The Insolvency Act 1986

Administrator's progress report

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company	Company number
Coffee Republic Plc	SC125098

(a) Insert full name(s) and address(es) of administrator(s) We

Richard John Hill KPMG LLP

8 Salisbury Square

London EC4Y 8BB United Kingdom David John Crawshaw

KPMG LLP

8 Salisbury Square

London EC4Y 8BB

United Kingdom

Administrators of the above company attach a progress report for the period

(b) Insert dates

	HOIII
10 July 2009	

9 January 2010

Signed

Richard Hill Joint Administrator

Dated 10 February 2010

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

Russell Deen		
8 Salisbury Square, London EC43	7 8 BB	
	Tel 0207 311 4813	

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When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF DX 235 Edinburgh / LP 4 Edinburgh-2

ABSTRACT OF RECEIPTS AND PAYMENTS - 10/07/2009 to 09/01/20pp endix to Form 2.20b (Scot) Coffee Republic Plc Page 1

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B R	egal fees	33,028.45
R	tatutory advertising	642.60
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elete as Carri	ied forward to	38,833.92

Note - The receipts and payments must severally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amounts received and paid by the administrator since he was appointed.



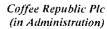
 $KPMG\ LLP$

Coffee Republic Plc (in Administration)

Report to Creditors pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986 (as amended)

KPMG LLP 10 February 2010

HMH/RJD





Notice: About this Report

- This Report has been prepared by Richard John Hill and David John Crawshaw, the Administrators of Coffee Republic Plc solely to comply with their statutory duty to report to creditors under the Insolvency (Scotland) Rules 1986 on the progress of the administration and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.
- This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Coffee Republic Plc.
- Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.
- Any person that chooses to rely on this Report for any purpose or in any context other
 than under the Insolvency (Scotland) Rules 1986 does so at their own risk. To the
 fullest extent permitted by law, the Administrators do not assume any responsibility
 and will not accept any liability in respect of this Report to any such person.
- Richard John Hill and David John Crawshaw are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.
- The Administrators act as agents for Coffee Republic Plc and contract without
 personal liability. The appointment of the Administrators is personal to them and, to
 the fullest extent permitted by law, KPMG LLP does not assume any responsibility
 and will not accept any liability to any person in respect of this Report or the conduct
 of the administration.



Coffee Republic Plc (in Administration)

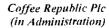
KPMG LLP 10 February 2010

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- 1 Statutory information
- 2 Abstract receipts and payments account to 9 January 2010
- 3 Analysis of the Joint Administrators' time costs to 9 January 2010





Glossary

Act

The Insolvency Act 1986

as amended by the Enterprise Act 2002

Administrators

Richard John Hill & David John Crawshaw

of KPMG LLP

AIM

Alternative Investment Market

Company

Coffee Republic Plc

CRF

Coffee Republic Franchising Ltd

CRUK

Coffee Republic (UK) Ltd

Directors

Steven George Bartlett Peter John Freeman Breach

James Cameron Muirhead

Nicholas Jeffrey

GB

Goodbean Ltd

Group

PLC and its trading subsidiaries

PLC

Coffee Republic Plc

Scottish Rules

The Insolvency (Scotland) Rules 1986 as amended by the Enterprise Act 2002

The references in this report to sections, paragraphs or rules are to the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency (Scotland) Rules 1986 (as amended) respectively.



1 Introduction

Creditors have previously been informed that we, Richard Hill and David Crawshaw, were appointed as Joint Administrators of PLC on 10 July 2009 by the High Court of Justice following the notices of intention to appoint Joint Administrators filed by the Directors.

In accordance with Rule 2.38 of the Scottish Rules, we set out our progress report for the six months from 10 July 2009 to 9 January 2010. We also enclose Form 2.20B providing formal notice to that effect. This follows our previous report dated 20 August 2009, which set out the Administrators' proposals.

A copy of this report has been forwarded to Companies House in Scotland.

A receipts and payments summary showing the position as at 9 January 2010, together with details of the transactions made in the period from 10 July 2009 to 9 January 2010, is attached as Appendix 2. The figures are shown net of VAT. Other statutory information required by Rule 2.38 of the Scottish Rules is attached as Appendix 1.

In accordance with Paragraph 100(2) of Schedule B1 of the Act the functions of the Joint Administrators are to be exercised by either or both of them.

1.1 Joint Administrators' proposals

A copy of the Administrators' proposals was sent to all creditors on 20 August 2009. In accordance with Paragraph 51 of Schedule B1 of the Act, a meeting of creditors was convened for 8 September 2009. The proposals presented to the meeting were passed without modification.

1.2 Purpose of the administration

An Administrator of a company must perform his functions with one of the following main objectives:

- a) rescuing the company as a going concern, or
- b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up, or
- c) realising property in order to make a distribution to one or more secured or preferential creditors.

The objective of the administration is to achieve a better result for the Company's creditors as a whole than would be likely if the Company was wound up.

The Directors resolved to move PLC into administration shortly after the appointment of administrators over its subsidiaries for the benefit of the Group as a whole.



Administration was deemed preferable to liquidation because:

- administration allowed the employees in PLC to be retained to assist with the trading of the subsidiaries, whilst a purchaser for the business as a whole was sought;
- the company operated leases that were held in PLC's name were traded by CRUK, which provided staff and operational support to these intertwined and interdependent outlets;
- in order to sell the business of the Group as a going concern, it would be necessary to transfer the retained employees of PLC to the purchaser; and
- as PLC would be a party to any sale contract, it was preferable to have the same appointees acting on behalf of PLC as for the subsidiaries.

1.3 Other matters

EC Regulations will apply and these proceedings will be the main proceedings as defined in Article 3 of the EC Regulations. The centre of main interest the Company is in England within the EC.

2 Progress of the administration to 9 January 2010

2.1 Assets

PLC's main assets were its investments in its subsidiaries and six company operated coffee bar leases, two of which were not open at the date of the administration order. Additionally PLC is the largest creditor of CRUK.

2.1.1 Sale of the business

As previously reported, in order to maximise realisations, the administrators continued to trade certain of the Group's company operated coffee bars.

Following a short sale of business process, 19 formal offers were received. Following further negotiation, contracts were exchanged with Coffee Republic Retail Limited and Coffee Republic Trading Limited ("the purchaser") for the sale of part of the business and certain assets of the Group. Completion took place on 29 July 2009 for a total consideration of £1,500,000.

The majority of the sale proceeds related to goodwill in respect of the Coffee Republic brand, which was owned by CRUK. None of the assets held by PLC were sold to the purchaser.

Other than a dividend to creditors by CRUK (see section 2.1.3) realisations in the Subsidiaries respective administrations will not be sufficient to enable a return to PLC in respect of its investment in them.

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2.1.2 Leases

PLC had five company operated bar leasehold properties not seven as previously reported. As a result of our initial work we established that two properties thought to be held in PLC were in fact held by another connected company over which the Administrators are not appointed.

The five coffee bars were operated through the subsidiaries, with the respective income and costs reported by the Group's Directors through CRUK.

The purchaser did not wish to acquire any of the leases held in PLC. Valuations of these leases have been obtained from Colliers CRE, a firm of agents and valuers instructed by the Administrators, who have advised they have no value. Consequently, letters have been written to the landlords offering a surrender of the leases. To date one property has been surrendered.

2.1.3 Intercompany debt

Other than the intercompany debt owed by the Subsidiaries, the Company's records did not show it having any other debtors.

PLC is understood to be the largest creditor of CRUK. The latest audited accounts from PLC as at 30 March 2008 show an amount of £30.9 million owed by CRUK to PLC. Based on the expected level of realisations in the administration estate, there is a good prospect of a dividend for the creditors of CRUK. However, at present, it is too early to indicate the quantum or timing of the dividend.

2.1.4 Cash at bank

A separate bank account was opened by the directors in the name of PLC shortly prior to the administration. The directors have stated that the intention was to create a trust account for advance deposits received from potential franchisees who then decided not to proceed. An amount of £50,000 was transferred from CRUK on 30 June 2009. Legal advice has been obtained regarding the status of these funds and we are currently in the process of discussing this with the claimants.

2.1.5 Investigations

The Joint Administrators have a duty to investigate the conduct of the Directors and, if appropriate, to submit a report to the Department for Business, Innovation and Skills, (formerly the Department for Business Enterprise and Regulatory Reform) on the conduct of those Directors or shadow directors who were in office in the three years prior to the administration.

The Joint Administrators will comply with their obligation, described above.



2.1.6 Taxation

The Joint Administrators have instructed KPMG Tax and VAT specialists to prepare the necessary returns so that the Company's tax position can be finalised.

3 Creditors

3.1 Secured creditors

The Administrators are not aware of any debts owed by the Company to secured creditors.

3.2 Preferential creditors

Claims in respect of certain arrears of wages and holiday pay rank preferentially. Preferential claims of £17,460.08 have been received to date for PLC. Based on the expected dividend from CRUK, it is anticipated that there will be sufficient funds to pay the preferential claims in full.

3.3 Unsecured creditors

The Directors estimate the Company has the following unsecured ordinary liabilities:

	£'000
Trade creditors (suppliers)	66
Loan Notes	780
HM Revenue & Customs	0
Directors' Loans	_200
Total	<u>1,046</u>
Source: Directors' statement of affairs	

Based on the expected dividend from CRUK, as set out in section 2.1.3, it is anticipated that there will be funds available for a distribution to be paid to the unsecured creditors. The quantum and timing of any dividend is unknown at this stage.

3.4 Prescribed part

The prescribed part provision of S176A of the Act, where administrators are required to reserve a fund from floating charge assets for unsecured creditors, is not relevant in this matter because the Company does not have any secured debts.



4 Administrators' remuneration

The statutory provisions relating to remuneration are set out in Rule 2.39 of the Scottish Rules. Further information is given in the Association of Business Recovery Professionals' publication *A Creditors' Guide to Administrators' Fees*, a copy of which can be obtained by logging onto the R3 website at http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007(1).pdf. However, if you are unable to access this guide and would like a copy please contact Russell Deen on 0207 311 4813.

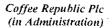
At the creditors meeting on 8 September 2009, the creditors approved the proposal that the Administrators of CRPLC "be authorised to draw fees on account from the assets of the Company from time to time during the period of the administration based on time properly spent at KPMG LLP charge out rates that reflect the complexity of the assignment. Also, that the Joint Administrators be authorised to draw disbursements from time to time to include category two disbursements." And "that the costs of KPMG LLP in respect of forensic, tax, VAT and pension advice provided to the Joint Administrators be based upon time costs and shall be paid out of the assets of the Company."

The Association of Business Recovery Professional's Statement of Insolvency Practice No. 9 ("SIP 9") requires the Joint Administrators to provide a detailed analysis of time spent, and charge out rates, for each grade of staff for the various areas of work carried out.

In the period to 9 January 2009, we have incurred time costs of £76,833, representing 295 hours at an average hourly rate of £260. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

Attached as Appendix 3 is a detailed analysis of time spent working on this assignment, and charge out rates, for each grade of staff for the various areas of work carried out to 9 January 2009, as required by SIP 9.

We have not drawn any fees in the period.





Future strategy 5

It is proposed that the Joint Administrators will continue to manage the affairs, business and property of the Company in order to achieve the purpose of the administrations. This will include:

- Dealing with the £50,000 transferred from CRUK;
- corresponding with the landlords in relation to the remaining leases;
- finalising the administration, including payment of all administration liabilities; and
- dealing with statutory reporting and compliance obligations.

As there are likely to be funds available to make a distribution to creditors of PLC, available by way of a dividend from CRUK, the Administrators propose to place the Company into Creditors' Voluntary Liquidation ("CVL") under paragraph 83 of schedule B1 of the Act, prior to the 12 month anniversary and automatic expiry of the Administration. As set out in the approved Proposals, Richard Hill and David Crawshaw will act as Joint Liquidators without further recourse to creditors.

Future reporting 6

In accordance with Rule 2.42 of the Scottish Rules, the Joint Administrators intend to provide the creditors with their final administration report immediately prior to placing the Company into CVL.

Richard Hill

Joint Administrator



Appendix 1

Statutory information

Company name	Coffee Republic Plc			
Administration Order	The Administration Order granted in the Court of Session, Edinburgh. Ref: High Court No P906 of 2009			
Date of appointment	10 July 2009			
Administrators details	Richard John Hill and David as an insolvency practitio Accountants in England and	oner by the Institute		
Functions	The functions of the Administration both of them in accordance of the Act.			
Application of EC regulations	The Administration is a main proceeding under the EC Regulation on Insolvency Proceedings. The Company has its main centre of interest in the United Kingdom and the Administration is governed by the Insolvency Act 1986			
Company Directors	Nicholas Jeffrey Peter John Freeman Breach Steven George Bartlett James Cameron Muirhead	From: 22 February 1998 19 October 2006 19 October 2006 20 September 2007	To: Present Present Present Present	
Company Secretary	Jeremy Philip Gorman			
Date of incorporation	18 May 1990			
Company Reg. no.	SC125098			
Previous registered office	50 Lothian Road, Festival Square, Edinburgh EH3 9WJ			
Present registered office	c/o KPMG LLP, 8 Salisbury Square, London EC4Y 8BB			
Trading addresses	109-123 Clifton Street, London EC2A 4LD			
Employees	34			

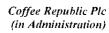


Extracts from the Company's recent consolidated trading results are shown below:

	Y/E 30/03/08 (audited)	Y/E 30/03/07 (audited)	Y/E 30/03/06 (audited)	Y/E 30/03/05 (audited)
Turnover	£'000	£'000	£'000	£'000
Turnover	5,849	9,719	14,914	17,553
Cost of sales	(6,539)	(10,731)	(15,454)	(18,134)
Gross profit	(690)	(1,012)	(540)	(581)
Admin expenses	(1,601)	(1,213)	(510)	(542)
Operating profit	(2,291)	(2,225)	(1,050)	(1,123)
Exceptional items	-	-	(157)	(103)
Interest receivable & similar income	-	14	30	12
Interest payable & similar charges	(206)	(212)	(269)	(182
Profit before tax	(2,497)	(2,423)	(1,446)	(1,396

Details of the Company's share capital and holdings

Authorised share capital	20,000,000 ordinary 6p shares	
Issued share capital	12,670,890 ordinary 6p shares Aggregate Nominal Value £760,253.40	
Director shareholdings:	Nicholas Jeffrey Peter John Freeman Breach Steven George Bartlett James Cameron Muirhead	Nil Nil 100,000 33,334





Appendix 2

Joint Administrators' receipts and payments account

Coffee Republic Plc (in administration)

Administrators' receipts and payments account for 10 July 2009 to 9 January 2010

	Statement of Affairs £	From 10/07/2009 To 09/01/2010	Total £
ASSET REALISATIONS Plant & machinery	80,000.00	NIL NIL	NIL NIL
OTHER REALISATIONS Bank interest, gross Intercompany loan		0.83 38.900.22 38.901.05	0.83 38,900.22 38,901.05
COST OF REALISATIONS Legal fees Statutory advertising Bank charges Room Booking		33,028.45 642.60 4.95 165.00 (33,841.00)	33.028.45 642.60 4.95 165.00 (33,841.00)
	80.000.00	5,060.05	5,060.05
REPRESENTED BY	•		
Floating ch. VAT rec'able Floating charge current			4,992.92 67.13
			5,060.05



Coffee Republic Plc (in Administration)

KPMG LLP 10 February 2010

Appendix 3

Analysis of the Joint Administrators' time costs for period 10 July 2009 to 9 January 2010

Coffee Republic Plc (in administration)

Time costs analysis for the period 10 July 2009 to 9 January 2010

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average bourly rate
Trading							
Asset Realization							
Health & safety		1,00			1.00	£320.00	£320.00
Cashiering							
General (Cashering)			3.20		3 20	£720.00	£225.00
Employees							
Correspondence			13.40		13.40	£2,655.00	£198 13
DTI redundancy payments service			1.50		1.50	£277 50	€185.00
Pensions reviews			0.20		0.20	£45.00	£225.00
Tax							
Initial reviews - UT and VAT			6 70		6.70	£1,327 50	£198.13
Post appointment corporation (as		1.20			1 20	£384.00	£320 00
Post appointment VAT	0 40		0.50		0.90	£288.50	£320,56
Trading							
Cash & profit projections & strategy		4.00			4.00	£1,620,00	£405 00
Purchases and trading costs			2.75		2.75	£468.75	£170.45
Sales			3 50		3.50	£577.50	£165.00
Administration & planning							
Cashiering							
hund management			0.20	•	0.20	£45.00	€225.00
General (Cashiering)			9.50	0.50	10.00	£2,190.00	£219.00
Reconciliations (& IPS accounting reviews)			0.60		0 60	£135.00	£225 00
General							
Books and records			0.90		0 90	£196.50	£218 33
Fees and WIP			5 45		5 45	£1,211.25	£222.25
Shareholders/Bankrupt							
Dissenting shareholders	1.00				1,00	£515.00	£515 00
General correspondence		7.70	9.47		17 17	£4,891 05	£284 86
Statutory and compliance							
Appointment and related formulates	3.70	3.00	7.00		13.70	£4,695.50	£342.74
Bonding and bordereau				0.80	0.80	E84.00	£105.00
Checklist & reviews			0,70		0.70	£157.50	£225.00
Statutory advertising			3.00		3.00	£495 00	£165.00
Statutory receipts and payments accounts			3.00		3.00	£495.00	£165 00
Strategy documents				0.20	0.20	£21.00	£105 00
Tax							
Initial reviews - CT and VAT		0.30	8,70		9.00	£1,975.50	£219.50
Post appointment PAYI;			1 60		1 60	£360.00	£225.00
Post appearing VAT		0.70	1.60		2.30	£494.00	£214.78
Creditors							
Creditors and claims							
General correspondence	2.00	7.30	27.40		36,70	£8,763.50	£238.79
Legal clams	2,20	1.00			1.00	£405.00	£405.00
Pre-appointment VAT / PAYE / CT		1.00	0.20		0.20	£45.00	£225.00
ROT Clams			1.50		1.50	£247.50	£165.00
Statutory reports	6.70	10.50	36.60	5.60	59,40	£14,895.00	£250.76
Employees	0.74	70.00	00.00	0.00	20,40	214,050.00	1,10.10
Correspondence		7.30	14.70		22.00	£5,856.50	£266.20
DTI redundancy payments service		0.70	2.80		3,50	£842.00	£240 57
Pensons reviews		3.30	2.00		3,30	£1,056.00	£320.00
		2.50			2,30	21,030.00	2320.00
Investigation							
Directors		3.00			2.00	£810.00	£405.00
Correspondence with directors		2.00	0.75		10.85		£249,61
D form drafting and submission	4.00	1 60	9 25		2.50	£2,708.25 £882.50	£353.00
Directors' questionnaire / checklist	1.06	0 50	1.00				
Statement of affairs		1.00	1 50		2.50	€652.50	£261 00
Rentisation of assets							
Asset Realisation							
Cash and investments	1.25		0.50		1.75	£756.25	£432.14
Debtors		4.00			4.00	£1,620.00	£405.00
Leasehold property		8,50	19.92	0.50	28.92	£7,915.80	£273.71
Open cover insurance			0.50		0.50	£112.50	£225.00
Rent			1.00		1.00	£165.00	£165 00
Sale of business	1 70	3.90			5.60	£2,455 00	£438.39
Total in period	17.75	69.50	200.34	7.60	295,19	£76,833 35	£260 28

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent

The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge-out rates

Coffee Republic Plc (in administration)

Summary of charge out rates in operation during the course of the administration

	10 July 2009 to 9 January 2010
	£
Restructuring	
Partner	515
Director .	440
Senior Manager	405
Manager	320
Senior Administrator/Assistant Manager	225
Administrator	165
Support Staff	105
Tax	
Partner	515
Senior Manager	405
Administrator	165