

COFFEE REPUBLIC PLC

INTERIM REPORT 2007

Directors and Advisors

Chairman

Peter Breach

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Steven Bartlett

Finance Director

James Muirhead

Non-executive Director

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Chairman's Statement

Highlights

- **LFL growth: 4.2%**
- **Cineworld: 73 'Co-brand' locations to open in the UK in early 2008**
- **'Co-brand' locations: 27 in operation**
- **Newly franchised bars: 17 (including 5 converted from 'Company owned')**
- **Overseas Expansion: 8 countries contracted.**

After just over a year as Chairman I am pleased to announce that the strategy adopted by the Board over the last year has resulted in a marked improvement in the operational and financial performance although there is still much work to do.

I am pleased to announce that Coffee Republic has won a contract with Cineworld UK to introduce its 'Coffee Republic Served Here' concept into all its 73 UK sites, continuing the growth of brand exposure across the UK. These concessions are being rolled out in early 2008 and the benefits of this achievement will be seen in next year's financial statements.

I am also pleased to announce the appointment of James Cameron Muirhead to the board of directors as finance director. James, aged 36, qualified as a Chartered Accountant with PricewaterhouseCoopers in 1998 and has worked with a number of high growth multi-site, leisure businesses including Novus Leisure Ltd (the operator of the Tiger Tiger nightclub brand) and Esporta Plc (Health Club operator). There are no further disclosures to be made in respect of James Muirhead under Schedule 2(g) of the AIM Rules.

Operational and financial performance of the business

Over the 6 months to 23rd September 2007 the business achieved like for like growth of 4.2% compared with a 1.0% decline in the 6 months to 24th September 2006 and 0.8% growth in the 12 months to 25th March 2007. This is a notable improvement and is a validation of our franchise strategy. New outlets do not have figures for last year and are thus excluded from like for like comparison; comparison figures therefore understate true growth.

Reported turnover has fallen as Company owned bars are converted to franchise operation because account is taken only of the franchise fee received and not total bar sales. However our operating deficit has reduced by £189,000 or 30% to £449,000 for the 6 months to 23 September 2007.

Within this figure there is a charge of £70,000 relating to a lease assigned by the Company several years ago where the tenant has failed and Coffee Republic is obliged to pay the defaulting tenant's shortfall. The Company has a new lease on the property and it may be possible to recoup a part of this deficit but prudence demands we recognise this potential cost fully in these interim statements.

Administrative expenses (when adjusted for exceptional items) have grown year on year by £114,000 or 46%. The reason for this increase is that prospects for new business have exceeded expectation and a decision had to be made whether to increase the cost base to service this increased business or to control costs and grow at a slower rate. It was decided to accommodate a higher level of business at a higher, but limited, cost. Amongst these costs is expenditure on various trials (including for example Cineworld) and the employment of a Head of International Development.

Even with these increased costs we have reduced the overall loss for the six months by £362,000 to £895,000 which is 29% down when compared to the 6 months to 24th September 2006. I hope you will agree with your Board that this is acceptable in view of growth for which we are preparing.

Chairman's Statement *(continued)***Franchise progress**

	As at 25 March 2007	As at 7 December 2007
Company Operated Bars	16	11
Franchise Operated Bars	25	42
Co-branded CR locations	2	29
Total CR locations in the UK	43	82
International Bars	–	4
Total CR Locations Worldwide	43	86
Regional Development Franchises (RDF's)	6	19
International Master Franchises (IMF's)	2	8

As may be seen progress in opening bars has been considerable and given our opening programme in December we are expecting to achieve 100 outlets by the end of this calendar year and we are on track to have 80 bars (franchise and Company owned).

Thirteen new regional development franchises (RDFs) have been signed bringing the total to nineteen. These RDFs have driven the growth of the business in the UK and, with this growth now under way, it has been decided to pause and review policy for future rollout.

Eight International Master Franchisees have been finalised and opening of international bars should be accelerating over the next year. I find this aspect of Coffee Republics' expansion particularly exciting and, having recently returned from the Asia Franchise Show in Delhi, I continue to be encouraged at the power of our Brand internationally. Despite the modest size of our Company I believe the potential for growth in certain Asian markets may, assuming global economic and political stability, soon exceed that of European and American markets. No one should underestimate the competence and motivation prevalent in territories in the Eastern Hemisphere where, it may be noted, economic expansion does not suffer from the high level of regulation which applies in the West. Your Company intends to engage in, and benefit from, these Asian markets.

You will recall from my previous statements that the International Accounting Standard treatment on the grant of long term agreements for a consideration requires that the receipt be declared in equal instalments in the published accounts over the life of the agreement. Notwithstanding this treatment, the receipt, which is normally paid in full on grant, is contractually non returnable.

Cashflow

The issue of ordinary shares earlier this year raised £1,314,000 for the Company. This allowed the bank loan to be reduced by £500,000 and the overdraft facility was reduced from £750,000 to £500,000 at the current date.

The rate at which new stores are being opened brings the Company closer to cash flow positive position.

Net Equity

Although we continue to show negative net equity the deficit has been reduced by £460,000 since March. As I have previously said this does not take into account the value of the brand or the value of tax losses carried forward and we have yet to recognise over £800,000 of cash receivable from RDF or IMF agreements at the interim date.

Going Concern

Despite the negative asset position the directors consider that is appropriate for the accounts to be prepared on a going concern basis given the rapid rate at which new bars are opening, the strength of the franchisee pipeline, the improvement in the net asset position since March 2007 and the continued support of the Group's bank.

Peter Breach

Chairman

19 December 2007

Unaudited consolidated income statement

For the period ended 23 September 2007

		<i>Six months to 23 September 2007</i>	<i>Six months to 24 September 2006</i>	<i>Year to 25 March 2007</i>
		<i>Under IFRS</i>	<i>Under IFRS</i>	<i>Under IFRS</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue		2,884	5,378	9,719
Cost of sales		(3,333)	(6,016)	(10,731)
Gross loss		(449)	(638)	(1,012)
Administrative expenses		(362)	(529)	(1,213)
Operating loss before exceptional items		(811)	(886)	(1,403)
Exceptional items	1.12	–	(281)	(822)
Operating loss		(811)	(1,167)	(2,225)
Finance costs		(84)	(104)	(212)
Finance income		–	14	14
Net loss for the period before and after tax		(895)	(1,257)	(2,423)
Net loss attributable to equity holders of the parent		(895)	(1,257)	(2,423)
Earnings per share				
Basic and diluted	4	(0.14p)	(0.25p)	(0.47p)

Unaudited consolidated balance sheet

As at 23 September 2007

	<i>As at</i> 23 September 2007 <i>Under IFRS</i> £'000	<i>As at</i> 24 September 2006 <i>Under IFRS</i> £'000	<i>As at</i> 25 March 2007 <i>Under IFRS</i> £'000
Assets			
Non-current			
Goodwill	133	133	133
Property, plant and equipment	2,829	3,384	2,691
	<u>2,962</u>	<u>3,517</u>	<u>2,824</u>
Current			
Inventories	63	70	47
Trade and other receivables	1,293	732	1,547
Cash and cash equivalents	–	52	25
	<u>1,356</u>	<u>854</u>	<u>1,619</u>
Total assets	<u><u>4,318</u></u>	<u><u>4,371</u></u>	<u><u>4,443</u></u>
Equity			
Equity attributable to equity holders of the parent			
Share capital	571	513	566
Share premium reserve	7,005	4,616	5,696
Share option reserve	84	25	43
Retained earnings	(7,908)	(5,861)	(7,013)
Total equity	<u>(248)</u>	<u>(707)</u>	<u>(708)</u>
Liabilities			
Non-current			
Trade and other payables	1,018	408	726
Bank loan (secured)	1,050	2,000	1,500
	<u>2,068</u>	<u>2,408</u>	<u>2,226</u>
Current			
Trade and other payables	1,299	2,233	1,899
Provisions and other liabilities	95	157	106
Bank loan (secured)	450	200	500
Bank overdraft	654	80	420
	<u>2,498</u>	<u>2,670</u>	<u>2,925</u>
Total liabilities	<u><u>4,566</u></u>	<u><u>5,078</u></u>	<u><u>5,151</u></u>
Total equity and liabilities	<u><u>4,318</u></u>	<u><u>4,371</u></u>	<u><u>4,443</u></u>

Unaudited consolidated statement of changes in equity

For the period ended 23 September 2007

<i>(all amounts presented in £'000s)</i>	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Share option reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance 26 March 2006	513	4,616	–	(4,590)	539
Loss and total recognised income and expense for the period	–	–	–	(1,257)	(1,257)
Share option charges	–	–	25	(14)	11
Balance 24 September 2006	513	4,616	25	(5,861)	(707)
Loss and total recognised income and expense for the period	–	–	–	(1,152)	(1,152)
Share issued (net of cost)	53	1,080	–	–	1,133
Share option charges	–	–	18	–	18
Balance at 25 March 2007	566	5,696	43	(7,013)	(708)
Loss and total recognised income and expense for the period	–	–	–	(895)	(895)
Shares issued (net of cost)	5	1,309	–	–	1,314
Share option charges	–	–	41	–	41
Balance at 23 Sept 2007	571	7,005	84	(7,908)	(248)

Unaudited consolidated statement of cash flows

For the period ended 23 September 2007

	<i>Six months to 24 September 2007 Under IFRS £'000</i>	<i>Six months to 25 September 2006 Under IFRS £'000</i>	<i>Year to 25 March 2007 Under IFRS £'000</i>
Cash flows from operating new activities			
Loss for the period before and after tax	(895)	(1,257)	(2,423)
Finance income	–	(14)	(14)
Finance costs	84	104	212
Loss on disposal of fixed assets	2	281	621
Depreciation of non-current assets	231	371	643
Non-cash share option charge	41	11	43
Operating loss before change in working capital and provisions	<u>(537)</u>	<u>(504)</u>	<u>(918)</u>
Movements in working capital			
(Increase)/decrease in trade and other receivables	255	493	(322)
(Increase)/decrease in inventories	(16)	7	30
Decrease in trade and other payables	(574)	(164)	(86)
Decrease in provision	(11)	(119)	(147)
Net cash used in operations	<u>(883)</u>	<u>(287)</u>	<u>(1,443)</u>
Cash flows from investing activities			
Interest Received	–	14	14
Payments for property, plant and equipment	(384)	(183)	(330)
Proceeds from disposal of property plant and equipment	278	532	707
Net cash from investing activities	<u>(106)</u>	<u>363</u>	<u>391</u>
Cash flows from financing activities			
Repayment of secured loan	(500)	–	(200)
Proceeds from issue of ordinary shares (Gross)	1,314	–	1,167
Payment for share issue costs	–	–	(34)
Payments of capital element of finance leases	–	–	(10)
Finance expense	(84)	(104)	(212)
Net cash used in financing activities	<u>730</u>	<u>(104)</u>	<u>711</u>
Decrease in cash in the period	<u>(259)</u>	<u>(28)</u>	<u>(341)</u>
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the period	(259)	(28)	(341)
Cash outflow from decrease in debt and lease financing	500	–	210
New finance leases	–	–	(51)
Changes in net funds resulting from cash flows	<u>241</u>	<u>(28)</u>	<u>(182)</u>
Movement in net funds	241	(28)	(182)
Net debt at the beginning of the period	<u>(2,440)</u>	<u>(2,258)</u>	<u>(2,258)</u>
Net debt at the end of the period	<u>(2,199)</u>	<u>(2,286)</u>	<u>(2,440)</u>

Notes to the consolidated interim statements for the period ended 23 September 2007

1. Summary of significant accounting policies

1.1. Reporting entity

Coffee Republic PLC (“The Company”) is a public limited Company incorporated and domiciled in the United Kingdom. The address of the registered office is 50 Lothian Road Festival Square, Edinburgh, EH3 9WJ. The Company’s ordinary shares are traded on the Alternative Investment Market (AiM).

Basis of preparation

The consolidated interim financial statements of the Company for the 26 weeks ended 23 September 2007 comprise the Company and its subsidiaries (together referred to as the “Group”).

The basis of preparation and accounting policies followed in the Interim Report differ from those set out in the Annual Report and Accounts for the 52 weeks ended 25 March 2007, which were prepared in accordance with UK GAAP. Following a change in the AiM rules the Group is required to prepare its consolidated financial statements for the period ended 30 March 2008 in accordance with International Financial Reporting Standards (“IFRS”). Accordingly, this interim financial report has been prepared using accounting policies consistent with those which management expects to apply in the Group’s first IFRS Annual Report and Accounts for the year ended 30 March 2008.

This statement does not comprise statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the 52 weeks to 25 March 2007 is an unaudited restated extract from the latest Company accounts amended as required on transition to IFRS. The statutory financial statements for the year ended 25 March 2007, prepared in accordance with UK GAAP, have been filed with the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include statements under section 237(2) or (3) of the Companies Act 1985, but did include references to matters to which the auditors drew attention by way of emphasis without qualifying their report. The matter of emphasis referred to going concern. The results for the 26 weeks to 23 September 2007 and 24 September 2006 are unaudited.

The IFRS standards and IASB interpretations that will be applicable at 30 March 2008, including those that will be applicable including those on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The 2008 financial statements will be the Group’s first consolidated financial statements prepared under IFRS, with a transition date 27 March 2006. Consequently, the comparative figures for 2007 and 2006 have been restated in accordance with the accounting policies set out below. In preparing comparative figures, IFRS 1 “First-time adoption of International Financial Reporting Standards” permits certain optional exceptions from full retrospective application of IFRS accounting policies and the following option has been adopted:

- Business combinations
The Group adopted the exemption under IFRS 3, Business Combinations, and therefore, does not need to reassess the accounting treatment of businesses acquired before 27 March 2006.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group’s equity and its net income and cash flows are provided in Note 3.

These consolidated interim financial statements have been prepared under the historical cost convention. The consolidated interim financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except as otherwise stated.

1.2. Consolidation

The consolidated accounts incorporate the financial statements of Coffee Republic PLC and its subsidiary undertakings (the Group).

**Notes to the consolidated interim statements (*continued*)
for the period ended 23 September 2007**

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group uses the acquisition method of accounting to consolidate the results of subsidiary undertakings. The results of subsidiary undertakings are included from the date of acquisition.

1.3. Foreign Currency translation

Items included in the financial statements of each Group's entities are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The functional currency of Coffee Republic PLC is Sterling ("GBP").

Foreign currency transactions are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

1.4. Property, plant and equipment

Property, plant and equipment are shown in the balance sheet at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement as incurred.

Depreciation is provided so as to write off the cost of each asset to their residual values over their estimated useful lives on the straight line basis as follows:

Short term leasehold and improvements	– over the period of the lease
Fixtures, fittings and equipment	– 5 years
Motor vehicles	– 5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See note 1.6.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement.

1.5. Intangible assets – goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

Goodwill arising on acquisitions prior to 27 March 2006 is stated in accordance with UK GAAP and has not been re-measured on transition to IFRS as permitted by IFRS 1. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the income statement and cannot be subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to an entity sold.

Notes to the consolidated interim statements *(continued)*
for the period ended 23 September 2007

1.6. Impairment of assets

Assets that have an indefinite useful life (goodwill) are not subject to amortisation and are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.7. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1.8. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is based on the estimated selling price less the cost of disposal.

1.9. Revenue Recognition

Revenue from wholly owned continuing operations comprises the fair value of the sale of goods and services, net of value-added tax.

Revenue from franchised operations represents recurring royalties receivable from franchises of the Group, commission receivable from third parties on supplies to franchises, together with franchise fees and regional development fees.

Franchise fees and regional development fees are recognised over the life of the agreement.

1.10. Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

1.11. Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

The present value of the minimum lease payments during the lease term is capitalised as a tangible asset and the corresponding leasing commitments is included as a liability. Rental payables are apportioned between interest, which is charged to the income statement and equity, which reduces the outstanding commitment.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1.12. Exceptional Items

The exceptional charges represent losses on disposals of assets which have arisen as a direct result of the directors' decision to move from a Company owned operation to a franchised operation. The directors believe it is appropriate to treat these costs as exceptional.

Notes to the consolidated interim statements (*continued*)
for the period ended 23 September 2007

1.13. Loss per share

- (a) Basic – Loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares.
- (b) Diluted – Diluted earnings per share is calculated by adjusting earnings and weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

1.14. New accounting policies and future requirements

The following new standards, amendments and interpretations have been published and are mandatory for the Group's accounting period on or after 1 January 2007. None have had a material impact on the financial statements.

- IFRS 7, 'Financial Instruments: Disclosures' and IFRS 4, 'Insurance contracts', revised implementation guidance, effective when an entity adopt IFRS 7. It revises and enhances disclosures about exposure to risks arising from financial instruments and is effective for accounting periods beginning on or after 1 January 2007. This information is not disclosed in the Interim Report as permitted by not preparing the report in accordance with IAS 34. The information will be disclosed in the annual financial statements.
- IFRS 8, 'Operating Segments' – which requires segmental disclosures that reflect the segment that management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This standard was issued in November 2006 and becomes effective for financial years beginning on or after 2009. The adoption will result in additional disclosure, but is not expected to impact the segments for which the Group currently presents information.
- IFRIC 10, 'Interim and impairment' – which requires that any impairment loss recognised for goodwill or equity instrument classified as held for sales in an interim period may not be reversed in subsequent interim period. The interpretation has not had any impact on the timing or recognition of impairment losses as the Group already accounted for such amounts using principles consistent with IFRIC 10.
- IFRIC 8, 'Scope of IFRS 2'. The interpretation has not had any impact on the recognition of share-based payments in the Group.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions – which requires arrangement whereby an employee is granted right to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if the entity chooses or is required to buy those equity instruments from another party or the shareholders of the entity provide the equity instruments needed. Effective for annual period beginning on or after 1 March 2007. The interpretation has not had any impact on the recognition of share based payments.
- IAS 1, 'Amendment to capital disclosures'. This information is not disclosed in the Interim Report as permitted by not preparing the report in accordance with IAS 34. The information will be disclosed in the annual financial statements.

The following interpretations are not applicable to the business of the Group and will therefore have no impact on the financial statements

- IFRIC 9 – Reassessment of embedded derivatives
- IFRIC 7 – Applying the Restatement approach under IAS 29

2. Critical accounting estimates and key judgments

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, available information, and other factors including expectations of future events that are believed to be reasonable

Notes to the consolidated interim statements *(continued)*

for the period ended 23 September 2007

under the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity are described below:

- Goodwill – The recoverable amount of cash-generating units has been determined based on value in use calculations. These calculations require the use of estimates.
- Property, Plant & Equipment – These are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided at rates calculated to write off the value of each asset over its estimated life. The value of the assets is reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable.

3. Transition to IFRS

3.1. Basis of transition to IFRS

3.1.1. Applications of IFRS

The Group's financial statements for the year ended 30 March 2008 will be the first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in Note 1. The Group has applied IFRS in preparing these consolidated interim financial statements.

The last financial statements under UK GAAP were for the year ended 25 March 2007. Presented below are the reconciliations of equity at 27 March 2006 (date of transition to IFRS) and at 25 March 2007 (date of last UK GAAP financial statements) as required by IFRS 1. Explanations of the nature and effect of the changes in accounting policies as a consequence of the transition to IFRS are as follows:

Unaudited Reconciliation of UK GAAP to IFRS Income Statement for the period ended 24 September 2006

	<i>UK GAAP</i> <i>(IFRS format)</i> £'000	<i>IFRS 3</i> <i>Goodwill</i> <i>Amortisation</i> £'000	<i>IAS 1</i> <i>Presentation</i> <i>of exceptional</i> <i>items</i> £'000	<i>IFRS</i> <i>income</i> <i>statement</i> £'000
Revenue	5,378	–	–	5,378
Cost of sales	(6,026)	10	–	(6,016)
Gross loss	(648)	10	–	(638)
Administrative expenses	(250)	2	(281)	(529)
Operating loss	(898)	12	(281)	(1,167)
Exceptional items – loss on disposal of fixed assets	(281)	–	281	–
Finance costs	(104)	–	–	(104)
Finance income	14	–	–	14
Net loss for the period before and after tax	(1,269)	12	–	(1,257)
Net loss attributable equity holders of the parent	(1,269)	12	–	(1,257)
Earnings per share				
Basic and diluted	(0.25p)			(0.25p)

Notes to the consolidated interim statements (continued)
for the period ended 23 September 2007

Unaudited Reconciliation of UK GAAP to IFRS Income Statement for the period ended 25 March 2007

	<i>UK GAAP (IFRS format) £'000</i>	<i>IFRS 3 Goodwill Amortisation £'000</i>	<i>IAS 1 Presentation of exceptional items £'000</i>	<i>IFRS income statement £'000</i>
Revenue	9,719	–	–	9,719
Cost of sales	<u>(10,751)</u>	<u>20</u>	<u>–</u>	<u>(10,731)</u>
Gross loss	<u>(1,032)</u>	<u>20</u>	<u>–</u>	<u>(1,012)</u>
Administrative expenses	(395)	4	(822)	(1,213)
Exceptional items	<u>(201)</u>	<u>–</u>	<u>201</u>	<u>–</u>
Operating loss	<u>(1,628)</u>	<u>24</u>	<u>(621)</u>	<u>(2,225)</u>
Exceptional items – loss on disposal of fixed assets	(621)	–	621	–
Finance costs	(212)	–	–	(212)
Finance income	<u>14</u>	<u>–</u>	<u>–</u>	<u>14</u>
Net loss for the period before and after tax	<u>(2,447)</u>	<u>24</u>	<u>–</u>	<u>(2,423)</u>
Net loss attributable equity holders of the parent	<u><u>(2,447)</u></u>	<u><u>24</u></u>	<u><u>–</u></u>	<u><u>(2,423)</u></u>
Earnings per share				
Basic and diluted	(0.47p)			(0.47p)

Notes to the consolidated interim statements (continued)
for the period ended 23 September 2007

Unaudited Reconciliation of UK GAAP to IFRS balance sheet at 24 September 2006

	<i>UK GAAP</i> <i>(IFRS format)</i> £'000	<i>IFRS 3</i> <i>Goodwill</i> <i>Amortisation</i> £'000	<i>IFRS</i> <i>balance sheet</i> £'000
ASSETS			
Non-Current Assets			
Goodwill	121	12	133
Property, plant and equipment	3,384	–	3,384
	<u>3,505</u>	<u>12</u>	<u>3,517</u>
Current Assets			
Inventories	70	–	70
Trade and other receivables	732	–	732
Cash and cash equivalents	52	–	52
	<u>854</u>	<u>–</u>	<u>854</u>
Total Assets	<u><u>4,359</u></u>	<u><u>12</u></u>	<u><u>4,371</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Share capital	513	–	513
Share premium account	4,616	–	4,616
Share option reserve	25	–	25
Retained earnings and other reserves	(5,873)	12	(5,861)
Total equity	<u>(719)</u>	<u>12</u>	<u>(707)</u>
LIABILITIES			
Non-current liabilities			
Trade and other payables	408	–	408
Bank loan (secured)	2,000	–	2,000
	<u>2,408</u>	<u>–</u>	<u>2,408</u>
Current liabilities			
Trade and other payables	2,233	–	2,233
Provisions and other liabilities	157	–	157
Bank loan (secured)	200	–	200
Bank overdraft	80	–	80
	<u>2,670</u>	<u>–</u>	<u>2,670</u>
Total liabilities	<u>5,078</u>	<u>–</u>	<u>5,078</u>
Total equity and liabilities	<u><u>4,359</u></u>	<u><u>12</u></u>	<u><u>4,371</u></u>

Notes to the consolidated interim statements (continued)
for the period ended 23 September 2007

Unaudited Reconciliation of UK GAAP to IFRS balance sheet at 25 March 2007

	<i>UK GAAP</i> <i>(IFRS format)</i> £'000	<i>IFRS 3</i> <i>Goodwill</i> <i>Amortisation</i> £'000	<i>IFRS</i> <i>balance sheet</i> £'000
ASSETS			
Non-Current Assets			
Goodwill	109	24	133
Property, plant and equipment	2,691	–	2,691
	<u>2,800</u>	<u>24</u>	<u>2,824</u>
Current Assets			
Inventories	47	–	47
Trade and other receivables	1,547	–	1,547
Cash and cash equivalents	25	–	25
	<u>1,619</u>	<u>–</u>	<u>1,619</u>
Total Assets	<u><u>4,419</u></u>	<u><u>24</u></u>	<u><u>4,443</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Share capital	566	–	566
Share premium account	5,696	–	5,696
Share option reserve	43	–	43
Retained earnings and other reserves	(7,037)	24	(7,013)
Total equity	<u>(732)</u>	<u>24</u>	<u>(708)</u>
LIABILITIES			
Non-current liabilities			
Trade and other payables	726	–	726
Bank loan (secured)	1,500	–	1,500
	<u>2,226</u>	<u>–</u>	<u>2,226</u>
Current liabilities			
Trade and other payables	1,899	–	1,899
Provisions and other liabilities	106	–	106
Bank loan (secured)	500	–	500
Bank overdraft	420	–	420
	<u>2,925</u>	<u>–</u>	<u>2,925</u>
Total liabilities	<u>5,151</u>	<u>–</u>	<u>5,151</u>
Total equity and liabilities	<u><u>4,419</u></u>	<u><u>24</u></u>	<u><u>4,443</u></u>

Notes to the consolidated interim statements (continued)
for the period ended 23 September 2007

Unaudited Reconciliation of UK GAAP to IFRS balance sheet at 27 March 2006

	<i>UK GAAP</i> <i>(IFRS format)</i> £'000	<i>IFRS</i> <i>Adjustments</i> £'000	<i>IFRS</i> <i>balance sheet</i> £'000
ASSETS			
Non-Current Assets			
Goodwill	133	–	133
Property, plant and equipment	4,367	–	4,367
	<u>4,500</u>	<u>–</u>	<u>4,500</u>
Current Assets			
Inventories	77	–	77
Trade and other receivables	1,225	–	1,225
Cash and cash equivalents	128	–	128
	<u>1,430</u>	<u>–</u>	<u>1,430</u>
Total Assets	<u>5,930</u>	<u>–</u>	<u>5,930</u>
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Share capital	513	–	513
Share premium account	4,616	–	4,616
Share option reserve	(4,590)	–	(4,590)
Total equity	<u>539</u>	<u>–</u>	<u>539</u>
LIABILITIES			
Non-current liabilities			
Trade and other payables	140	–	140
Bank loan (secured)	2,000	–	2,000
	<u>2,140</u>	<u>–</u>	<u>2,140</u>
Current liabilities			
Trade and other payables	2,561	–	2,561
Provisions and other liabilities	308	–	308
Bank loan (secured)	200	–	200
Bank overdraft	182	–	182
	<u>3,251</u>	<u>–</u>	<u>3,251</u>
Total liabilities	<u>5,391</u>	<u>–</u>	<u>5,391</u>
Total equity and liabilities	<u>5,930</u>	<u>–</u>	<u>5,930</u>

Notes to the consolidated interim statements *(continued)*

for the period ended 23 September 2007

- 1) **Goodwill** – UK GAAP required goodwill to be amortised over its expected useful economic life. Under IFRS 3, the goodwill arising on the acquisition of Goodbean Limited is no longer amortised but held at its carrying value on the balance sheet and tested annually for impairment. The UK GAAP goodwill amortisation charge in the year 2007 was £24,000 and has been reversed. As permitted by IFRS 1 the Group has chosen to apply IFRS 3 prospectively from the date of transition (27 March 2006) and has chosen not to restate previous business combinations. Therefore, goodwill is stated in the opening balance sheet (at 27 March 2006) at £133,000 being its UK GAAP carrying value at that date.
- 2) **Changes to statement of cash flows** – The consolidated statement of cashflows prepared under IFRS presents substantially the same information as the required by UK GAAP. There are no other material differences between the Statement of cashflows prepared under IFRS and the cash flow statement under UK GAAP.

4. Earning per share calculation

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average of ordinary shares outstanding during the year. The basic and diluted loss per share is the same in 2008 and 2007 as the effect of the share options was anti-dilutive, and was therefore excluded..

	<i>For the six months ended 23 September 2007</i>	<i>For the six months ended 24 September 2006</i>	<i>For the year ended 25 March 2007</i>
Net loss attributable to ordinary equity holders	£(895,000)	£(1,257,000)	£(2,423,000)
Weighted Average Number of Shares	625,893,569	512,765,304	517,628,666
Net loss attributable to the ordinary equity holders per share – Basic	(0.14)p	(0.25)p	(0.47)p

5. Financial Information

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.com

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