



Press release

26 June 2009

Abbeycrest plc
(“Abbeycrest” or “the Group”)
Final Results

Abbeycrest plc (LSE: ACR), a leading international jewellery designer and manufacturer, today reports its final results for the year ended 28 February 2009.

Financial highlights

- Revenue of £53.1m (2008: £61.9m)
- Operating loss of £7.1m (2008: £1.1m loss) after exceptional operating costs of £8.2m (2008: £2.8m) reflecting the impact of restructuring programme
- Adjusted operating profit before exceptional items and depreciation and amortisation of £2.0m (2008: £2.6m)
- Reduced net debt by 31% to £8.0m (2008: £11.6m)
- Group successfully re-financed with its senior secured asset backed financier (for details of further financing required see note 1b)

Operational highlights

- First phase of the restructuring programme successfully completed
- Streamlined product offering
- Reduced UK distribution to direct supply from the Group’s Thailand facility
- Brought further elements of third party manufacturing in-house
- Reduced head count from 1,042 employees to 891
- Successfully launched phase two of the restructuring programme to focus on lower volume, higher margin products

Post year end highlights

- Strengthened Board with the appointment of Graham Partridge as Group Finance & Operations Director and Nick Hamley as Group Sales & Marketing Director
- Launched three new higher margin brands Gorgeous Gold®, Fluid®, and Osare®
- Launched Global Edge, Abbeycrest’s brand portfolio business, and strengthened sales team with national and regional managers with brand experience
- Successfully increased banking facilities with Siam Commercial Bank in Thailand

Commenting on the results Simon Ashton, Executive Chairman of Abbeycrest, said: “This has been a significant year for Abbeycrest, we have successfully implemented our restructuring programme and the foundations are now in place to enable the Group to maximise its potential growth. We have significantly reduced overheads and shifted the focus onto higher margin products. The Group has successfully launched three new branded collections, all of which have begun to generate revenues.

“We believe that the Group is now in a position to enhance the returns from the mainstream business through the Essentials division and to exploit the demand for higher value, fashion driven pieces through the Brands division.

“I am confident that the Group is now in a position to take full advantage of the wide range of opportunities available in the global jewellery market.”

- Ends -

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Chairman's statement

The year ended 28 February 2009 has been one of significant change for Abbeycrest. Revenue for the period was £53.1m (2008: £61.9m) and the Group had an operating loss of £7.1m (2008: £1.1m) after exceptional costs of £8.2m (2008: £2.8m) reflecting the impact of the restructuring programme. I am pleased to advise shareholders that against a backdrop of turbulent financial markets and a world recession, the Group has made tangible progress with the restructuring programme outlined in our "Annual Report & Financial Statements 2008" and successfully negotiated revised financing facilities with its secured asset based financier.

I would like to remind shareholders of the background to this restructuring programme. Traditionally, the Group had pursued a strategy of selling high volumes of relatively low margin unbranded product, primarily to general and specialist multiples and mid-market independent retailers. This strategy manifested itself in an overly complex business with approximately 30,000 stock lines and a disproportionately high level of overhead. Reported annual revenue for the Group peaked at £98.8m for the year to 28 February 2003, yet this generated a loss before tax of £0.6m and required stocks of £41.4m in October 2002. With the exception of the year ended 28 February 2004, the Group has made a loss before tax in every subsequent year.

In January 2008, I was appointed to the Board to bring about a reduction of Abbeycrest's cost base and borrowing levels in the short-term, and orchestrate a shift in strategy to address its competitive position in the long-term. We have set about rejuvenating Abbeycrest in two distinct phases.

Phase 1 – 'Straight Edge'

The aim here was, and remains, to focus on fewer more productive customers, suppliers and product lines through leaner supply-chains, processes and teams, with a view to reducing costs and working capital.

The key elements were to:

- reduce the number of product lines based on design, margin and demand criteria;
- wind down UK distribution in favour of direct supply from the Group's Far East facilities;
- transfer third party manufacture to Group manufacturing resource where possible; and
- decrease headcount and overhead in line with the above measures.

Whilst this phase has necessitated planned exceptional operating and finance costs of £9.1m (2008: £2.8m), including a cash element of £3.1m, we have:

1. reduced reported net debt, being current and non-current borrowings less cash and cash equivalents, linked principally to working capital reductions from £11.6m at 29 February 2008 to £8.0m at 28 February 2009, with a corresponding reduction in product lines from 22,159 to 18,919 over the same period.
2. reduced labour and overhead costs, being employee benefit expense plus other operating expenses before exceptional items, within the reported results from £11.7m for the year ended 29 February 2008 to £9.1m for the year ended 28 February 2009, with a corresponding reduction in average headcount from 1,042 to 891 over the same period.
3. successfully increased banking facilities with SCB in Thailand by £1.3m, in line with the transfer from UK distribution to direct supply from the Far East to major UK customers.

This phase is largely complete, but the Directors remain ever vigilant to the opportunity for further improvement and the dangers of complacency.

Phase 2 – ‘Leading Edge’

The aim here is to shift our thinking from ‘sell what we make’ to ‘make what will sell’, and to recognise the trend toward buying ‘less but better’, with a view to targeting lower-volume higher-margin segments of the market.

The key elements are to:

- distil the existing Abbeycrest operations supplying mainstream global markets into an ‘Essentials’ division targeting fewer customers with more focused ranges;
- create a ‘Brands’ division, incorporating Brown & Newirth, to grow higher-end markets with branded jewellery collections;
- drive new product development through a formal process underpinned by market trends and consumer research; and
- introduce new talent and clearer objectives and lines of communication to make better use of Group resource, infrastructure and distribution channels.

Whilst this phase was effectively only launched in the autumn of 2008, we have already:

1. launched Gorgeous Gold®, Fluid®, and Osare® collections, aimed at the growing ABC1 working women’s silver, and men’s segments respectively;
2. launched Global Edge™, Abbeycrest’s brand portfolio business, and recruited a new national sales manager and four new regional sales managers, all with brand experience;
3. appointed two new main board directors; Graham Partridge was appointed as Group Finance and Operations Director on 23 March 2009 and Nick Hamley as Group Sales and Marketing Director on 7 May 2009; and
4. devised a new corporate identity programme to communicate Abbeycrest’s vision both internally and externally.

This phase is still in its nascent stages, but the Directors believe that growth in the less price-sensitive segments of the market, particularly in the current economic climate, is a positive way to progress.

The Directors believe that the Group is now in a position to enhance the returns from its traditional mainstream business through the Essentials division, and to exploit the demand for higher value fashion driven pieces through the Brands division.

However, there remain uncertainties with regard to the future funding of the Group, more details of which can be found in note 1b and management are currently exploring a number of options available to it.

In the light of the results for this financial year, the Directors are unable to propose a dividend payment.

The markets in which the Group operates remain challenging. However, I am confident in your Board's ability to deliver further improvements and that the Group is well placed to take advantage of the wide range of opportunities presented to us by the global jewellery market.

Simon Ashton

Chairman

25 June 2009

Business and Financial Review

Group Revenue

The table below analyses revenue for the Group for the periods indicated:

	12 months ended 28 February 2009 £'000	12 months ended 29 February 2008 £'000
Revenue	53,052	61,936
<i>Analysis of revenues by geographic market</i>		
UK	35,272	43,863
Rest of Europe	6,433	5,530
Rest of the World	11,347	12,543
Total	53,052 =====	61,936 =====

The reduction in revenue during the periods covered by the table above was as a result of a fall in demand for the Group's unbranded jewellery in the UK. The reduction in demand was also exacerbated by increased competition at the high-volume low-value end of the market, including the growth of costume jewellery. Sales in the latter months of the year ended 28 February 2009 were also affected by the strategic withdrawal by Abbeycrest from certain customer relationships which generated little contribution or were loss-making in nature.

The Group has continued to perform well and maintain its presence in its various overseas markets throughout the periods covered by the table above.

Operating profit and margins

The table below analyses operating profit and margins for the Group for the periods indicated:

	12 months ended 28 February 2009 £'000	12 months ended 29 February 2008 £'000
EBITDA before exceptional items	2,026	2,629
<i>Less</i>		
Depreciation of tangible fixed assets	789	839
Amortisation of intangible fixed assets	162	132
Operating profit before exceptional items	1,075	1,658
Exceptional items – operating costs	(8,191)	(2,803)
Operating loss	(7,116)	(1,145)
EBITDA margins before exceptional items	3.8%	4.2%
Operating margins before exceptional items	2.0%	2.7%

EBITDA before exceptional items and operating margin reduced during the year ended 28 February 2009, a period of transition, as the various restructuring measures were implemented. The effect of the strategic decision to withdraw from certain UK customers towards the end of that year adversely impacted operating profit before exceptional items for the year. The Directors believe that the benefits of the restructuring exercise that took place during the year ended 28 February 2009 will only properly begin to gather momentum during the current financial year ended 28 February 2010.

The Group's other operations all performed well during the periods covered by the table above, with an improving trend in operating profits and margins in both Abbeycrest Thailand and Abbeycrest Hong Kong. Brown and Newirth continues to contribute significantly to the Group's performance however this business did experience difficult conditions in the latter months of the year ended 28 February 2009, incurring certain one-off foreign currency losses and £0.4m of gold losses.

Exceptional costs

The table below provides a breakdown of exceptional operating costs incurred during the periods indicated:

	12 months ended 28 February 2009 £'000	12 months ended 28 February 2008 £'000
Reorganisation costs	-	819
Stock reduction programme	2,386	1,934
Fixed asset impairment	-	50
Abbeycrest International restructuring	5,805	-
Total exceptional operating costs	8,191	2,803

The Group has incurred substantial exceptional costs during the years ended 29 February 2008 and 28 February 2009 as a result of the restructuring exercise.

Exceptional operating costs incurred during the year ended 28 February 2009 comprise restructuring costs incurred by Abbeycrest International, including redundancy-related costs and a substantial onerous lease provision arising from the decision to vacate the Company's premises in Leeds and a stock clearance and liquidation programme associated with the Group's strategic withdrawal from relationships with certain of its UK customers as part of the downsizing of the operation in Leeds.

Exceptional operating costs incurred during the year ended 29 February 2008 comprise reorganisation costs associated with redundancy, professional and other costs arising from the restructuring of the Group, provisions against slow-moving stock, in particular, following the reduction in the number of stocklines held by Abbeycrest International and write-downs to £nil of fixed assets no longer used by Abbeycrest International.

Loss attributable to equity shareholders

The table below analyses the loss attributable to equity Shareholders for the periods indicated:

	12 months ended 28 February 2009 £'000	12 months ended 28 February 2008 £'000
Operating loss	(7,116)	(1,145)
Finance income	6	95
Finance costs – exceptional	(956)	-
Finance costs – non-exceptional	(2,065)	(2,483)
Loss before taxation	(10,131)	(3,533)
Tax on loss	(58)	(452)
Loss for the year attributable to shareholders	(10,189)	(3,985)

The Group continued to incur substantial finance costs on the Group's net debt which contributed to the pre-tax loss reported in the table above. The restructuring exercise has resulted in a substantial decrease in the Group's net debt, with net finance costs excluding exceptional charges incurred during the year ended 28 February 2009 reduced to £2.1m (year ended 29 February 2008: £2.5m).

The Group announced on 17 March 2009 that it had re-banked its UK borrowings facilities. This resulted in £1.0m of arrangement fees and associated legal costs of an exceptional nature being incurred during the year ended 28 February 2009.

Cashflows

The table below analyses the Group's cashflows for the periods indicated:

	12 months ended 28 February 2009 £'000	12 months ended 29 February 2008 £'000
Net cash generated from operations	5,418	4,843
Net finance costs	(1,451)	(1,736)
Tax paid	(160)	(5)
Net capital expenditure and development expenditure	(497)	(725)
Issue of ordinary shares	306	-
Net (repayment)/proceeds from bank borrowings and finance leases	(3,223)	122
Leased gold facility movement	(1,241)	(1,877)
Net (decrease)/increase in cash	(848)	622
Cash and cash equivalents at beginning of year	730	108
Cash and cash equivalents at end of year	(118)	730

Despite reporting a loss for the year ended 28 February 2009 of £10.2m (year ended 29 February 2008: £4.0m), the Group has continued to generate significant inflows of cash from operations throughout each period covered by the table above, attributed primarily to the actively managed reduction of working capital levels (primarily inventories and trade receivables) across the Group. Exceptional items include £6.1m (2008: £2.0m) which had no impact on cashflows. Net finance costs have reduced each year as a result of the managed reduction in total net debt levels.

Abbeycrest's operations are seasonal in nature, with sales peaking in the run-up to the Christmas trading season. Accordingly, peak working capital investment traditionally occurs between September and November, with the build-up in inventories unwinding and translating into peak sales during the months immediately before Christmas.

Net investment expenditure

The table below summarises the Group's capital expenditure:

	12 months ended 28 February 2009 £'000	12 months ended 29 February 2008 £'000
Expenditure on plant and equipment	441	595
Expenditure on computer software	56	130
Net capital expenditure	497	725

The majority of capital expenditure incurred during the periods in the table above was on equipment for the Lamphun facility and also investment in better technological equipment at B&N's factory in Hatfield. The Lamphun facility now has the necessary plant and equipment for the Group's current requirements and capital expenditure levels during the year ended 28 February 2009 reduced as a result.

Capital resources

The table below analyses the Group's net debt position for the periods indicated:

	12 months ended 28 February 2009 £'000	12 months ended 29 February 2008 £'000
Borrowings – current		
Bank overdrafts	217	311
Bank loans	5,773	9,061
Leased gold	1,704	2,945
Obligations under hire purchase contracts	117	161
Borrowings – non-current		
Obligations under hire purchase contracts	251	142
Less		
Cash and cash equivalents	(99)	(1,041)
	-----	-----
Net debt	7,963	11,579
	=====	=====

Following implementation of the restructuring programme, Abbeycrest has reported substantial reductions in net debt. The net debt outstanding at 28 February 2009 of £8.0m was substantially lower when compared to the £11.6m outstanding on 29 February 2008.

In recent years, the Group has been reliant on secured asset backed borrowings to finance its operations.

On 17 March 2009, Burdale formally agreed to renew the Group's secured asset backed borrowing facilities for a further two years, with an expiry date of 16 March 2011. The facilities extended to the Group now comprise solely an asset-based revolving credit facility with a maximum drawdown of £8.0m against available inventory and trade receivables in the UK.

Debt facilities are provided to Abbeycrest Thailand Limited by Siam Commercial Bank ("SCB"). The facility comprises an overdraft, packing credit, gold guarantees and letters of credit. Borrowings against the SCB facility at 28 February 2009 stood at £3.5m at sterling/Thai baht exchange rate at that date. The borrowings are secured

against the Lamphun facility's land and buildings and other fixed assets of Abbeycrest Thailand.

The loan owed to Agilo now stands at £1.75m, of which a minimum of £0.4m is due for repayment on or before 31 August 2009. Sizeable lump sum finance costs also accrue monthly, currently at the rate of 1% per month of the balance of the loan outstanding, but increasing to 1.5% from and including 31 May 2009, then to 3% from and including 31 August 2009 and to 4.5% from and including 31 December 2009. The total of all of the accrued monthly lump sums is repayable in full on final maturity of the Agilo loan on 28 February 2010, however the lump sums cease to accrue from the point that the Company has repaid in aggregate at least £750,000 of the principal.

The leased gold balance of £1.7m (2008: £2.9m) is a loan from the Bank of Nova Scotia denominated in gold. The loan is secured by a letter of credit from Burdale and SCB.

The Group also has a small term facility from the former Chairman, Michael Lever, of £250,000.

Consolidated Income Statement

	Notes	Year To 28 February 2009 £'000	Year To 29 February 2008 £'000
Revenue		53,052	61,936
Operating costs		60,168	63,081
		-----	-----
Operating loss		(7,116)	(1,145)
Finance income	3	6	95
Finance costs	3	(3,021)	(2,483)
		-----	-----
Loss before taxation		(10,131)	(3,533)
<i>Analysis of loss before taxation</i>			
Loss before taxation and exceptional items		(984)	(730)
Exceptional items – operating costs	2	(8,191)	(2,803)
Exceptional items – finance costs	2	(956)	-
		-----	-----
Loss before taxation		(10,131)	(3,533)
Tax on loss		(58)	(452)
		-----	-----
Loss for the year attributable to equity shareholders		(10,189)	(3,985)
		=====	=====
Loss per share – basic and diluted	4	(36.6)p	(15.0)p

Consolidated Balance Sheet

	Notes	28 February 2009 £'000	29 February 2008 £'000
Assets			
Non-current assets			
Goodwill		1,880	1,880
Other intangible assets		398	137
Property, plant and equipment		4,677	4,879
Deferred tax assets		102	73
		-----	-----
		7,057	6,969
		=====	=====
Current assets			
Inventories		9,344	15,446
Trade and other receivables		10,703	11,037
Derivative financial instruments		-	1
Cash and cash equivalents		99	1,041
		-----	-----
		20,146	27,525
		=====	=====
Liabilities			
Current liabilities			
Borrowings		(7,811)	(12,478)
Trade and other payables		(9,010)	(7,071)
Corporation tax		(197)	(126)
		-----	-----
		(17,018)	(19,675)
		=====	=====
Net current assets		3,128	7,850
		=====	=====
Non-current liabilities			
Borrowings		(251)	(142)
Provisions	5	(3,500)	-
		-----	-----
		(3,751)	(142)
		=====	=====
Net assets		6,434	14,677
		=====	=====
Capital and reserves attributable to equity holders of the parent			
Share capital		2,992	2,662
Share premium account		5,665	5,619
Merger reserve		199	199
Cumulative translation reserves		2,424	783
Hedging reserve		-	1
Retained earnings		(4,776)	5,413
		-----	-----
Total shareholders' equity		6,434	14,677
		=====	=====

Consolidated Statement of Recognised Income and Expense

	Year To 28 February 2009 £'000	Year To 29 February 2008 £'000
Movement on fair value of cash flow hedges	(1)	5
Exchange movement	1,641	353
	-----	-----
Total income and expense recognised in equity	1,640	358
Loss for the year	(10,189)	(3,985)
	-----	-----
Total recognised expense relating to the year	(8,549)	(3,627)
	=====	=====
Attributable to:		
Equity holders of the parent	(8,549)	(3,627)
	=====	=====

Consolidated Cash Flow Statement

		Year to 28 February 2009 £'000	Year to 29 February 2008 £'000
	Notes		
Cash flow from operating activities			
Loss after tax		(10,189)	(3,985)
Tax charge		58	452
Depreciation and amortisation		951	972
Loss on sale of tangible fixed assets		199	5
Finance costs	3	1,457	1,831
Finance income	3	(6)	(95)
		-----	-----
		(7,530)	(820)
		-----	-----
Decrease in inventories		6,568	3,351
Decrease in receivables		595	2,171
Increase in payables		5,785	141
Finance costs paid		(1,457)	(1,831)
Taxation paid		(160)	(5)
		-----	-----
Net cash inflow from operating activities		3,801	3,007
		=====	=====
Cash flow from investing activities			
Purchase of property, plant and equipment		(441)	(595)
Finance income received		6	95
Purchase of intangible fixed assets		(56)	(130)
		-----	-----
Net cash used in investing activities		(491)	(630)
		=====	=====
Cash flow from financing activities			
Issue of ordinary shares		306	-
Proceeds of borrowings		225	309
Repayment of borrowings		(3,288)	-
Leased gold facility movement		(1,241)	(1,877)
Capital element of finance lease rental payments		(160)	(187)
		-----	-----
Net cash used in financing activities		(4,158)	(1,755)
		=====	=====
Net (decrease)/increase in cash		(848)	622
Cash and cash equivalents at beginning of year		730	108
		-----	-----
Cash and cash equivalents at end of year		(118)	730
		=====	=====
Cash and cash equivalents comprise:			
Cash and cash equivalents in the balance sheet		99	1,041
Bank overdrafts		(217)	(311)
		-----	-----
		(118)	730
		=====	=====

Notes

1. Basis of preparation

a) Directors' Responsibility Statement

This preliminary announcement is derived from the audited financial statements for the year ended 28 February 2009 which are prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Standards Board (IASB) as adopted by the EU and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. Those financial statements include the following responsibility statement.

Directors' responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention of detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors Remuneration Report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Director's responsibility also extends to the ongoing integrity of the financial statements contained herein.

The Directors confirm that, to the best of their knowledge and belief, that:

- The financial statements prepared in accordance with IFRS as adopted by the EU give a true and fair view in accordance with IFRSs as adopted by the EU of the state of the Group's affairs as at 28 February 2009 and of its loss for the year then ended; and
- The Director's report includes a fair review of the development and performance of the business and the financial position of the Group together with a description of the principal risks and uncertainties that it faces."

b) Going concern

As described in the business and financial review the current economic environment is challenging and the Group has reported an operating loss for the year. The Directors consider that the outlook presents significant challenges and whilst the Directors have instituted plans to secure additional funding, these circumstances create material uncertainties over future trading results and cash flows.

The Group's UK borrowing facilities, excluding amounts due under hire purchase agreements, which are primarily asset based against inventory and receivables in the UK, expired on 28 February 2009 at which point utilisation amounted to £5.4m. The Directors have successfully re-negotiated new facilities with their senior UK borrowing provider that will expire on 28 February 2011. These facilities were subject to the company agreeing additional working capital facilities to cover the funding requirements of the peak trading period.

In addition, the UK junior borrowing provider extended the facility until 28 February 2010. Management expect to repay this amount on the due date but will require additional financing to meet the repayment schedule.

Management are currently exploring a number of options available to them to obtain sufficient finance to meet the peak funding requirement and the scheduled repayment to the UK junior debt provider. Based upon the managed reduction of debt over the previous facility term, the current balance sheet position of the Group, detailed Group forecasts, the continued restructuring programme which is underway, and on-going relationships with the Group's senior borrowing provider, the Directors are confident that appropriate and sufficient facilities will be in place before that date. However there are no signed agreements yet in place. The Group has also applied to HM Revenue & Customs to pay a liability of £1.6m in instalments, however, no formal agreement has yet been reached.

For the above reasons, the Directors have prepared the financial statements on a going concern basis. Should the Group not obtain financing in excess of £1.7m before September 2009 and should the application to HM Revenue & Customs be unsuccessful there exists a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not contain any adjustments which may be required if the Group was unable to continue as a going concern.

c) Statutory Accounts and Auditors' Emphasis of Matter

The financial information set out in this announcement does not constitute the Group's statutory accounts for the years ended 29 February 2008 or 28 February 2009, but is derived from those accounts. Statutory accounts for the year ended 29 February 2008 have been delivered to the Registrar of Companies and those for 28 February 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under the Companies Act 1985, s 237(2) or (3). Their report for 29 February 2008 and 28 February 2009 included reference to the material uncertainty in respect of the current borrowing facilities to which the auditors drew attention by way of emphasis of matter without qualifying their report.

2. Exceptional items

	2009	2008
	£'000	£'000
Exceptional items – operating		
Re-organisation costs	-	819
Stock reduction programme	2,386	1,934
Fixed asset impairment	-	50
Group restructuring	5,805	-
	-----	-----
	8,191	2,803
	-----	-----
Exceptional items – finance costs		
Re-banking costs	956	-
	-----	-----
Total exceptional items	9,147	2,803
	=====	=====

Operating costs

2009

The stock reduction programme relates to a stock clearance and liquidation programme associated with the Group's strategic withdrawal from relationships with certain of its UK customers as part of the downsizing of the operation in Leeds

Restructuring costs relate to redundancy-related costs and a substantial onerous lease provision arising from the decision to vacate the Group's premises in Leeds

2008

The 2008 reorganisation costs relate to redundancy, professional and other costs arising from the fundamental review of the Group's business and structure.

The stock reduction programme is an exercise to achieve additional future cash inflow from significant reductions in slow moving or end of line stock. The major part of these costs consist of provisions against stock at the year end.

The fixed asset impairment relates to fixed assets held by Abbeycrest International Limited that are no longer in use subsequent to the down-sizing review.

Finance costs

The re-banking costs in 2009 relate to facility fees and associated legal costs.

3. Financing income and expense

	2009	2008
	£'000	£'000
Finance costs		
- bank borrowings	(1,418)	(1,781)
- interest payable on leased gold facility	(39)	(50)
- bank charges	(1,564)	(652)
	-----	-----
Finance costs	(3,021)	(2,483)
	=====	=====
Finance income		
- bank deposit interest	6	95
	=====	=====

4. Loss per share

Both basic and diluted loss per share has been calculated using the weighted average number of shares in issue during the period of 27,847,203 (2008: 26,617,691).

5. Provisions for liabilities and charges

	Onerous lease £'000
At 1 March 2008	-
Charged to the profit and loss account	3,500

At 28 February 2009	3,500
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The Group has a tenancy agreement for property at Wilmington Grove, Leeds which does not expire until June 2021. As part of the reorganisation of the UK business, a decision was made to vacate the premises and management consider the tenancy agreement to be onerous.

Management has made a provision for the onerous lease based on estimates for the expected future cash inflows and future cash outflows of the property. After having taken appropriate professional advice the expected future cash inflows reflect estimates of a suitable period of marketing the property, market competitive rents together with an estimate of occupancy rates.

Management have assessed the obligations under the tenancy agreement and the associated unavoidable costs at £6.7m. Management are currently investigating potential sub-lease arrangements and have included an element of income against the cash outflows. The net cash outflows have been discounted at a rate of 4.5%, considered to be the markets current assessment of the time value of money.

6. The full text of the 2009 Report and Accounts will be sent to shareholders and be available on the Company's website on the 30 June 2009 at www.abbeycrest.co.uk