Houtte [(1)]
Secretary
Vice-President, Sales,
A.L. Van Houtte Ltée

Paul-Émile Légaré [(2)]
President and
Chief Executive Officer
Maison Alfred Dallaire inc.

Gilles Bertrand [(2)]
Partner
Guy & Gilbert

Christian Pouliot
President of Café Selena Inc.,
a subsidiary of the Company

Michel Ouellet
Vice-President of
Café Selena Inc.,
a subsidiary of the Company

[(1)] Member of the Executive Committee
[(2)] Member of the Audit Committee

OFFICERS

Paul-André Guillotte
President and General Manager

Pierre-Luc Van Houtte
Vice-President, Sales

Pierre-M. de Ruelle
Vice-President, Development
and Marketing

Nicole Brouillette
President of Les Cafés Orient
Express Ltée, a subsidiary of the
Company

Serge Perrault
President of
Caf-Pur Inc.,
a subsidiary of the Company

Christian Pouliot
President of Café Selena Inc.,
a subsidiary of the Company

Michel Ouellet
Vice-President of
Café Selena Inc.,
a subsidiary of the Company

BANKING INSTITUTION
Scotia Bank

TRANSFER AGENT FINANCIER
Montréal Trust

AUDITORS
Peat Marwick Thorne

LEGAL COUNSEL
Guy & Gilbert

FINANCIAL COMMUNICATIONS
Bélanger Legault
Communications Design Ltd.

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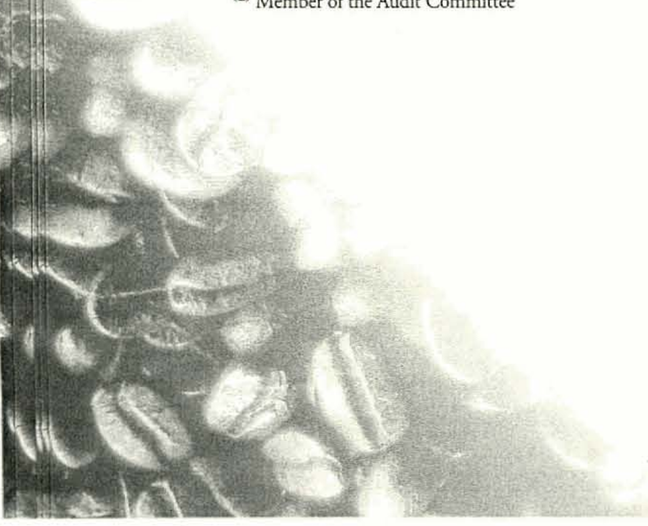

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of A.L. Van Houtte Ltée as at April 3, 1993 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 3, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peat Marwick Thorne

Chartered Accountants

Montréal
May 28, 1993

CONSOLIDATED STATEMENT OF EARNINGS

Year ended April 3, 1993, with comparative figures for 1992

(In thousands of dollars, except for earnings per share data)	1993	1992
REVENUES (NOTE 2)	$ 35,410	$ 27,422
Cost of goods sold and operating expenses	27,434	23,088
	7,976	4,334
Depreciation and amortization	2,406	1,422
	5,570	2,912
Financial expenses (investment income) (note 3)	327	(403)
Income before the undernoted items	5,243	3,315
Income taxes (note 4):		
Current	1,730	1,212
Deferred	292	(47)
	2,022	1,165
	3,221	2,150
Equity in net earnings of associated companies	41	4
Non-controlling interest	(42)	(41)
NET INCOME	$ 3,220	$ 2,113
EARNINGS PER SHARE	$0.65	$0.48
Average number of equity shares outstanding (in thousands)	4,956	4,357
Revenue from café-bistros and coffee-bars (for reference only - unaudited)	$ 30,588	$ 28,042

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended April 3, 1993, with comparative figures for 1992

(In thousands of dollars)	1993	1992
Balance at beginning	$ 9,680	$ 8,090
Net income	3,220	2,113
	12,900	10,203
Dividends:		
Multiple voting shares	390	360
Subordinate voting shares	176	163
	566	523
Balance at end	$ 12,334	$ 9,680

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEET

April 3, 1993, with comparative figures for 1992

(In thousands of dollars)	1993	1992
ASSETS		
Current assets:		
Cash	$ 384	$ 387
Short-term investments at cost, which approximate the fair market value	500	6,097
Accounts receivable (NOTE 5)	4,693	2,701
Income taxes	76	93
Inventories (NOTE 6)	2,363	2,029
Prepaid expenses	665	414
	8,681	11,721
Investments (NOTE 7)	2,466	4
Property, plant and equipment (NOTE 8)	17,097	7,395
Other assets (NOTE 9)	16,580	2,587
	$ 44,824	$ 21,707
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,699	$ 2,059
Current portion of long-term debt	2,074	66
	6,773	2,125
Long-term debt (NOTE 10)	10,655	2,264
Deferred income taxes	893	111
	18,321	4,500
Non-controlling interest (NOTE 11)	383	341
SHAREHOLDERS' EQUITY:		
Capital stock (NOTE 12)	13,786	7,186
Retained earnings	12,334	9,680
	26,120	16,866
	$ 44,824	$ 21,707

COMMITMENTS (NOTE 13)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended April 3, 1993, with comparative figures for 1992

(In thousands of dollars)	1993	1992
CASH PROVIDED BY (USED FOR):		
Operations:		
Net income	$ 3,220	$ 2,113
Items not involving cash:		
Depreciation of property, plant and equipment	2,018	1,251
Amortization of other assets	388	171
Deferred income taxes	292	(47)
Non-controlling interest	42	41
Equity in net earnings of associated companies	(41)	4
Gain on disposal of equipment	(15)	–
Change in non-cash operating working capital	827	1,040
	6,731	4,573
Investment:		
Business acquisitions, net of cash	(21,217)	–
Additions to property, plant and equipment	(6,594)	(3,746)
Change in other assets	(828)	(30)
Change in investments	(244)	–
Proceeds from disposal of equipment	147	18
Other	–	20
	(28,736)	(3,738)
Financing:		
Issue of subordinate shares	6,600	–
Mortgage loan	(12)	1,775
Repayment of other long-term debts	10,383	(828)
Dividends	(566)	(523)
	16,405	424
Increase (decrease) in cash position	(5,600)	1,259
Cash position at beginning	6,484	5,225
Cash position at end	$ 884	$ 6,484

CASH POSITION IS DEFINED AS CASH AND SHORT-TERM INVESTMENTS.

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

(Tabular amounts are expressed in thousands of dollars)

The Company, incorporated under the Canada Business Corporations Act, operates a roasting and distribution coffee business and also operates directly or on a franchise basis café-bistros and coffee-bars.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Consolidation and long-term investments:

The consolidated financial statements include the accounts of A.L. Van Houtte Ltée and all its subsidiaries (the "Company"). The major subsidiaries are Café Selena inc., Les Cafés Orient-Express Ltée and Caf-Pur inc.

Investments in associated companies are recorded on the equity basis and include the Company's share of retained earnings since acquisition.

(b) Short-term investments:

Short-term investments are valued at the lower of cost and fair market value.

(c) Inventories:

Raw materials, finished goods and work in process are valued at the lower of cost or net realizable value. The cost of raw materials is determined on the first in, first out basis. The cost of finished goods and work in process is determined using the average cost method.

Gains and losses on future contracts used as a hedge for the purchase of raw materials are accounted for as a component of the cost of raw materials.

(d) Property, plant and equipment:

Property, plant and equipment are stated at cost net of any investment credits which are accounted for when qualified expenditures are incurred. Interest expense and other direct costs relating to major capital projects are capitalized to the cost of property, plant and equipment until the beginning of commercial production.

Depreciation is provided on the straight-line basis using annual rates varying from 5% to 30% (being a weigthed average of 10.4% for the year ended April 3, 1993, 12.5% in 1992).

(e) Goodwill and other assets:

Goodwill, which represents the excess of the purchase price over the fair value of net assets of businesses acquired, is amortized on a straight-line basis over a period varying from 15 to 40 years.

Other assets, which include trademarks and other deferred costs, are amortized on a straight-line basis over a period varying from 2 to 10 years.

(f) Franchise entry fees:

Franchise entry fees represent the outlay by the franchisee in consideration for the granting of a franchise. Franchise entry fees are accounted for as income when the Company has substantially performed all initial services provided by the Franchise Agreement.

(g) Deferred income taxes:

Deferred income taxes result from timing differences between accounting and taxable income due primarily to the use of accelerated depreciation rates for tax purposes. When the Company is virtually certain of realizing the tax benefits resulting from losses, deferred income tax liability is reduced by recording such tax benefits resulting from carried forward tax losses of certain businesses acquired.

2. REVENUES:	**1993**	1992
Sales	**$34,031**	$26,276
Royalties and franchise entry fees	**1,379**	1,146
	$35,410	$27,422

3. FINANCIAL EXPENSES (investment income):	1993	1992
Interest on long-term debt	$ 657	$ 91
Interest on short-term borrowings	52	39
Investment income	(230)	(499)
	479	(369)
Capitalized interest on property, plant and equipment	152	34
	$ 327	$ (403)

4. INCOME TAXES:

The following table reconciles the statutory tax rate with the effective tax rate:	1993	1992
Statutory tax rate	37.3 %	35.8 %
Manufacturing and processing deduction	(1.1)	(1.7)
Amortization of excess cost on business acquisitions	1.4	–
Non-deductible expenses	0.7	1.4
Increase in taxes applicable to investment income	0.3	1.1
Reduction of taxes on application of prior year's losses	–	(1.2)
Other	–	(0.3)
Effective tax rate	38.6 %	35.1 %

5. ACCOUNTS RECEIVABLE:	1993	1992
Trade receivable:		
Clients	$ 3,946	$ 2,484
Affiliated companies	165	–
Other receivables	582	217
	$ 4,693	$ 2,701

6. INVENTORIES:	1993	1992
Raw materials	$ 1,257	$ 1,138
Work in process	65	51
Finished goods	1,041	840
	$ 2,363	$ 2,029

7. INVESTMENTS:	1993	1992
Advance to an affiliated company, prime rate plus 5%, on demand, note (a)	$ 1,870	$ –
Shares in affiliated companies, voting and participating, on the equity basis	592	–
Other shares, at cost	4	4
	$ 2,466	$ 4

(a) The repayment of the advance from the affiliated company is subordinated to the full repayment of its revolving bank credit. As at April 3, 1993, the revolving bank credit used by the affiliated company amounts to approximately $660,000.

8. PROPERTY, PLANT AND EQUIPMENT:			1993	1992
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 683	$ –	$ 683	$ 683
Buildings	3,586	57	3,529	1,695
Machinery and equipment	19,983	9,069	10,914	3,621
Furniture and fixtures	1,501	801	700	495
Vehicles	915	375	540	130
Leasehold improvements	1,848	1,324	524	609
Computer equipment	651	444	207	162
	$29,167	$12,070	$17,097	$ 7,395

9. OTHER ASSETS:	1993	1992
Goodwill, at amortized cost	$16,134	$ 1,840
Other assets, at amortized cost	446	747
	$16,580	$ 2,587

10. LONG-TERM DEBT:	1993	1992
Term loan, prime rate plus 1%, repayable until January 1, 1998 in quarterly payments of $500,000, secured by book debts and a floating charge on all assets	$ 9,500	$ –
Debentures, effective rate of 5.33%, repayable on March 31, 1998, secured by letters of credit	1,000	–
11.75% mortgage loan, repayable in monthly instalments of $17,788 including interest until November 1, 2003, secured by land and building having a net book value of $5,558,000	1,760	1,772
5% notes payable, repayable in annual instalments of $50,000 until March 29, 1994, and $314,818 on March 29, 1995	365	465
Others	104	93
	12,729	2,330
Less current portion	2,074	66
	$10,655	$ 2,264

Principal repayments on long-term debt in each of the next five years are approximately as follows:

1994	$ 2,074
1995	2,420
1996	1,514
1997	2,017
1998	3,019

11. NON-CONTROLLING INTEREST:

Non-controlling interest represents the share of non-controlling shareholders in the equity of subsidiaries of the Company. As at April 3, 1993, the significant interests of non-controlling shareholders are as follows:

Subsidiary	Non-controlling interest
Caf-Pur inc.	13.32 %
Les Cafés Orient-Express Ltée	10.00 %

12. CAPITAL STOCK:	1993	1992
Authorized:		
Unlimited number of multiple voting shares with voting rights of five votes per share, participating and with no par value		
Unlimited number of subordinate voting shares with voting right of one vote per share, participating and with no par value		
Unlimited number of Classes A and B preferred shares, issuable only in Series, non-voting and with no par value		
Issued and paid:		
3,000,000 multiple voting shares	$ 400	$ 400
2,557,245 (1,357,245 in 1992) subordinate voting shares	13,386	6,786
	$13,786	$ 7,186

(a) Issue of shares:

On October 1, 1992, 1,200,000 subordinate voting shares were issued as part of the acquisition of Café Selena inc. in the amount of $6,600,000.

(b) Stock option plan:

Under a stock option plan established by the Company, 255,725 subordinate voting shares were set aside for key employees of the Company. As of April 3, 1993, no stock option was outstanding.

13. COMMITMENTS:

(a) Leases:

The Company rents premises and equipment under operating leases expiring at various dates up to 2005 for which rentals total $10,625,000. Of this amount, an amount of $7,560,000 is assumed by the franchisees of the Company. Annual rentals under these leases for each of the next five years are as follows:

	Gross	Franchisees	Net
1994	$ 1,767	$ 1,178	$ 589
1995	1,796	1,217	579
1996	1,537	1,159	378
1997	1,389	1,014	375
1998	1,294	961	333

(b) Café Selena inc.:

The purchase agreement of Café Selena inc. provides that the purchase price can be increased to a maximum of $2,500,000 for the years ending 1994 to 1997 inclusive based on a formula agreed upon at time of acquisition. Possible increases to the purchase price are contingent on the results for the years ending 1994 to 1997 and will increase goodwill when realized.

(c) Purchase contracts:

The Company is committed to future contracts for the purchase of coffee amounting to $6,542,000 for the upcoming year.

14. BANK REVOLVING CREDIT:

The Company has available a bank revolving credit secured by accounts receivable and inventory.

15. BUSINESS ACQUISITION:

On October 1, 1992, the Company acquired all the shares outstanding of Café Selena inc. This acquisition has been accounted for using the purchase method. The acquisition is summarized as follows:

	1993
Assets acquired:	
Cash	$ 127
Non-cash operating working capital	747
Investments	2,177
Property, plant and equipment	5,258
Goodwill	13,587
	21,896
Liabilities assumed:	
Long-term debt	28
Deferred income taxes	490
Other	34
	552
Net assets acquired at fair value	$21,344
Consideration:	
Cash	$14,744
Subordinate voting shares	6,600
	$21,344

16. SEGMENTED INFORMATION:

The Board of Directors has determined that the Company and its subsidiaries are an integrated group of businesses operating mainly in the field of roasting and distribution of coffee. More than 90% of revenue and assets of the Company are derived from businesses located in Québec.

17. COMPARATIVE FIGURES:

Certain comparative figures of the previous year have been reclassified to conform with the presentation adopted for the current year.