ABBEYCREST PLC

Condensed Consolidated Interim Financial Statements

For the six months ended 31 August 2007

Chairman's Interim Statement

Overview

The trends noted in the Interim Management Statement dated 13 July 2007 have become even more evident as the year has progressed. The UK fine jewellery market continues to be slow and this is reflected in the financial performance of G&A. Sales outside the UK, from our Far East manufacturing businesses, have, by contrast, exceeded all budgets and expectations. This has enabled the Group to report a result which is only marginally below that reported for the comparative period last year. However, it should be noted that G&A is likely to have a greater impact on the second half performance of the Group, due to the more seasonal nature of the UK business.

Of particular note is the fact that the Group (particularly G&A) has been successful in disposing of much larger quantities of excess stocks than in previous years. These disposal sales have been running at double budget levels and have been made with only a modest impact on profit to date.

Within the strictures of our banking arrangements, management continues to control working capital with further progress being made in debt reduction through rigorous stock management. In addition, management is constantly and carefully monitoring the overhead base of the business to ensure that it is correctly sized to match activity levels both in the UK and in the Far East.

Debt Reduction/Working Capital

Stock has been reduced by £2.1m (9%) in relation to last year as inventories have been adjusted to match activity levels. Borrowings have reduced by £0.7m (3%) in relation to last year. This is less than the stock reduction as the Group's creditors have reduced year-on-year reflecting the unwinding of various payment period arrangements made with creditors during the re-bank process last year, leaving the Group now with normal commercial terms.

G&A

The problematic state of the jewellery industry in the UK continues to have an adverse impact on G&A while the factors noted in the Interim Management Statement continue to apply. Assay Office Statistics show the volume of gold being hallmarked in the UK had declined by around 5% for the first four months of the Group's financial year. This is reflected in the fact that G&A now represents only 43% of Group turnover compared with 56% in the same period last year. In the light of the excellent progress being made in the Far East, this trend is expected to continue.

The overhead base is being constantly monitored and costs have been reduced by around 13% on the same period last year.

Whilst it is difficult to be optimistic about UK trading in the second half, at least the Assay Office Statistics have shown some positive year-on-year growth for July and August, although not September.

Chairman's Interim Statement

ABBEYCREST (Thailand) Limited

Jewellery Manufacturer

Commercial performance at Abbeycrest Thailand Limited has been most pleasing. Sales have increased by 11% on the same period last year, with good margins, and overheads have been maintained at last year's levels. This has translated into a substantial net profit compared with a loss last year.

The turnover mix has also changed, with lower margin sales to G&A reducing and better margin direct sales to customers increasing markedly. Around 71% of sales from the gold factory are now third party sales, with gem factory sales to third parties accounting for around 61% of its output.

As turnover has grown, stringent efforts have been made to implement efficiencies and as a consequence manufacturing unit costs have reduced and the overhead base has been maintained at last year's levels.

Whilst the story from Abbeycrest Thailand Limited is a good one there is still further progress to be made.

Dynamic Creations

Good progress continues at Dynamic Creations. As with Abbeycrest Thailand Limited, the majority of sales are now to third parties rather than G&A. Sales for the half year are running around 21% ahead of the prior year, whilst overheads have been reduced by around 15%. This has resulted in net profit being substantially up on both the budget and the prior year.

brown&newirth Ltd

In a difficult market, Brown and Newirth has been successful in maintaining its trading performance at around the same level as last half year.

Prospects

There is no doubt that the gradual but accelerating shift of emphasis in the Group from G&A to the Far East companies is changing the nature of the business. Abbeycrest Thailand Limited and Dynamic Creations are moving from being businesses which either acted primarily as manufacturing operations for G&A, or lacked critical mass, to operations which have their own growing income streams from third party customers.

Regarding Group trading performance over the second half of the year, much will, as ever, depend on market conditions in the UK during the season, but also on external factors such as gold price.

Michael Lever
Chairman

Condensed Consolidated Income Statement

For the six months ended 31 August 2007

	Note	**Six months to 31 August 2007 Unaudited £'000**	Six months to 31 August 2006 Unaudited £'000	Year to 28 February 2007 Audited £'000
Revenue	4	**25,747**	27,892	64,615
Operating costs		**(26,224)**	(28,256)	(62,177)
Operating (loss)/profit		**(477)**	(364)	2,438
Finance income		**26**	162	198
Finance costs		**(1,141)**	(1,984)	(3,292)
(Loss)/profit before taxation and exceptional items		**(1,502)**	(1,370)	310
Exceptional items – operating costs	2	**(90)**	50	(100)
Exceptional items – finance costs	2	**–**	(866)	(866)
Loss before taxation		**(1,592)**	(2,186)	(656)
Tax on loss		**654**	661	167
Loss for the period		**(938)**	(1,525)	(489)
Loss per share – basic and diluted	3	**(3.6)p**	(6.2)p	(1.9)p

Condensed Consolidated Interim Statement of Recognised Income and Expense

For the six months ended 31 August 2007

	Six months to 31 August 2007 Unaudited £'000	Six months to 31 August 2006 Unaudited £'000	Year to 28 February 2007 Audited £'000
Movement on fair values of cash flow hedges	**(22)**	(165)	65
Exchange movement	**(114)**	(455)	87
Total income and expense recognised in equity	**(136)**	(620)	152
Loss for the period	**(938)**	(1,525)	(489)
Total recognised expense relating to the period	**(1,074)**	(2,145)	(337)

Condensed Consolidated Balance Sheet

As at 31 August 2007

	31 August 2007 Unaudited £'000	31 August 2006 Unaudited £'000	28 February 2007 Audited £'000
Assets			
Non-current assets			
Goodwill	**1,866**	1,866	1,866
Intangible assets	**161**	160	143
Property, plant and equipment	**4,760**	4,726	4,856
Deferred tax assets	**471**	261	471
	7,258	7,013	7,336
Current assets			
Inventories	**20,927**	23,012	18,763
Trade and other receivables	**13,172**	13,794	13,208
Cash and cash equivalents	**298**	946	380
	34,397	37,752	32,351
Liabilities			
Current liabilities			
Financial liabilities			
– Borrowings	**(17,039)**	(18,032)	(12,075)
– Trade and other payables	**(5,172)**	(7,712)	(7,033)
– Derivative financial instruments	**(49)**	(165)	(4)
	(22,260)	(25,909)	(19,112)
Net current assets	**12,137**	11,843	13,239
Non-current liabilities			
Financial liabilities			
– Borrowings	**(2,155)**	(2,448)	(2,261)
Deferred tax liabilities	**(10)**	–	(10)
	(2,165)	(2,448)	(2,271)
Net assets	**17,230**	16,408	18,304
Shareholders' equity			
Share capital	**2,662**	2,538	2,662
Share premium account	**5,619**	5,489	5,619
Merger reserve	**199**	199	199
Cumulative translation reserve	**316**	(76)	430
Hedging reserve	**(26)**	(165)	(4)
Retained earnings	**8,460**	8,423	9,398
Total shareholders' equity	**17,230**	16,408	18,304

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 31 August 2007

	Six months to 31 August 2007 Unaudited £'000	Six months to 31 August 2006 Unaudited £'000	Year to 28 February 2007 Audited £'000
Cash flow from operating activities			
Loss after tax	**(938)**	(1,525)	(489)
Tax charge	**(654)**	(661)	(167)
Depreciation and amortisation	**489**	525	1,008
Loss/(profit) on sale of tangible fixed assets	**3**	(538)	(556)
Finance costs	**1,141**	1,984	1,993
Finance income	**(26)**	(162)	(198)
	15	(1,412)	1,591
(Increase)/decrease in inventories	**(2,264)**	179	4,644
Decrease/(increase) in receivables	**35**	(1,275)	(574)
Decrease in payables	**(1,261)**	(120)	(1,318)
Finance costs paid	**(1,141)**	(1,984)	(1,993)
Taxation paid	**–**	–	(144)
Net cash (outflow)/inflow from operating activities	**(4,616)**	(3,577)	2,206
Net cash flow from investing activities			
Purchase of property, plant and equipment	**(240)**	(279)	(684)
Proceeds from sales of property, plant and machinery	**–**	3,312	3,273
Finance income received	**26**	162	198
Purchase of shares	**–**	(313)	(313)
Purchase of intangible fixed assets	**(92)**	–	39
Net cash (used in)/generated from investing activities	**(306)**	2,882	2,513
Cash flow from financing activities			
Proceeds of borrowings	**5,924**	25,124	17,440
Repayment of borrowings	**–**	(15,634)	(15,634)
Inception of finance leases	**18**	–	–
Leased gold facility movement	**(1,122)**	(2,869)	(1,068)
Capital element of finance lease rental payments	**(71)**	(5)	(54)
Net cash generated from financing activities	**4,749**	6,616	684
Net increase in cash	**(173)**	5,921	5,403
Cash and cash equivalents at beginning of year	**108**	(5,295)	(5,295)
Cash and cash equivalents at end of year	**(65)**	626	108
Cash and cash equivalents comprise:			
Cash and cash equivalents in the balance sheet	**298**	946	380
Bank overdrafts	**(363)**	(320)	(272)
	(65)	626	108

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 August 2007

1. Basis of preparation

1.1 Reporting entity

The condensed consolidated interim financial statements of Abbeycrest plc (the Company) as at and for the six months ended 31 August 2007 comprise the Company and its subsidiaries.

These primary statements and selected notes comprise the unaudited condensed interim consolidated financial results of Abbeycrest plc for the six months ended 31 August 2007 and 2006.

These condensed interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 28 February 2007 were approved by the Board of Directors on 15 May 2007. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

The consolidated financial statements of the Group as at and for the year ended 28 February 2007 are available upon request from the Company's registered office at 11-15 Wilmington Grove, Leeds, LS7 2BQ or via the company website at www.abbeycrest.co.uk.

1.2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 28 February 2007.

The directors can confirm that the condensed interim financial statements have been prepared in accordance with DTR rules.

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 October 2007.

1.3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 28 February 2007.

1.4 Estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 28 February 2007.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 August 2007

2. Exceptional items

	Six months to 31 August 2007 Unaudited £'000	Six months to 31 August 2006 Unaudited £'000	Year to 28 February 2007 Audited £'000
Exceptional items – operating costs			
Re-organisation costs	**–**	186	526
Dynamic Creations Limited legal costs	**–**	209	209
Negative goodwill recognised in the income statement	**–**	–	(340)
G&A Limited restructuring	**–**	89	239
ATL restructuring	**90**	–	–
Profit on sale of Leeds headquarters	**–**	(534)	(534)
	90	(50)	100
Exceptional items – finance costs			
Re-banking costs	**–**	866	866
Total exceptional items	**90**	816	966

The reorganisation costs relate to the restructuring of the Group's Far East manufacturing activities into one purpose built site in Northern Thailand, including the associated downsizing of Dynamic Creations Limited (DCL) in Hong Kong.

DCL legal costs are in respect of a dispute between the minority interest holder in DCL and Abbeycrest plc which has now been settled, and a dispute with a supplier connected to the minority interest which is still on-going.

The negative goodwill recognised in the income statement arose on the purchase of shares in DCL.

The G&A Limited restructuring costs relate mainly to redundancy and associated costs resulting from significant head count reduction and streamlining or closure of certain departments.

The Abbeycrest Thailand Limited restructuring costs relate to redundancy costs resulting from significant head count reduction in Thailand.

The Leeds headquarters were sold as part of the re-banking process, resulting in a profit on disposal.

The re-banking costs in both 2006 and 2007 relate to facility fees, monitoring fees and associated legal costs of the re-banking that was enforced upon the Group and completed in June 2006.

3. Loss per share

Basic loss per share and diluted earnings per share have been calculated using the weighted average number of shares in issue during the period of 26,023,641 (2006: 24,637,885).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 August 2007

4. Segmental analysis

The single primary business segment of the Group is the manufacture and distribution of fine jewellery. The Group operates in three main geographical regions: the United Kingdom, the Rest of Europe and the Rest of the World.

Analysis of revenue

	United Kingdom Unaudited £'000	Rest of Europe Unaudited £'000	Rest of World Unaudited £'000	Total Unaudited £'000
Six months to 31 August 2007	**18,727**	**2,906**	**4,114**	**25,747**
Six months to 31 August 2006	23,017	1,966	2,909	27,892

Revenue is allocated based on the country in which the customer is located.

5. Seasonality of operations

The Group is subject to seasonal fluctuations particularly the effect of Christmas. As a consequence, the first half-year typically results in lower revenues than the second half year.

The Group attempts to minimise the seasonal impact through the management of inventories to meet demand.

For the six months ended 31 August 2007 the Group had revenue of £25,747,000 (six months to 28 February 2007: £36,723,000) and a loss for the period of £938,000 (six months to 28 February 2007: profit for the period of £1,036,000).

6. Property plant and equipment

Acquisitions and disposals

During the six months ended 31 August 2007 the Group purchased property, plant and equipment with a cost of £258,000 (six months to 31 August 2006: £279,000).

Capital commitments

At 31 August 2007 the Group had entered into a contract to purchase property, plant and equipment for £123,000 (2006: £Nil).