

**COFFEE  
REPUBLIC**

**COFFEE REPUBLIC PLC**  
**Interim Report 2004**

## COFFEE REPUBLIC PLC

### Directors and Advisors

#### Executive Chairman

Bobby Hashemi

#### Finance Director

Simon Drysdale

#### Non-executive Director

Nicholas Jeffrey

#### Company Secretary

Jeremy Gorman

#### Registered Office

50 Lothian Road  
Festival Square  
Edinburgh EH3 9WJ

#### Auditors

BDO Stoy Hayward LLP  
8 Baker Street  
London W1U 3LL

#### Solicitors

Lawrence Graham LLP  
190 Strand  
London WC2R 1JN

#### Joint Stockbrokers

Teather & Greenwood  
Beaufort House  
15 St Botolph Street  
London EC3A 7QR

Seymour Pierce Ellis  
Talisman House  
Jubilee Walk  
Three Bridges  
Crawley  
West Sussex  
RH10 1LQ

#### Bankers

Barclays Bank  
50 Pall Mall  
London SW1A 1QA

#### Registrar

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Company Number: SC125098

# COFFEE REPUBLIC PLC

## Chairman's Statement

### Introduction

The results for the first half of the year are in line with expectations and show that the restructuring and the development of the deli concept are continuing to deliver benefits, narrowing losses in comparison with the same period in the previous year. Indeed, I am pleased to report that we are now reaching the end of the first critical phase of the restructuring programme, namely, rationalising the estate through the disposal of loss making bars and reducing overhead costs.

### Interim Results

Sales for the first half fell as expected by 21.8% to £8.9 million (2003: £11.4 million) following the planned closure of non-core bars. On a like-for-like basis sales were flat for the first half of the year demonstrating an improving trend in comparison to the negative like-for-like performances experienced over the last few years.

The operating loss narrowed to £0.8 million (2003: £0.9 million) as a result of an improvement in the gross margin percentage following cost of goods reductions and tight control of central costs. The net loss narrowed to £0.9 million (2003: £1.0 million).

### Current Trading

Trading since the half year has continued to improve with like-for-like sales for the third quarter to date currently at 2% positive contributing to a positive like-for-like performance for the year to date.

### Cashflow and Financing

The financial position of the Company remains stable with cash flows before debt repayments improving to a £0.6 million inflow (2003: £0.3 million inflow) reducing the net debt position to £1.9 million compared with £2.5 million at March 2004 and £3.2 million at September 2003.

### Strategy and Outlook

With the rationalisation phase of the restructuring programme largely complete our key objectives remain rolling out the deli concept and re-invigorating the coffee bar estate.

Progress has been made in developing the deli offering and converting additional sites. During the first half of the year we converted our sites at Heathrow Terminal 1 and Richmond to the deli concept. Both sites have shown significant increases in sales since conversion confirming our expectations that on average sales will increase by more than 20% on conversion. In the last week we have also converted our site at Heathrow

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Terminal 4 to the new format bringing the number of delis to six. The measured roll out schedule is intentional ensuring the success of each individual conversion.

We are fine tuning the deli model and have evolved the concept to ensure that the offering continues to be differentiated and profitable. An enhanced food range has recently been introduced into the delis which includes a new range of fresh made salads, hot meats and sandwiches. I am pleased to report that the customer response has been positive.

The performance of the coffee bar estate improved during the first half and continues to improve as demonstrated by the trend in like for like sales. This follows from enhanced operational focus on customer service and cleanliness and the introduction of new product ranges such as new hot toasties and a new range of muffins and cakes. We are also installing wireless and fixed terminal internet access at most of our bars to enhance services to our guests and improve sales.

The estate rationalisation programme is now reaching its conclusion having disposed of 15 bars during the period. The estate comprised 50 trading bars as at September 2004 compared to 72 as at September 2003. Subsequently, we have disposed of a further bar and currently have 49 bars which include a limited number of sites that are being marketed.

On an annualised basis overhead costs are now half of the figure experienced two years ago following the savings generated as part of the restructuring.

The first half results are encouraging particularly the success of the deli format and the improvement in the underlying performance of the coffee bar estate, giving us further confidence that the platform for restoring shareholder value is being created.

**Bobby Hashemi**  
Chairman

21 December 2004

## COFFEE REPUBLIC PLC

### Unaudited consolidated profit and loss account

For the period ended 26 September 2004

	Six months to 26 Sept 2004	Six months to 28 Sept 2003	Year to 28 March 2004
	£'000	£'000	£'000
<b>Turnover</b>	8,929	11,414	21,970
Cost of sales	<u>(9,354)</u>	<u>(11,894)</u>	<u>(22,723)</u>
Gross Loss	(425)	(480)	(753)
Administrative expenses	(374)	(408)	(823)
<b>Operating loss</b>	<u>(799)</u>	<u>(888)</u>	<u>(1,576)</u>
Exceptional items			
Profit on disposal of fixed assets	-	-	5
<b>Loss on ordinary activities</b>	(799)	(888)	(1,571)
Interest payable and similar charges	(94)	(103)	(187)
Interest receivable	7	1	10
<b>Loss on ordinary activities before and after taxation</b>	<u>(886)</u>	<u>(990)</u>	<u>(1,748)</u>
<b>Loss per ordinary share</b>			
Basic and diluted	<u>(0.21)p</u>	<u>(0.44)p</u>	<u>(0.60)p</u>

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### Unaudited consolidated balance sheet as at 26 September 2004

	26 Sept 2004 £'000	28 Sept 2003 £'000	28 March 2004 £'000
<b>Fixed assets</b>			
Intangible assets	169	193	181
Tangible assets	<u>6,331</u>	<u>8,630</u>	<u>7,630</u>
	<u>6,500</u>	<u>8,823</u>	<u>7,811</u>
<b>Current assets</b>			
Stocks	89	134	105
Debtors	635	1,210	1,468
Cash at bank and in hand	<u>643</u>	<u>87</u>	<u>523</u>
	<u>1,367</u>	<u>1,431</u>	<u>2,096</u>
<b>Creditors: amounts falling due within one year</b>	<u>(3,652)</u>	<u>(4,935)</u>	<u>(3,938)</u>
<b>Net current liabilities</b>	<u>(2,285)</u>	<u>(3,504)</u>	<u>(1,842)</u>
<b>Total assets less current liabilities</b>	<u>4,215</u>	<u>5,319</u>	<u>5,969</u>
<b>Creditors: amounts falling due after more than one year</b>	(1,922)	(2,898)	(2,528)
Provision for liabilities and charges	(609)	(794)	(873)
<b>Net Assets</b>	<u>1,684</u>	<u>1,627</u>	<u>2,568</u>
<b>Capital and Reserves</b>			
Called up share capital	428	11,228	428
Share premium	3,888	17,799	3,888
Profit and loss account	<u>(2,632)</u>	<u>(27,400)</u>	<u>(1,748)</u>
<b>Shareholders' funds - equity</b>	<u>1,684</u>	<u>1,627</u>	<u>2,568</u>

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### Unaudited consolidated cash flow statement for the period ended 26 September 2004

	Note	Six months to 26 Sept 2004 £'000	Six months to 28 Sept 2003 £'000	Year to 28 March 2004 £'000
<b>Cash flow from operating activities</b>				
Operating loss		(799)	(888)	(1,576)
Non cash effect of provision movements		(264)	(659)	(558)
		<u>(1,063)</u>	<u>(1,547)</u>	<u>(2,134)</u>
Depreciation		599	712	1,453
Amortisation		12	12	24
Movement in working capital	3	<u>391</u>	<u>1,158</u>	<u>(184)</u>
		(61)	335	(841)
Returns on investments and servicing of finance		(87)	(102)	(177)
Capital expenditure and financial investment		<u>702</u>	<u>114</u>	<u>354</u>
<b>Cash inflow/(outflow) before the use of liquid resources and financing</b>		554	347	(664)
Repayment of debt		(434)	-	(32)
Net proceeds from the issue of ordinary share capital		<u>-</u>	<u>-</u>	<u>1,699</u>
<b>Increase in cash in the period</b>		<u>120</u>	<u>347</u>	<u>1,003</u>
<b>Reconciliation of net cash flow to movement in net debts</b>				
Increase in cash in the period		120	347	1,003
Cash outflow from decrease in debt and lease financing		<u>434</u>	<u>-</u>	<u>32</u>
Changes in net funds resulting from cash flows		<u>554</u>	<u>347</u>	<u>1,035</u>
<b>Movement in net funds</b>		554	347	1,035
Net debt at the beginning of the period		<u>(2,486)</u>	<u>(3,521)</u>	<u>(3,521)</u>
Net debt at the end of the period		<u>(1,932)</u>	<u>(3,174)</u>	<u>(2,486)</u>

## COFFEE REPUBLIC PLC

### 1. Basis of preparation

The results for the six months ended 26 September 2004 have been prepared on the basis of the accounting policies set out in the consolidated financial statements at 28 March 2004. The comparatives for the year ended 28 March 2004 have been extracted from the audited consolidated financial statements for that period.

### 2. Loss per ordinary share

The calculation of the loss per share for the six months ended 26 September 2004 is based upon a loss of £886,000 (2003: loss of £990,000) and the weighted average number of shares of 427,765,304 (2003: 224,565,304).

### 3. Movement in working capital

	Six months to 26 Sept 2004 £'000	Six months to 28 Sept 2003 £'000	Year to 28 March 2004 £'000
Decrease in stocks	16	21	51
Decrease in debtors	833	461	204
Increase/(Decrease) in creditors	(458)	676	(439)
	<u>391</u>	<u>1,158</u>	<u>(184)</u>

### 4. Financial Information

The financial information set out above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information for the year ended 28 March 2004 has been extracted from the audited financial statements for that period, which have been filed with the Registrar of Companies and contain an unqualified auditor's report.

Copies of the Annual Report and Accounts and Interim Report are available at the group's head office at Ground Floor, 109-123 Clifton Street, London, EC2A 4LD and the registered office at 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ. In addition, copies of the Interim Report can be downloaded from our website address: [www.coffeerepublic.co.uk](http://www.coffeerepublic.co.uk)