ABBEYCREST PLC

Interim Report

For the six months ended
31 August 2003

Chairman's Interim Statement

Overall trading for the Group has been at similar levels to those for the comparative period last year. As noted in the AGM statement, the Group's accounting approach to recognising stock returns and related write-downs has been much more aggressive than previously with these adjustments being made immediately that we are aware of a potential obsolescence issue. This approach more accurately reflects the reality of our seasonal trading profile.

Most pleasing has been the control over working capital, particularly at G&A Ltd, resulting in stocks being £3.4 million lower at the half-year than the prior year comparative with a commensurate reduction in borrowings.

Results

Turnover for the period was £39.4 million compared to £39.0 million in the same period last year. An operating loss of £0.3 million was sustained (2002: £2.6 million) resulting in a loss before tax of £1.2 million (2002: £3.7 million). Basic loss per share is 4.9p (2002: 11.1p).

Dividends

The re-establishment of excellent working capital controls, together with the parallel progress towards full-year profitability, give the Directors confidence to recommence the payment of an interim dividend. The Board recommends an interim dividend of 1p per share (2002: nil).

Review of activities and current trading

G&A Ltd

The arrival of Andrew Clark as Managing Director in July, has brought strong leadership to the G&A Board and enabled a fundamental business review to be undertaken. Although not yet complete, it is clear that opportunities exist to exit unprofitable areas of the business and concentrate resources on profitable growth opportunities. A further important output from the review will be an opportunity to reduce the very high operational gearing of G&A, thus returning the business to profitability and making it much less susceptible to downturns in the market.

The UK jewellery market has been quiet over this half-year. This has been evidenced by a decline of 14% in 9ct gold jewellery submitted to the UK Assay Offices for the second quarter of 2003. Against this background, G&A's trading in the late summer has been variable, with clear evidence of customers maintaining very low inventories and delaying purchases due to prevailing high gold prices.

Disposal of the excess stocks identified twelve months ago, has continued well, with the emphasis being on addressing the more difficult stock to dispose of. Due to this policy, scrapping in the first half of this financial year has equalled the total for the whole financial year 2002/03. Having addressed this "difficult" stock, our exposure to obsolete stock is significantly reduced from last year's level, whilst a prudent level of provisioning has been maintained.

Dynamic Creations Ltd (DCL)

The start of the year for Hong Kong based DCL was compromised by the SARS outbreak in the Far East, resulting in the company being unable to attend overseas shows. Sales to third parties have subsequently recovered, but inter-group sales to G&A clearly reflect the patterns noted above.

Chairman's Interim Statement

Essex International Pcl (Essex)
The reorganisation of Essex has continued apace. Production in the Chiang Mai factory ceased in August and was moved to spare capacity within the Abbeycrest Thailand facility in Lamphun, thus making effective use of this space. Only one day's production was lost in this transfer, a real credit to the Essex management. Before the year-end, production at the Bangkok factory will also move to Lamphun, giving the Group a single Thai manufacturing base rather than three. This will also allow the freehold in Bangkok to be disposed of, thus releasing cash.

A sales office and agent has been established in New York, which will re-establish contact between Essex and its historically strong markets in the USA. Customer introductions will take place over the second half of the year.

Abbeycrest Thailand Ltd
Assembly of gold jewellery has taken place at the new facility in Lamphun throughout the first half of the year. The establishment of the operation has gone well, with excellent production levels being achieved by the new workforce. Despite initial set-up expenses, the company has made a significant financial contribution to the half year.

Brown & Newirth Ltd (B&N)
Continued design and production innovation has ensured that B&N has been able to match last year's excellent first half performance, despite the very difficult market conditions.

Prospects
As noted above, market conditions and resultant sales have been very variable with a particularly disappointing September. In the absence of a marked improvement over the latter part of the year, it is likely that the results for the full year will fall below expectations. Whilst disappointing, the Group will return to profit this year and will show significant debt reduction at the year-end. G&A has undergone a traumatic period over the last three years and has been operating in unprofitable markets. The management of the business are in the process of concluding a fundamental review of how G&A will best position itself strategically to go forward and by the time of the full year announcement, I will be in a position to outline the new shape of G&A and the trading directions it will pursue.

Following the appointment of Andrew Clark as Managing Director of G&A Limited and George Marcall as a new Group Non-Executive, I am pleased to announce that I intend to split the roles of Chairman and Chief Executive. Phil Walker, the current Finance Director will be taking over as Group Chief Executive with effect from 1 March 2004.

Michael Lever
Chairman
25 November 2003

Consolidated Profit and Loss Account

For the six months ended 31 August 2003

		Six months to 31 August 2003 Unaudited £'000	Six months to 31 August 2002 Unaudited £'000	Year to 28 February 2003 Audited £'000
Turnover				
	– Existing operations	**39,429**	39,026	99,099
	– Less share of joint venture	**(79)**	(91)	(259)
	– Continuing operations	**39,350**	38,935	98,840
Operating (loss)/profit	– Before goodwill amortisation	**(171)**	(2,462)	1,956
	– Goodwill amortisation	**(156)**	(116)	(233)
	– Continuing operations	**(327)**	(2,578)	1,723
Share of operating loss in joint venture		**(14)**	(4)	(6)
Interest receivable		**153**	68	241
Interest payable and similar charges		**(1,006)**	(1,156)	(2,521)
Interest payable by joint venture		**–**	(1)	–
Loss on ordinary activities before taxation		**(1,194)**	(3,671)	(563)
Tax on loss on ordinary activities		**262**	1,103	132
Loss on ordinary activities after taxation		**(932)**	(2,568)	(431)
Minority equity interests		**(247)**	(137)	(568)
Loss for the financial period		**(1,179)**	(2,705)	(999)
Dividends paid and proposed on equity shares		**(249)**	–	(249)
Retained loss for the period		**(1,428)**	(2,705)	(1,248)
Loss per share	– basic	**(4.9)p**	(11.1)p	(4.1)p
	– diluted	**(4.9)p**	(11.1)p	(4.1)p
Dividends per share		**1p**	–	1 p

Consolidated Statement of Total Recognised Gains and Losses

Loss for the financial period	**(1,179)**	(2,705)	(999)
Profit/(loss) on foreign currency translation	**187**	(415)	(559)
Total recognised gains and losses relating to the period	**(992)**	(3,120)	(1,558)

The accompanying notes are an integral part of this Consolidated Profit and Loss Account and the Consolidated Statement of Total Recognised Gains and Losses

Consolidated Balance Sheet

At 31 August 2003

	31 August 2003 Unaudited £'000	31 August 2002 Unaudited £'000	28 February 2003 Audited £'000
Fixed assets			
Goodwill	**2,412**	2,747	2,579
Negative goodwill	**(395)**	(453)	(407)
	2,017	2,294	2,172
Tangible fixed assets	**9,897**	10,360	10,663
Investments	**540**	540	540
	12,454	13,194	13,375
Investment in joint venture:			
Share of gross assets	**185**	180	166
Share of gross liabilities	**(158)**	(142)	(125)
	12,481	13,232	13,416
Current assets			
Stocks	**35,219**	38,664	32,200
Debtors	**20,912**	22,967	17,706
Cash at bank and in hand	**5,972**	2,149	7,917
	62,103	63,780	57,823
Creditors			
Amounts falling due within one year	**43,075**	43,220	37,917
Net current assets	**19,028**	20,560	19,906
Total assets less current liabilities	**31,509**	33,792	33,322
Creditors			
Amounts falling due after more than one year	**4,253**	6,748	4,909
Provisions for liabilities and charges	**91**	447	123
Net assets	**27,165**	26,597	28,290
Capital and reserves			
Called up share capital	**2,488**	2,488	2,488
Shares to be issued	**580**	580	580
Share premium account	**5,186**	5,186	5,186
Merger reserve	**199**	199	199
Profit and loss account	**17,620**	17,548	18,861
Equity shareholders' funds	**26,073**	26,001	27,314
Minority equity interests	**1,092**	596	976
Total capital employed	**27,165**	26,597	28,290

The accompanying notes are an integral part of this Consolidated Balance Sheet.

Consolidated Cash Flow Statement

For the six months ended 31 August 2003

	Notes	**Six months to 31 August 2003 Unaudited £'000**	Six months to 31 August 2002 Unaudited £'000	Year to 28 February 2003 Audited £'000
Net cash (outflow)/inflow from operating activities	1	**(5,935)**	(12,014)	6,126
Returns on investments and servicing of finance	2	**(773)**	(1,016)	(2,468)
Taxation		**(47)**	(46)	(456)
Capital expenditure and financial investment	2	**(156)**	(1,367)	(2,809)
Equity dividends paid		**(247)**	(1,144)	(1,045)
Cash outflow before financing		**(7,158)**	(15,587)	(652)
Financing	2	**(666)**	6,498	2,437
(Decrease)/increase in cash in the period	3	**(7,824)**	(9,089)	1,785

The accompanying notes are an integral part of this Consolidated Cash Flow Statement.

Notes to the Interim Financial Information

For the six months ended 31 August 2003

1. Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	Six months to 31 August 2003 £'000	Six months to 31 August 2002 £'000	Year to 28 February 2003 £'000
Operating (loss)/profit	**(327)**	(2,578)	1,723
Depreciation	**897**	973	1,961
Amortisation of goodwill	**155**	116	233
Loss on sale of tangible fixed assets	**55**	8	53
Foreign exchange movement	**–**	(5)	–
(Increase)/decrease in stocks	**(2,981)**	(2,488)	4,077
(Increase)/decrease in debtors	**(2,402)**	(2,052)	1,937
Decrease in creditors	**(1,332)**	(5,988)	(3,858)
Net cash (outflow)/inflow from operating activities	**(5,935)**	(12,014)	6,126

2. Analysis of cash flows

Returns on investments and servicing of finance			
Interest received	**153**	68	241
Interest paid	**(795)**	(1,082)	(2,556)
Interest element of finance lease rental payments	**–**	(2)	(2)
Dividend paid to minority interest	**(131)**	–	(151)
Net cash outflow from returns on investments and servicing of finance	**(773)**	(1,016)	(2,468)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**(700)**	(1,480)	(3,080)
Sale of tangible fixed assets	**544**	113	271
Net cash outflow from capital expenditure and financial investment	**(156)**	(1,367)	(2,809)
Financing			
Issue of ordinary share capital	**–**	10	10
New secured loan	**–**	6,500	6,500
Repayment of secured loan	**(650)**	–	(650)
Repayment of loan notes	**–**	–	(3,399)
Capital element of finance lease rental payments	**(16)**	(12)	(24)
Net cash (outflow)/inflow from financing	**(666)**	6,498	2,437

Notes to the Interim Financial Information

For the six months ended 31 August 2003

3. Analysis of net debt

	1 March 2003 £'000	Cashflow £'000	**31 August 2003 £'000**
Cash at bank and in hand	7,917	(1,945)	**5,972**
Overdrafts	(26,252)	(5,879)	**(32,131)**
	(18,335)	(7,824)	**(26,159)**
Debt due within one year	(1,300)	–	**(1,300)**
Debt due after one year	(4,550)	650	**(3,900)**
Finance leases	(58)	16	**(42)**
	(5,908)	666	**(5,242)**
Net debt	(24,243)	(7,158)	**(31,401)**

4. Reconciliation of net cash flow to movement in net debt

	Six months to 31 August 2003 £'000
Decrease in cash in the period	**(7,824)**
Cash inflow from decrease in debt and lease financing	**666**
	(7,158)
Net debt at beginning of period	**(24,243)**
Net debt at end of period	**(31,401)**

Notes to the Interim Financial Information

For the six months ended 31 August 2003

5. Basis of accounts

The accounting policies used in the interim accounts for the six months ended 31 August 2003 are consistent with those applied in the accounts in respect of the financial period ended 28 February 2003.

Accounts in respect of the financial period ended 28 February 2003 do not constitute the Company's statutory accounts for that period, but are an abridged version of the Group's full accounts within the meaning of Section 251 of the Companies Act 1985. Full accounts have been reported on without qualification by the auditors and have been filed with the Registrar of Companies.

The accounts for the six months ended 31 August 2003 have not been audited, nor have the accounts for the equivalent period in 2002.

Copies of the announcement will be sent to shareholders and are available to members of the general public from the Company Secretary, Abbeycrest Plc, Peter Rosenberg House, 11/15 Wilmington Grove, Leeds, LS7 2BQ.

6. Dividends

An interim dividend of 1p per share will be paid on 9 January 2004 to shareholders on the register at the close of business on 12 December 2003.

7. Earnings per share

Earnings per share have been calculated using the weighted average number of shares in issue during the period of 24,276,241 (2002: 24,261,005).

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