

Abbeycrest plc

Preliminary Announcement – Chairman’s Statement – 30 June 2008

Abbeycrest plc (“the Group”) today announces its Preliminary Results for the twelve months ended 29 February 2008.

Chairman’s Statement

The year to 29 February 2008 was a mixed one for the Group. Overall, revenue levels fell slightly from £64.6m to £61.9m and the Group posted an operating loss of £1.1m (2007: £2.4m profit) after exceptional costs of £2.8m arising during the year from a business review and restructuring programme.

Whilst we experienced a further decline in the UK market, our business overseas has increased, not least as a result of our successful crystal product development programme, Crystelle. Non UK sales have increased strongly by 43% year-on-year and now represent 26% of Group sales.

Working capital management continues to be a key focus of Group finance and I am pleased to be able to report that net debt levels now stand at £11.6m, a reduction of £2.4m from the previous year.

I am also pleased to report yet another solid performance by our niche wedding ring business, Brown & Newirth, together with a substantial increase in profits at Abbeycrest Thailand, the Group's core manufacturing operation.

It is in our core UK distribution business, G&A Limited, where we have experienced the greatest challenge. This subsidiary has been the focal point of a business review and restructuring programme during early 2008, which is described in more detail below in “Reshaping ourselves for the future”. The prime aim of this review has been to eliminate the substantial losses that were being incurred by this business, the only non-profitable subsidiary in our Group.

We appointed Simon Ashton in late December 2007, with a specific remit to steer and implement the business review and restructuring programme through a series of strategic projects.

Progress to date has been excellent and we are on target to achieve the key objectives within the overall plan. I would like to thank my fellow directors and senior management for their invaluable contribution to this process.

The management teams around the Group have responded magnificently to the challenges of the restructuring programme. I am confident that we have the right people in place to continue to implement change and deliver consistently improving results going forwards.

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

Given the current economic climate, it is difficult to predict the outcome for 2008/09 as markets may well remain challenging. However, we now have a greatly reduced cost base in the main UK business, together with substantially lower working capital requirements. The Group has experienced above budget profit performance in the first quarter, which is also ahead of that for the comparable period last year. We continue to maintain a very good working relationship with our senior lender and, structurally, are better placed than ever before to exploit the wide range of opportunities presented to us by the global jewellery market.

M. N. Lever
Chairman
30 June 2008

Re-shaping ourselves for the future

The past . . .

Market conditions have been difficult for the Group's core UK jewellery distribution business, G&A Limited. As a result, and despite profitable and improving results from the other Group subsidiary companies, the Group as a whole has struggled to maintain a consistent year-on-year profitable performance.

The present . . .

The global jewellery market offers substantial opportunities for a business with strong commercial skills and creative excellence, especially a business which has invested in modern, efficient manufacturing capabilities in the Far East.

Capitalising on those opportunities will be challenging, and our ability to continue to implement a change programme to re-shape the Group's structure, understand our markets and re-position ourselves and our product offering is critical if we are to build effectively on the Group's core strengths – **and regain our 'edge'**.

The first phase of the business review and restructuring programme - '**straight edge**' - has been to complete a number of strategic projects aimed at:

- *improving profitability;*
- *implementing step change reductions in working capital and debt, and*
- *re-structuring the business and the management team.*

Substantial progress has been made since the programme began in January 2008.

Improving profitability

- Activities and processes have been streamlined at the Group's main UK sales and distribution company, G&A Limited. A reduction in staff numbers from 140 to 65 has resulted in a much more efficient operating model for the company.
- Low-margin, independent customer business in the UK has been scaled down and re-focused towards higher value-added product collections.
- The proportion of products sourced from within the Group, as opposed to third parties, has been actively increased by nearly 10% to date, thus improving the profitability and return on investment in our manufacturing businesses.

Reducing working capital

- During the period December 2007 to February 2008, the price of gold increased by over 25% from circa £380/oz to £481/oz. Approximately one half of the Group's stock is gold. Despite the price impact, stock levels have been reduced by £2.0m over the same period and stand at £15.4m as at 29 February 2008. This compares with £18.8m on 28 February 2007 when the price of gold stood at £343/oz.
- Manufacturing lead times at Abbeycrest Thailand for the major gold product groups have been reduced by around 20%. Programmes are in place to achieve further significant lead time reductions.

Restructuring the business and management team

Key conclusions from our business review indicated that we needed to refresh our product, develop new markets and streamline our processes. To achieve this level of change we need leadership and ownership throughout the organisation, a clear understanding of our capabilities and markets, and a desire for change.

We have restructured the Group's activities into a small number of strategic business units with a steering group acting to ensure any synergies between them are fully exploited. The business units are structured along the lines of supply (Abbeycrest Thailand and Abbeycrest Hong Kong) and demand (Abbeycrest International). This way, we are able to keep objectives and measures clear and focussed. Each business unit has a key, well defined, role to play in delivering performance improvement for the Group as a whole and driving strategy through the steering group process.

Each business unit is now being led by a lean and responsive management team with rapid and effective decision making capabilities and requisite core competencies. The teams are already working closely with each other, helping to develop a strong sense of 'esprit de corps'

which the Group Board will continue to foster.

Abbeycrest International

Abbeycrest International is responsible for defining and creating profitable demand around the world. The demand it creates is primarily for the supply capabilities of Abbeycrest Thailand and Abbeycrest Hong Kong.

The activities of G&A Limited have been integrated into this business unit. This business unit comprises separate UK sales and international sales functions, as well as finance and supply chain functions.

The Abbeycrest International team is headed by Simon Lazenby. Simon is an experienced chartered accountant having worked for several years with AttentiV Systems Group plc, including a major role in its flotation onto AIM. He has led a number of key commercial projects in the Group, including the shift of Independents business towards higher value-added collections.

Chris Barton and Kerry Benson head up sales and marketing in the International and UK markets respectively. Chris, a graduate in International Studies, has extensive experience in export sales in different industries and joined the Group in 1992 to develop an export division. The division now has sales coverage in over 25 markets globally. Chris spearheaded the Group's very successful export drive during 2007/08 including significant increases in the Russian and Australian markets. Kerry has an MBA and joined Abbeycrest International in 2007 from Buckley Jewellery Limited, where he was responsible for establishing its US subsidiary. He has a wealth of expertise in the jewellery sector.

Peter McDermott is in charge of operations. Since taking up his role in late 2004, he has presided over departmental cost reductions in excess of 70% and inventory reductions of 50%.

Abbeycrest Thailand

Abbeycrest Thailand provides a world-class manufacturing, design and sampling capability. This capability satisfies Group requirements in the first instance, supplying Abbeycrest International, and third parties in the second instance, in the form of contract manufacturing.

Mark Robinson heads up the Abbeycrest Thailand business unit. Mark has a solid manufacturing and change management background, having held key positions at Marshalls Clay Products and Invensys. He has an MBA and is a certified Lean Six Sigma Blackbelt.

James Crossley-Smith is a Chartered Accountant and has an MBA. He moved to Thailand eight years ago as Finance Director and subsequently CEO of Essex International, the Group's first overseas subsidiary and was instrumental in the successful transfer of the Essex business into Abbeycrest Thailand. James is a member of the British Chamber of Commerce in Thailand and the Thai Gem and Jewelry Trades Association.

Len Weiss is Head of Gemset Operations in Thailand, having joined the company in 2005. He is an established industry leader, having spent the last fourteen years in jewellery manufacturing, both in Thailand and the US, including seven years as Director of Operations at Carrera Casting Corporation.

Abbeycrest Hong Kong

Abbeycrest Hong Kong comprises the activities of Dynamic Creations Limited and will provide rapid access to new looks and technologies, as well as an alternative low-cost source to Abbeycrest Thailand, predominantly out of China.

Queenie Kong is the Head of Abbeycrest Hong Kong. She was appointed to the role in 2006 and has orchestrated significant streamlining of operations whilst growing non-Group sales by more than 50%. She has ten years experience in the jewellery export business.

Brown & Newirth Limited

Brown & Newirth will continue to exploit its niche market in the UK. It will look to source from within the Group wherever possible, opening the possibility for international expansion.

Chris Sanders continues to head up Brown & Newirth, having worked with the company since

1970. He has worked very successfully in jewellery manufacturing and design throughout his career.

Gary Williams is a recognised industry leader in bridal jewellery. He has been Sales and Marketing Director at Brown & Newirth for twenty-five years and continues to grow the business and its brands with boundless enthusiasm. Gary is a member of London Jewellery First committee, the British Jewellery Association steering committee and works with the NAG and Goldsmiths Hall on jewellery related projects.

The future . . .

The restructuring of the Group's operations and management, the reduction of the cost base and improvements in working capital, have provided a stable platform from which to now grow our business with confidence. The next phase of our change programme – **'leading edge'** – centres on developing and launching fashion-led and market-orientated collections that are both well researched and supported by comprehensive merchandising programmes.

Product development and market positioning are key. A design and innovation forum for the Group is now in operation with the primary objective of identifying and championing only those products that serve to differentiate and offer a valuable experience in the eyes of the consumer.

We have already expanded into significant new geographical markets, such as Russia, where we are improving the efficiency of our new product development processes in conjunction with enhancing our understanding of jewellery markets around the world.

The Group now has valuable skills and resources with which it can begin to maximise the opportunities presented to it by the global jewellery market. The business review and restructuring programme has refreshed and re-invigorated the Group and this process will continue as we set about identifying and implementing the necessary changes to rebuild the Abbeycrest business – **and regain our 'edge'**.

Business and financial review

Group business highlights

Commercial

Abbeycrest Thailand entered into agreements with a major UK precious metals company for the leasing of factory space and the supply by Abbeycrest Thailand of raw material gold strip. This represents a significant new income stream for the business.

Abbeycrest Thailand successfully developed its existing skills and technologies to introduce a new product group – tubed products. In-house manufacture of precious metal strip gives us a competitive advantage in this market.

Investing in our own sales and marketing resource for Russia and Eastern Europe has led to a 50% increase in sales to that region. It now represents the third largest gemset export market for the Group.

Design and manufacturing

Gold product activity levels improved significantly at Abbeycrest Thailand as a consequence of design and marketing improvements in our popular Crystelle range.

Brown & Newirth successfully commissioned new, state-of-the-art laser marking equipment to extend its production capabilities for more complex wedding ring designs.

At the same time, the equipment has led to a significant reduction in manufacturing and product development lead times.

Group financial highlights

As a consequence of the 2006 re-banking, the main focus of the Group's financial strategy in the last two years has been debt reduction and cash management.

We have been successful in our efforts to manage working capital and ultimately reduce borrowings and have seen 17% and 26% reductions in net debt in the last two years respectively.

Stock levels have been reduced by a further 18% in the year. This includes £1.9m of provision for exceptional melting and write-downs associated with our business review and restructuring program. At the same time, gold and other precious metal prices have hit all-time highs, and the impact of such price rises more than offsets the benefit of the exceptional provision

We have had mixed fortunes in the development of new markets and products in recent years, particularly in the UK, and the business review and restructuring program will ensure a radical new approach to this key element of our business and will re-enforce the financial imperative to generate cash through robust and consistent trading profits in future periods.

For 2007/08 total revenue has fallen by 4% over the prior year. Underlying this performance is a reduction in UK sales of 14% but an increase in non-UK sales of 43%.

The UK market remains tough. However, we have seen growth in the majority of our overseas markets – particularly Australia and Russia – not least as a consequence of effective product development, including the new Crystelle product range from Abbeycrest Thailand.

Underlying profit before financing and exceptionals remains positive. This measure comprises operating loss per the consolidated income statement of £1.1m (2007: £2.4m profit) and the add back of exceptional reorganisation costs of £2.8m (2007: £0.1m).

	Net debt		Inventory		Gold price/oz			
2007/08	-	£11.6m	2007/08	-	£15.4m	2007/08	-	£481
2006/07	-	£14.0m	2006/07	-	£18.8m	2006/07	-	£343
2005/06	-	£18.8m	2005/06	-	£23.4m	2005/06	-	£318

	Revenue		Underlying profit before financing and exceptionals		
2007/08	-	£61.9	2007/08	-	£1.7m
2006/07	-	£64.6	2006/07	-	£2.5m
2005/06	-	£70.7	2005/06	-	(£1.9m)

Key performance indicators

The key performance indicators used by the Board are set out below.

Together with tracking working capital levels against targets, these measures have been important for the Board in its efforts to control the Group's financing.

Other, more focussed measures are also used by the Directors to run the business. As part of the business review in early 2008, the KPIs used for the new business units have been updated and fully aligned with the Group's objectives and provide a clear set of measures and a basis for accountability for the relevant management teams. Such KPIs include manufacturing and development lead times, service and delivery performance, productivity and manufacturing cost per unit and in-process quality measures.

The updated KPIs identified in 2008 are being measured through 2008/09, although it is too early to comment on any trends.

Key performance indicator	Target	2007/08	2006/07
Return on capital employed (R.O.C.E.) (1)	10%	6%	8%
Annualised sales growth (2)	6%	-4%	-8%
Gross margin rate (3)	22%	23%	24%
Gearing (4)	68%	79%	76%

(1) R.O.C.E. = operating profit before exceptional items divided by total shareholders funds plus net borrowings.

(2) Annualised sales growth = % increase in Group net sales year-on-year.

(3) Gross margin rate represents the gross margin achieved against sales after deducting all direct costs of sales on a consistent basis.

(4) Gearing = net borrowings divided by total shareholders' funds.

In the above table, the targets reflect the values incorporated in the Group's budgets for 2007/08.

R.O.C.E. is behind both target and prior year and reflects the loss of profitability arising from sales shortfall.

Total sales have declined, albeit at a reduced rate compared with 2006/07. Despite strong growth in overseas markets, the Group's performance is weakened by a poor result in the UK market for core product.

The gross margin rate has held up reasonably well, given gold price increases, and reflects further improvements in manufacturing efficiency and product specification control.

Despite significant reductions in debt, the Group's gearing has worsened slightly. This is down to the impact of £2.8m of exceptional restructuring costs booked for the year.

Principal financial risks and uncertainties

UK Group financing

In June 2006, the Group completed the re-banking of its UK Group facilities with Burdale Financial Limited as senior creditor, following the sudden and unexpected removal of support by HSBC, the Group's previous bankers.

Burdale provides predominantly "asset based" lending against UK stock and receivables, together with up to £2.5m of cash flow lending, available during our peak manufacturing and buying period between June and November. A further £2m of lending has been provided by a junior creditor, subordinate to Burdale. These UK facilities are in place until 28 February 2009.

The facilities are more expensive than traditional bank facilities and include monthly and cumulative covenant requirements in respect of EBITDA, cash flow and tangible net worth. The covenants limits are agreed up to 28 February 2009.

Based on management's detailed forecasts, the facilities are adequate for the Group's needs but do not provide substantial levels of headroom. Similarly, the various covenants limits do not allow for significant margins for error when compared with the detailed forecasts.

Notwithstanding the above, the Group has managed its operations to date within the available facilities and covenants limits since June 2006 and fully expects to continue to do so for the foreseeable future.

The quantum of UK Group debt has reduced significantly, on a consistent basis, since the original re-banking with Burdale in June 2006. At that time, the UK Group debt requirement was £16.3m. At 29 February 2008, UK Group debt has been reduced to a level of £10.8m.

Whilst the existing facilities expire on 28 February 2009, the Directors are confident that the

Group's financing will be successfully extended beyond that date, including the repayment of the junior debt. The Directors are examining various re-financing alternatives, including more traditional bank borrowings and new equity.

The auditors report to shareholders includes an 'Emphasis of Matter'. This refers to the uncertainties on the ability to obtain appropriate and adequate banking facilities by 28 February 2009, when the existing facility arrangements in the UK come to an end (see Note 1).

Gold price

The Group manages its exposure to gold price movements by matching the inherent gold price in sales orders or commitments from customers, with daily product purchases from suppliers amounting to the same quantity.

The Group leases gold at a floating price to provide to certain suppliers on a consignment basis. Where there is a difference in the daily matching of sales orders and product purchases above, such difference can be covered by fixing the relevant quantity of gold on the gold lease balance.

The price of gold has moved to higher levels during the last twelve to eighteen months as a result of a combination of economic factors. This has resulted in the need for a step up in inventory funding and increases the quantum of gross margin risk should the hedging procedure discussed above, not be fulfilled.

Audited Consolidated Income Statement

For the year ended 29 February 2008

		Year To 29 February 2008 £'000	Year To 28 February 2007 £'000
	Notes		
Revenue		61,936	64,615
Operating costs		63,081	62,177
		-----	-----
Operating (loss)/profit		(1,145)	2,438
Finance income	3	95	198
Finance costs	3	(2,483)	(3,292)
		-----	-----
(Loss)/profit before taxation and exceptional items		(730)	310
Exceptional items – operating costs	2	(2,803)	(100)
Exceptional items – finance costs	2	-	(866)
		-----	-----
Loss before taxation		(3,533)	(656)
Tax on loss		(452)	167
		-----	-----
Loss for the year attributable to equity shareholders		(3,985)	(489)
		=====	=====
Loss per share – basic and diluted	4	(15.0p)	(1.9p)

Audited Consolidated Balance Sheet

As at 29 February 2008

	29 February 2008 £'000	28 February 2007 £'000
Assets		
Non-current assets		
Goodwill	1,880	1,866
Other intangible assets	137	143
Property, plant and equipment	4,879	4,856
Deferred tax assets	73	471
	-----	-----
	6,969	7,336
	=====	=====
Current assets		
Inventories	15,446	18,763
Trade and other receivables	11,037	13,208
Derivative financial instruments	1	-
Cash and cash equivalents	1,041	380
	-----	-----
	27,525	32,351
	=====	=====
Liabilities		
Current liabilities		
Borrowings	(12,478)	(12,075)
Trade and other payables	(7,071)	(6,986)
Corporation tax	(126)	(47)
Derivative financial instruments	-	(4)
	-----	-----
	(19,675)	(19,112)
	=====	=====
Net current assets	7,850	13,239
Non-current liabilities		
Borrowings	(142)	(2,261)
Deferred tax liabilities	-	(10)
	-----	-----
	(142)	(2,271)
	-----	-----
Net assets	14,677	18,304
	=====	=====
Capital and reserves attributable to equity holders of the parent		
Share capital	2,662	2,662
Share premium account	5,619	5,619
Merger reserve	199	199
Cumulative translation reserves	783	430
Hedging reserve	1	(4)
Retained earnings	5,413	9,398
	-----	-----
Total equity	14,677	18,304
	=====	=====

Audited Consolidated Statement of Recognised Income and Expense
 For the year ended 29 February 2008

	Year	Year
	To 29 February	To 28 February
	2008	2007
	£'000	£'000
Movement on fair value of cash flow hedges	5	65
Exchange movement	353	87
	-----	-----
Total income and expense recognised in equity	358	152
Loss for the year	(3,985)	(489)
	-----	-----
Total recognised expense relating to the year	(3,627)	(337)
	=====	=====
Attributable to:		
Equity holders of the parent	(3,627)	(337)
	=====	=====

Audited Consolidated Cash Flow Statement

		Year To 29 February 2008 £'000	Year To 28 February 2007 £'000
	Notes		
Cash flow from operating activities			
Loss after tax		(3,985)	(489)
Tax charge/(credit)		452	(167)
Depreciation and amortisation		972	1,008
Loss/(profit) on sale of tangible fixed assets		5	(556)
Finance costs	3	1,831	1,993
Finance income	3	(95)	(198)
		-----	-----
		(820)	1,591
Decrease in inventories		3,351	4,644
Decrease/(increase) in receivables		2,171	(574)
Increase/(decrease) in payables		141	(1,318)
Finance costs paid		(1,831)	(1,993)
Taxation paid		(5)	(144)
		-----	-----
Net cash inflow from operating activities		3,007	2,206
		=====	=====
Cash flow from investing activities			
Purchase of property, plant and equipment		(595)	(684)
Proceeds from sale of property, plant and machinery		-	3,351
Finance income received		95	198
Purchase of shares		-	(313)
Purchase of intangible fixed assets		(130)	(39)
		-----	-----
Net cash (used in)/generated from investing activities		(630)	2,513
		=====	=====
Cash flow from financing activities			
Proceeds of borrowings		309	17,440
Repayment of borrowings		-	(15,634)
Leased gold facility movement		(1,877)	(1,068)
Capital element of finance lease rental payments		(187)	(54)
		-----	-----
Net cash (used in)/generated from financing activities		(1,755)	684
		=====	=====
Net increase in cash		622	5,403
Cash and cash equivalents at beginning of period		108	(5,295)
		-----	-----
Cash and cash equivalents at end of period		730	108
		=====	=====
Cash and cash equivalents comprise:			
Cash and cash equivalents in the balance sheet		1,041	380
Bank overdrafts		(311)	(272)
		-----	-----
		730	108
		=====	=====

Notes

1. Basis of preparation

a) Directors' Responsibility Statement

This preliminary announcement is derived from the audited financial statements for the year ended 29 February 2008 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 29 February 2008 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

The Group's current UK borrowing facilities were taken up in June 2006 at which point utilisation amounted to £16.3m. At 29 February 2008, borrowings against these facilities were £10.5m, all of which is included within net current assets in the consolidated balance sheet. Total net current assets at 29 February 2008 were £19.3m excluding net debt and £7.9m including net debt.

The Group's UK borrowing facilities, excluding amounts due under hire purchase agreements, which are primarily asset-based against stock and receivables in the UK, reach the end of the facility term on 28 February 2009. Based upon the managed reduction of debt since the existing facilities were made available, the current balance sheet position of the Group, detailed Group forecasts, the restructuring

program which is underway, current refinancing options being explored 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.

For the above reasons, the directors have prepared the financial information above on a going concern basis. Should the Group not have appropriate and sufficient facilities in place before 28 February 2009 there exists a material uncertainty as to the Group's ability to continue as a going concern. The financial information above does not contain any adjustments which may be required if the Group is unable to extend facilities beyond 28 February 2009.

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 28 February 2007 or 29 February 2008, but is derived from those accounts. Statutory accounts for the year ended 28 February 2007 have been delivered to the Registrar of Companies and those for 29 February 2008 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 included reference to the material uncertainty in respect of the current borrowing facilities expiring on 28 February 2009 to which the auditors drew attention by way of emphasis without qualifying their report.

2. Exceptional items

	2008	2007
	£'000	£'000
Exceptional items – operating		
Re-organisation costs	819	526
Stock reduction programme	1,934	-
Fixed asset impairment	50	-
Dynamic Creations Limited legal costs	-	209
Negative goodwill recognised in the income statement	-	(340)
G&A Limited restructuring	-	239
Profit on sale of Leeds headquarters	-	(534)
	-----	-----
	2,803	100
	-----	-----
Exceptional items – finance		
Re-banking costs	-	866
	-----	-----
Total exceptional items	2,803	966
	=====	=====

Operating

2008

The 2008 re-organisation 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. These reductions arose from the fundamental review of the Group's business, in particular the streamlining of the business of G&A Limited. The major part of these costs consists of provisions against stock at the year-end.

The fixed asset impairment relates to fixed assets held by G&A Limited that are no longer in use subsequent to the business review.

2007

The 2007 re-organisation costs relate to the restructuring of the Group's Far East manufacturing activities into one purpose built site in Northern Thailand, including the associated down-sizing 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 and also a dispute with a supplier connected to the minority interest. Both cases have now been settled.

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 in 2007.

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

Finance

The re-banking costs in 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. Finance income and expense

	2008	2007
	£'000	£'000
Finance costs		
- interest payable on bank borrowings	(1,781)	(1,950)
- interest payable on leased gold facility	(50)	(43)
	-----	-----
	(1,831)	(1,993)
- bank charges	(652)	(1,299)
	-----	-----
	(2,483)	(3,292)
	=====	=====
Finance income		
- bank deposit interest	95	198
	=====	=====

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 26,617,691 (2007 – 25,310,216).

5. The full text of the 2008 Report & Accounts will be sent to shareholders and can be found on the Company's website at www.abbeycrest.co.uk