

**COBURG GROUP PLC**  
**("COBURG" OR "THE COMPANY")**

**UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED**  
**31 OCTOBER 2010 AND PLACING**

The existing coffee business made a small profit in the first six months of the financial year on reduced turnover that reflects the loss of the Company's largest customer, Caffe Nero. Trading during the Christmas period has been difficult. Sales were slightly lower than expected and dramatically higher raw coffee prices have combined to cancel out the good work done by management in successfully acquiring new large contract roasting customers.

During the last twelve months raw coffee prices have increased by approximately 80% to levels unprecedented in recent times. Whilst customers have been receptive to some price adjustments it has been impossible to pass on increases of this magnitude quickly enough and therefore inevitably margins have suffered. Against this backdrop and general economic conditions the Directors feel that it is very unlikely that the coffee business is going to make a meaningful contribution to profits in the short term and for this reason the directors are considering all options relating to the development of the Company.

**Placing**

In October 2010 the Company successfully completed a reorganisation of the share capital which had the result of consolidating 100 former shares of 5p each into 1 new share of 10p. At that time it had been the intention of the Directors to complete a placing of new ordinary shares to raise cash to improve the working capital position of the Company and to provide funds to enable the Company to diversify and explore potential acquisitions in more exciting growth fields. This placing was postponed following very strong representations from a major shareholder.

I am now pleased to report that the Company has today completed the placing of 175,000 new ordinary shares at a price of £1.50 per share to raise £262,500.

Subscribers will receive one warrant per ordinary share to subscribe for an additional new ordinary share at a price of £1.75 per share. The right to exercise these warrants will expire on 31<sup>st</sup> March 2014. The warrants will not be listed but will be transferable.

The main placee is Ronald Bruce Rowan who has agreed to subscribe £180,000 for 120,000 shares at £1.50 which will give him an immediate interest of 29.1% in the enlarged share capital of the Company. Konrad Legg, Chairman of Coburg has subscribed for 40,000 shares and the balance of 15,000 shares has been subscribed by other existing large shareholders.

Following the placing, and in addition to Mr Rowan, the substantial shareholders will hold the following interests in the enlarged share capital of the Company.

K P Legg	89,300	21.63%
A Summers	51,000	12.35%
M Cronk and family	19,570	4.74%

The new funds will be used to improve the working capital position of the Company and to enable the Company to explore new avenues that should in due course lead to the acquisition of new growth businesses.

By virtue of its size, Mr Legg's subscription constitutes a related party transaction under the AIM Rules. The directors, other than Mr Legg, having consulted with the Company's Nominated Adviser, consider that the terms of the subscription are fair and reasonable insofar as the Company's shareholders are concerned.

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**PERIOD ENDING 31 OCTOBER 2010**

	Six months to 31 October 2010 (Unaudited) £'000	Six months to 31 October 2009 (Unaudited) £'000
Revenue	815	1,964
Cost of sales	(501)	(1,347)
Gross profit	314	617
Distribution costs	88	137
Administration expenses	218	412
 Group Operating Profit	 8	 68
Interest payable and similar charges	(5)	(8)
 Profit before tax	 3	 60
Income tax expense	-	-
Profit for the financial period	3	60
Other comprehensive income:	-	-
Total comprehensive income for the period	3	60
Basic profit / (loss) per share	0.01p	0.25p
Diluted profit / (loss) per share	0.01p	0.25p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
PERIOD ENDED 31 OCTOBER 2010**

	31 October 2010 (Unaudited) £'000	31 October 2009 (Unaudited) £'000	30 April 2010 (Audited) £'000
<b>ASSETS</b>			
Non-current assets			
Goodwill	198	198	198
Property, plant and equipment	284	330	293
	482	528	491
Current assets			
Inventories	172	190	190
Trade and other receivables	263	498	452
Cash and cash equivalents	4	4	72
	439	692	714
<b>TOTAL ASSETS</b>	<b>921</b>	<b>1,220</b>	<b>1,205</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	292	742	713
Financial liabilities - borrowings			
Short term borrowings	47	45	31
Interest bearing loans and borrowings	184	44	52
	523	831	796
Non-current liabilities			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	9	49	23
	9	49	23
<b>Total liabilities</b>	<b>532</b>	<b>880</b>	<b>819</b>
<b>Net assets</b>	<b>389</b>	<b>340</b>	<b>386</b>
<b>EQUITY</b>			
Called up equity share capital	1,190	1,190	1,190
Share premium account	418	418	418
Other reserves	426	428	426
Retained earnings	(1,645)	(1,696)	(1,648)
<b>Total Equity</b>	<b>389</b>	<b>340</b>	<b>386</b>

**CONSOLIDATED STATEMENT OF CASHFLOWS**  
**PERIOD ENDING 31 OCTOBER 2010**

	Six months to 31 October 2010 (Unaudited) £'000	Six months to 31 October 2009 (Unaudited) £'000
Cash flows from operating activities		
Operating profit/ (loss)	8	68
Adjustments for:		
Depreciation	27	38
Profit on disposal of property, plant and equipment	(1)	(3)
Decrease/ (increase) in trade and other receivables	188	(52)
(Decrease) in trade and other payables	(420)	(6)
Decrease in inventories	18	21
Cash generated from operations	(181)	66
Interest paid	(5)	(8)
Net cash from operating activities	(186)	58
Cash flows from investing activities		
Purchase of property, plant and equipment	(18)	(10)
Sale of property, plant and equipment	1	3
Net cash used in investing activities	(17)	(7)
Cash flows from financing activities		
New borrowings	150	-
Repayment of loans	(14)	(14)
(Payments)/Proceeds of finance lease liabilities	(18)	(10)
Net cash used in financing activities	118	(24)
Net increase in cash and cash equivalents	(85)	27
Cash and cash equivalents at beginning of period	42	(68)
Cash and cash equivalents at end of period	(43)	(41)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**PERIOD ENDED 31 OCTOBER 2010**

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2009 brought forward	1,190	418	426	(1,754)	280
Loss for the period	-	-	-	60	60
Other reserves transfer	-	-	2	(2)	-
Balance at 31 October 2009	1,190	418	428	(1,696)	340
	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 31 October 2009 brought forward	1,190	418	428	(1,696)	340
Loss for the period	-	-	-	46	46
Other reserves transfer	-	-	(2)	2	-
Balance at 30 April 2010	1,190	418	426	(1,648)	386
Balance at 1 May 2010 brought forward	1,190	418	426	(1,648)	386
Profit for the period	-	-	-	3	3
Balance at 31 October 2010	1,190	418	426	(1,645)	389

## **NOTES TO THE INTERIM FINANCIAL STATEMENTS PERIOD ENDED 31 OCTOBER 2010**

### **1. Basis of accounting**

These interim financial statements for the period ended 31 October 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS). The Group financial statements of Coburg Group plc consolidate the financial statements of Coburg Coffee Company Limited and C.K. Coffee Limited.

The information presented within these interim financial statements is in compliance with IAS 34 'Interim Financial Reporting'. This requires the use of certain accounting estimates and requires that management exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where the assumptions and estimates are significant to the interim financial statements are disclosed below.

The financial information contained in this report, which has not been audited, does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006 and on the same basis and using same accounting policies as used in the financial statements for the year ended 30 April 2010. The interim financial statements have not been audited.

The Company's statutory financial statements for the year ended 30 April 2010, prepared under IFRS have been filed with the Registrar of Companies. The auditors' report for the 2010 financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The following International Financial Reporting Standards, amendments and interpretations have been released but are not effective for the current period. The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Group's profit or equity: IFRS Standards and Interpretations issued but not yet effective:

#### **IFRS Standards and Interpretations issued but not yet effective**

Title	Issued	Effective Date
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	Nov-09	Accounting periods beginning on or after 01/01/2010
IFRS 1 Amendment - Limited exemption from IFRS 7 Disclosures for first time adopters	Jan-10	Accounting periods beginning on or after 01/01/2010
IFRIC 14 (Amendment) Prepayments of a minimum funding requirement	Nov-09	Accounting periods beginning on or after 01/01/2011
Revised IAS 24 Related Party Disclosures (Issued 4 November 2009)	Nov-09	Accounting periods beginning on or after 01/01/2011

## IFRS Standards and Interpretations issued by IASB but not yet EU approved

Title	Issued	Effective Date
IFRS 9 Financial Instruments	Nov-09	Accounting periods beginning on or after 01/01/2013
Annual Improvements to IFRS	May 10	Accounting periods beginning on or after 01/07/2010
Amendments to IFRS 7 Financial Instruments Disclosures	Oct 10	Accounting periods beginning on or after 01/07/2011
Annual Improvements to IFRS	May 10	Accounting periods beginning on or after 01/01/2011

## 2. Critical accounting estimates

In order to prepare these consolidated financial statements in accordance with the accounting policies set out in note 1, management has used estimates and judgements to establish the amounts at which certain items are recorded. Critical accounting estimates and judgements are those that have the greatest impact on the financial statements and require the most difficult, subjective and complex judgements about matters that are inherently uncertain. Estimates are based on factors including historical experience and expectations of future events that management believe to be reasonable. However, given the judgemental nature of such estimates, actual results could be different from the assumptions used. The critical accounting policies are set out below.

### Impairment of goodwill

An impairment of goodwill has the potential to significantly impact upon the group's income for the year. In order to determine whether impairments are required the Group estimates the recoverable amount of the goodwill. This calculation is usually based on projecting future cash flows over a rolling nineteen-year period. A discount factor, based upon the Group's weighted average cost of capital is applied to obtain a current value ('value in use'). The 'fair value less costs to sell' of an asset is used if this results in an amount in excess of 'value in use'.

Estimated future cash flows for impairment calculations are based on management's expectations of future volumes and margins based on plans and best estimates of the productivity of the assets in their current condition. Future cash flows therefore exclude benefits from major expansion projects requiring future capital expenditure where that expenditure has not been approved at the balance sheet date.

Future cash flows are discounted using a discount rate based on the Group's weighted average cost of capital, adjusted if appropriate for circumstances specific to the asset being tested. The weighted average cost of capital is impacted by estimates of interest rates, equity returns and market related risks. The Group's weighted average cost of capital is reviewed on an annual basis.

### Derivative financial instruments

The Group has applied the requirements of IFRS 2 'Share-based payment', as amended by IFRIC Interpretation 2 - IFRS 2 Group and Treasury share transactions.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. Where services are from employees fair value is determined indirectly by reference to the fair value of the instrument granted. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital

Fair value is based upon a Black-Scholes Valuation model.

### Going concern

In assessing going concern the directors have prepared forecasts. The forecasts are based on factors including historical experience and expectations of future events which the directors believe to be reasonable. However, given the judgemental nature of such estimates, actual results could be different from the forecasts used. Further details regarding going concern are provided in the basis of accounting note and the director's report.

## 3. EARNINGS per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

	Six months to 31 October 2010			Six months to 31 October 2009		
	Earnings (£000)	Weighted average no. of shares	Amount per share (pence)	Earnings (£000)	Weighted average no. of shares	Amount per share (pence)
Losses attributable to ordinary shareholders	3	23,921,759*	0.01	60	23,790,914	(0.21)
Dilutive effect of options	-	425,000	-	-	-	-
Diluted losses per share	3	24,346,759*	0.01	60	23,790,914	(0.21)

\*As described in the Chairman's statement a reorganisation of the company's share capital took place in October 2010. The reorganisation involved the exchange of 10 new ordinary 10p shares and 1 £49 deferred share for every 1,000 5p shares. The deferred shares carry no rights. The number of shares in issue at the 31 October 2010 consisted of 23,790 deferred shares of £49 and 237,900 ordinary 10p shares.

## 4. Segmental reporting

IFRS 8 requires that operating segments be identified on the basis of internal reporting and decision making. The operating segments represent those assessed by the board and relate to the group's two trading companies. The principal activities are:-

a. Coburg Coffee Company Ltd - The sourcing, roasting and distribution of quality coffee beans, the grinding and marketing of country originals and blended ground coffees and the sourcing, preparation and distribution of single estate and blended teas.

b. CK Coffee Ltd - Supplier of coffee, tea and other beverages to offices, cafes, hotels and restaurants.

Period Ended 31 October 2010

	Coburg Coffee Company £'000s	CK Coffee £'000s	Total £'000s
Total Revenue	392	423	815
Revenue - Internal	257	-	257
External Revenue	649	423	1,072
Depreciation and amortisation	14	13	27
Operating Profit/(Loss)	(37)	105	68
Group and consolidation adjustments			(61)
Finance costs	-	(4)	(4)
Profit before tax			3
Tax			-
Profit after tax as per income statement			3

All turnover arose within the United Kingdom and related to external sales.

Period Ended 31 October 2009

	Coburg Coffee Company £'000s	CK Coffee £'000s	Total £'000s
Total Revenue	1,501	233	1,734
Revenue - Internal	300	-	300
External Revenue	1,801	233	2,034
Depreciation and amortisation	18	20	38
Operating Profit/(Loss)	131	44	175
Group and consolidation adjustments			(107)
Finance costs	(1)	(7)	(8)
Profit/(Loss) before tax			60
Tax			-
(Loss) after tax as per income statement			60

Period Ended 31 October 2010	Coburg Coffee Company	CK Coffee	Total Group
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	£'000s	£'000s	£'000s
Segment assets	96	642	738
Unallocated assets			
Goodwill			160
Trade and other receivables			23
Cash and cash equivalents			-
Total assets			921
Segment liabilities	38	446	484
Unallocated liabilities			
Trade and other payables			14
Borrowings			34
Total liabilities			532
Net operating assets	58	196	389
Year ended 30 April 2009			
	Coburg Coffee Company £'000s	CK Coffee £'000s	Total Group £'000s
Segment assets	144	909	1,053
Unallocated assets			
Goodwill			147
Trade and other receivables			20
Cash and cash equivalents			-
Total assets			1,220
Segment liabilities	36	742	778
Unallocated liabilities			
Trade and other payables			40
Borrowings			62
Total liabilities			880
Net operating assets	108	167	340