Abbeycrest plc Annual Report & Financial Statements 2011

1411796

Annual Report

Business Review

Financial Statements

Chairman's Statement

The year to 28 February 2011 proved to be difficult for Abbeycrest. Having spent the previous two years refocusing and streamlining the Group's activities, our higher value-added collections did not make the progress anticipated and the Group's activities in its traditional markets continued to be affected by further volume decline and margin pressures

In light of these challenging conditions, we have taken action to review our strategy and reduce costs further and, in doing so, secured the ongoing support of our lenders

Results

Group revenue fell by 3% to £38 5m (2010 £39 7m) The decline in sales volumes was significantly more when factoring in the effect of an average monthly gold price of £825 per ounce, a 30% increase over 2010 (£636 per ounce) The sustained rise in gold prices (2010 25%) continues to have an impact on consumer demand, with hallmarking of gold in the UK falling by over 16% during the year under review

Rising commodity prices and retailer action to protect volume have combined to squeeze margins Value-added for the year fell to 32 8% (2010 35 8%) giving rise to a pre-tax loss before exceptional items of £1 1m (2010 profit £0 1m)

Detailed analysis of our operating segments is provided within the Business and Financial Review section In summary

- The Essentials division, which serves volume markets with mainstream precious metal jewellery products, generated turnover of £25 8m (2010 £27 2m), a fall of 5% Restating 2011 sales at 2010 gold prices would indicate a like-for-like reduction closer to 15% This decline in sales led to a lower contribution to fixed overheads and an erosion of operating margin before exceptional items to 2 4% (2010 5 7%), with the division recording an operating profit before exceptional items of £0 6m (2010 £1 6m)

  In response to this, we have implemented a number of initiatives to improve the contribution to fixed overheads and deliver more effective product development. In April, we completed the consolidation of Abbeycrest Hong Kong's activities into Abbeycrest Thailand's operations This will result in the transfer of previously outsourced product, and associated margin, into the Group's own manufacturing resource, coupled with tighter control on new product development.

- Our Brands division, which supplies the higher-end jewellery sector with branded jewellery collections, recorded an operating profit before exceptional items of £0 2m (2010 £0 4m) on similar turnover of £12 7m (2010 £12 5m) This decline in profitability of £0 2m was due solely to the previously notified underperformance of Brown & Newirth Limited, Abbeycrest's wedding and commitment ring specialist and was attributable to a short-term loss of management focus and margin control

  We addressed the situation promptly with significant changes to systems and personnel We have also sought to strengthen the value in product design and branding at Brown & Newirth® by appointing Julie Large (previously with Hot Diamonds), a proven Creative Director with brand experience A number of new collections have already been launched and others are being developed for a September 2011 launch, under Julie's guidance

These remedial actions, together with a redundancy programme, form part of the restructuring of our Essentials and Brands divisions to establish a lower yet more responsive cost base These, coupled with a re-assessment of the onerous lease provision, have

Chairman's Statement

continued

resulted in exceptional costs for the year of £1 9m (2010 gain £1 5m) Pre-tax loss, after these exceptional costs, was £3 0m (2010 profit £1 6m which included a £1 5m exceptional gain) By the year end, net debt remained in line with the previous year at £5 6m (2010 £5 6m) No final dividends are proposed

Property lease

On 27 August 2009, Abbeycrest entered into deeds of variation giving it the right to terminate leases over its former head office and car park at Wilmington Grove, Leeds, on 28 September 2011, upon payment of a total fee of £405,746, comprising one year's rent on the combined site Prior to this deed of variation, Abbeycrest would have remained a tenant, with the associated costs, until June 2021

On 4 May 2011, the board announced revised termination arrangements with the lessor, Moorgarth Property Investments Limited, and gave notice that these leases would terminate with effect from 28 September 2011 Under the revised arrangements, termination is conditional on payment of a total fee of £406,000, to be paid in two instalments, being £200,000 on or before 28 September 2011 and £206,000 on or before 28 February 2012 Until paid, amounts outstanding will be secured by way of a third ranking fixed and floating charge over the assets of Abbeycrest and its subsidiaries Termination is also conditional on Abbeycrest continuing to comply with the terms of the existing leases until 28 September 2011

Funding

On 31 May 2011, the board announced revised and extended facilities with its lenders in the UK and Thailand

Burdale Financial Limited ("Burdale"), the Group's senior lender, has agreed to extend the renewal date of the Group's UK facility to 9 March 2014 and to re-set the associated covenants As a result of a transfer in the Group's working capital requirements from the UK to Thailand, Abbeycrest's UK facility limit with Burdale was reduced from £8 0m to £4 0m, thereby reducing future under-utilisation costs All other principal terms and conditions remain unchanged

Abbeycrest Thailand Limited ("ATL") has also agreed an increase of £3 0m in its seasonal working capital facilities with its long-standing finance provider, Siam Commercial Bank PCL ("SCB") This comprises an increase of £2 6m in its invoice finance facility and an additional short term loan of £0 4m to facilitate the consolidation of Abbeycrest's Hong Kong activities into its Thai facility

The extended SCB facilities, which now total £8 8m, cover ATL's expected peak working capital requirements of the August to December 2011 period and are renewable annually All other principal terms and conditions remain unchanged

Based on current forecasts, the Group needs either to extend the current facilities or reduce the working capital requirement by £0 4m in October 2011 during the peak funding period The board is currently exploring a number of viable options to enable them to achieve this Further details regarding this matter are provided in Note 1b

Board changes

Sarah Carpin and Kathryn Davenport were appointed to the board as non-executive directors on 12 May 2010 Graham Partridge resigned from the board on 30 September 2010 and Simon Lazenby was appointed as Group Finance Director on the same date Nick Hamley also stepped down from the board on 30 September 2010 I would, once again, like to welcome Simon, Sarah and Kathryn and thank them for their valuable contribution since joining

Strategy

The global jewellery retailing market showed signs of recovery in 2010, albeit largely restricted to the luxury segment and Asia Pacific region These are segments not historically served by Abbeycrest but continue to form a key tenet of our medium to long-term strategy

We continue to press on with our plans to build branded jewellery collections and penetrate growing luxury segments These plans include, amongst other things

- supporting the growth of the Brown & Newirth® brand through a selective retail presence,

- building Brown & Newirth's® share of the UK engagement ring market to that of its wedding band share, through new collections backed by visual merchandising, and
- recruiting Key Account Managers into the Essentials division to develop its Asia-Pacific markets

Our ability to invest beyond organic growth remains restricted by Abbeycrest's past financial performance and historic market positioning Despite these constraints, we have made tangible progress with a number of positive developments, including our re-branding of 'Brown & Newirth®', the launch of a signature collection by 'Sarah Ho', an award winning jewellery designer, and the introduction of 'TLC', a market-leading warranty and support package

Current trading and outlook

Although trading conditions in our core markets remain difficult, the Group has made a satisfactory start to the current financial year Following the remedial actions set out above, Brown & Newirth® and the rest of the Brands division's key performance indicators continue in line with the board's expectations The benefits of consolidating our Hong Kong and Thailand operations are becoming evident and our Essentials division is trading in line with the board's expectations, albeit against a continuing backdrop of long-term pressure on precious metal prices

The board remains firmly of the view that the strategy of moving towards higher value-added, branded jewellery collections is aligned to current and expected global jewellery trends and we are seeing definite signs of progress Our more immediate plans include

- opening our first retail store under the Brown & Newirth® brand – providing the blue-print to replicate across select locations in future,
- launching an online shop to support the above Brown & Newirth® retail programme – providing the opportunity to test new concepts and build brand recognition,
- transferring the expertise of Julie Large, Brown & Newirth's® Creative Director, to reshape Essentials' product range into fashion-led collections – providing its customers with a stronger product proposition, and
- appointing a Sales & Marketing Director to support the Essentials division's Managing Director, Kerry Benson - providing additional impetus to capture targeted customers and markets

Senior management throughout the Group, and their teams, are undertaking an ambitious programme to change internal culture and market perception, product proposition and brand value with a view to achieving sales growth and margin improvement. This is not an easy task, with a capacity to invest only in moderation, but the board maintains its belief that, once this process is complete, the Group will be much better positioned to capitalise on the opportunities identified in the global jewellery market.

Simon Ashton

Chairman
24 June 2011

Business and Financial Review

Group Summary Financial Highlights

The table below analyses the Group's summary financial highlights as discussed in the following sections of the business review for both the current year and earlier periods

Financial year ended 28 February	Net debt £m	Inventory £m	Gold price/oz* £	Gold price/oz average monthly £
2010/11	5 6	7 0	869	825
2009/10	5 6	8 0	731	636
2008/9	8 0	9 3	670	507
2007/8	11 6	15 4	481	376
2006/7	14 0	18 8	343	303
2005/6	18 8	23 4	318	264

* Source London Bullion Market Association

- Net debt remained at same level as prior year, 70% reduction over 5 years
- Inventory reduced by 13% in current year and by 70% over 5 years
- Gold price at year-end increased by 19% in current year and by 173% over 5 years
- Average monthly gold price increase of 30% in current year and 213% over 5 years

Financial year ended 28 February	Revenue £m	Operating (loss)/ profit before exceptional items £m	Operating (loss)/ profit after exceptional items £m	Loss/(profit) for the year £m
2010/11	38 5	(0 3)	(2 1)	(3 0)
2009/10	39 7	0 9	2 4	1 6
2008/9	53 1	1 1	(7 1)	(10 1)
2007/8	61 9	1 7	(1 1)	(3 5)
2006/7	64 6	2 5	2 4	(0 5)

- Operating loss of £0 3m compared to £0 9m operating profit in 2010
- Revenue reduction to £38 5m in 2011 compared to £39 7m in 2010
- Significant exceptional costs in the year of £1 9m (2010 £1 5m income) due to further Group restructuring of £1 6m and an increase in the onerous lease provision of £0 3m

Group revenue

The table below analyses revenue for the Group by geographical market and operating segment for the periods indicated

	12 months ended 28 February 2011 £'000	12 months ended 28 February 2010 £'000
Revenue (all continuing operations)	**38,529**	39,663
Analysis of revenues by geographic market		
UK	**18,295**	19,178
Rest of Europe	**8,175**	6,782
Rest of the World	**12,059**	13,703
Total	**38,529**	39,663
Analysis by operating segment		
Brands	**12,735**	12,478
Essentials	**25,794**	27,185
Total	**38,529**	39,663

The reduction in revenue for the period ending 28 February 2011 was 3% in overall terms This was due to lower revenue in the Essentials division, where fragile consumer confidence in the Group's key markets, was affected by the continuing worldwide economic downturn and rising commodity prices

However, despite this background, the Group was able to grow its revenue in the Rest of Europe by 21%

The Brands division was able to increase revenue by 2% in the period ending 28 February 2011 reflecting the consumers appetite for design-led, branded jewellery

Operating profit and margins

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

	Group 12 months ended 28 February 2011 £'000	**Brands 12 months ended 28 February 2011 £'000**	**Essentials 12 months ended 28 February 2011 £'000**	Group 12 months ended 28 February 2010 £'000	Brands 12 months ended 28 February 2010 £'000	Essentials 12 months ended 28 February 2010 £'000
EBITDA before exceptional items	**568**	**366**	**1,360**	1,775	547	2,288
Less						
Depreciation of tangible fixed assets	**684**	**163**	**521**	747	136	611
Amortisation of intangible fixed assets	**211**	**1**	**210**	122	–	122
Operating (loss)/profit before exceptional items	**(327)**	**202**	**629**	906	411	1,555
Exceptional items – operating costs	**(1,777)**	**(988)**	**(509)**	1,500	–	–
Operating (loss)/profit	**(2,104)**	**(786)**	**120**	2,406	411	1,555
EBITDA margins before exceptional items	**1.5%**	**2.9%**	**5.3%**	4 5%	4 4%	8 4%
Operating margins before exceptional items	**-0.8%**	**1.6%**	**2.4%**	2 3%	3 3%	5 7%

Group EBITDA margin before exceptional items reduced during the year to 1 5% from 4 5%, primarily due to weaker performance in the Essentials division, which saw a reduction in its EBITDA margin from 8 4% to 5 3%, due to lower volumes and increased pressure on margins caused by increased commodity prices and competitor pressure The Brands division was also affected, with EBITDA margin reducing from 4 4% to 2 9%

This performance fed through to the Group's operating margins before exceptional items which fell to -0 8% from 2 3%, again largely due to the weaker performance by the Essentials division which reduced its operating margin to 2 4% from 5 7%

Exceptional costs

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

	12 months ended 28 February 2011 £'000	12 months ended 28 February 2010 £'000
Exceptional items – operating costs		
Onerous lease provision	**280**	(1,500)
Brands division restructure	**988**	–
Essentials division restructure	**509**	–
	1,777	(1,500)
Exceptional items – finance costs		
Financing costs	**100**	–
Total exceptional items	**1,877**	(1,500)

Operating costs

Exceptional operating costs incurred during the year ended 28 February 2011 comprised

(i) the onerous lease provision relates to management's re-assessment of the obligations under the tenancy agreement and associated unavoidable costs for the Group's former Head Office premises at Wilmington Grove in Leeds The Group benefited from a write-back of exceptional operating costs for the year ended 28 February 2010 of £1 5m as a result of the agreement with its landlord to grant an option to break the lease at the Group's former Head Office premises at Wilmington Grove in Leeds, in September 2011

(ii) the Brands division restructure relates to stock reduction, redundancy, professional and other costs arising from the fundamental review of the business and structure of the Brands division

(iii) the Essentials division restructure relates to stock reduction, redundancy, professional and other costs following a fundamental review of the division, resulting in the consolidation of the division's sourcing into Thailand

Finance costs

The financing costs in 2011 relate to facility fees and associated legal costs

Business and Financial Review

continued

(Loss)/profit attributable to equity shareholders

The table below analyses the (loss)/profit attributable to equity shareholders for the periods indicated

	12 months ended 28 February 2011 £'000	12 months ended 28 February 2010 £'000
Operating (loss)/profit	**(2,104)**	2,406
Finance costs – exceptional	**(100)**	–
Finance costs – non-exceptional	**(766)**	(851)
(Loss)/profit before taxation	**(2,970)**	1,555
Tax on (loss)/profit	**–**	–
(Loss)/profit for the year attributable to equity shareholders	**(2,970)**	1,555

The Group posted an operating loss of £2 1m for the period ended 28 February 2011 compared to a profit of £2 4m for the period ended 28 February 2010 The 2011 operating loss is after exceptional costs of £1 8m, compared with a £1 5m exceptional write-back in 2010

The Group incurred exceptional finance costs in the year of £0 1m The Group announced, on 31 December 2010, that it had breached its covenants on its UK asset backed finance facilities, resulting in £0 1m costs to reset covenants and extend the facility

Non-exceptional finance costs reduced by 10% to £0 8m during the year ended 28 February 2011, as a result of improved finance facilities and its continued effective working capital management against a backdrop of continuously increasing gold prices

Cash flows

The table below analyses the Group's cash flows for the periods indicated

	12 months ended 28 February 2011 £'000	12 months ended 28 February 2010 £'000
Net cash generated from operations	**1,075**	1,796
Share based payment	**41**	230
Net finance costs	**(966)**	(851)
Tax paid	**(49)**	(65)
Net capital expenditure and development expenditure	**(122)**	(370)
Issue of shares	**–**	1,620
Net proceeds from bank borrowings and finance leases	**(515)**	(2,888)
Leased gold facility movement	**14**	859
Net (decrease)/increase in cash	**(522)**	331
Cash and cash equivalents at beginning of year	**213**	(118)
Cash and cash equivalents at end of year	**(309)**	213

The Group has generated cash inflows of £1 1m from operations throughout the period ended 28 February 2011, attributable to effective management of working capital (primarily stock and debtors) against a backdrop of ever increasing gold prices The net cash inflow generated from operations in the period has been off-set with finance costs of £0 9m and capital expenditure of £0 1m

Abbeycrest's operations are traditionally 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

	12 months ended 28 February 2011 £'000	12 months ended 28 February 2010 £'000
Expenditure on plant and equipment	**118**	284
Expenditure on computer software	**4**	89
Capital expenditure	**122**	373

The Group's operations are well-equipped Due to the restructuring of both the Brands and Essentials divisions, there has been no significant capital expenditure investment. Potential capital expenditure projects will continue to be assessed, ensuring future investments return the appropriate paybacks

Net debt

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

	12 months ended 28 February 2011 £'000	12 months ended 28 February 2010 £'000
Borrowings – current		
Bank overdrafts	**519**	280
Bank loans	**2,602**	2,997
Leased gold	**2,577**	2,563
Obligations under hire purchase contracts	**85**	80
Borrowings – non-current		
Obligations under hire purchase contracts	**51**	176
Total borrowings	**5,834**	6,096
Less		
Cash and cash equivalents	**(210)**	(493)
Net debt	**5,624**	5,603

The net debt outstanding as at 28 February 2011 was £5 6m, the same as at 28 February 2010

The Group continues to be reliant on secured, asset backed borrowings to finance its operations

On 31 December 2010, the Group announced that it was in breach of its profit covenants with Burdale Financial Limited (Burdale) On 27 May 2011 Burdale formally agreed to reset covenants and extend the renewal date of the Group's UK asset based finance facility As a result of a transfer in the Group's working capital requirements to Thailand, the UK facility limit has been reduced to £4 0m from £8 0m, thereby reducing future under-utilisation costs

Debt facilities are also provided directly to Abbeycrest Thailand Limited (ATL) by Siam Commercial Bank (SCB) The facility comprises an overdraft, packing credit, gold guarantees and letters of credit. This facility was increased by £3 0m to £8 8m Draw downs against the SCB facility at 28 February 2011 stood at £4 4m at the sterling/Thai baht exchange rate as at that date The borrowings are secured principally against the Lamphun facility's land and buildings and the Bangkok offices of ATL

The leased gold balance of £2 6m (2010 £2 6m) is a loan from the Bank of Nova Scotia denominated in gold The leased gold balance is secured by letters of credit from Burdale and SCB

The Company also has a £0 25m secured loan facility from Michael Lever due for repayment within one year

Summary balance sheets

The table below analyses the Group's balance sheets

	At 28 February 2011 £'000	At 28 February 2010 £'000
Non-current assets	**5,839**	6,566
Current assets	**12,301**	14,521
Total assets	**18,140**	21,087
Current liabilities	**(11,080)**	(10,418)
Non-current liabilities	**(236)**	(900)
Total liabilities	**(11,316)**	(11,318)
Net assets	**6,824**	9,769

Non-current assets mainly comprise the land and buildings and plant and equipment of the Lamphun facility in Thailand as well as the plant and equipment of Brown & Newirth's® (B&N) factory in Hatfield Non-current assets also include goodwill of £1 9m associated with the acquisition of B&N

Current assets have reduced substantially year-on-year as a result of the managed reductions in working capital levels and of the decrease in sales turnover in the Essentials division

Current liabilities include bank loans, overdrafts, an onerous lease provision and gold leasing balances, which collectively have increased by £0 7m

Key Performance Indicators

The Directors have established the following measures as the Group's key performance indicators (KPI) for tracking progress with the implementation of their strategic plans, particularly of the restructuring programme

The table below shows the KPI results for each of the previous two financial years

Key Performance Indicator	**Actual 12 months ended 28 February 2011**	Actual 12 months ended 28 February 2010
Average selling price (£)	**23**	22
Value-added as a percentage of sales	**32.8%**	35 8%
Operating overheads (£'000 excluding exceptional items)	**8,187**	8,012
Headcount (number of employees)	**747**	744
Peak month-end working capital (£'000)	**12,844**	11,943
Peak borrowings (£'000)	**8,962**	8,491

Average selling price

The average monthly gold price has increased by 30% during the year, increasing the average selling price This has been partially mitigated by the increased sales in lower priced metals such as palladium and silver

Value-added as a percentage of sales

Value-added is calculated as the difference between sales and purchases from third parties within cost of sales

Value-added as a percentage of sales has reduced from 35 8% to 32 8% as a result of margin pressure caused by rising commodity prices and retailer action to protect volume

Operating overheads and headcount

In the year ending 28 February 2011, pre-exceptional operating overheads were £8 2m (2010 £8 0m) In the final quarter of the period, the Group commenced a re-structuring programme, which will significantly reduce future operating overheads

Average headcount increased slightly in the year The restructuring exercise undertaken in the final quarter will reduce future headcount

Peak working capital

Working capital at month end during the year peaked at £12 8m in November 2010, an increase of £0 9m compared to the peak of £11 9m in the prior year, in November 2009, due to a concentration in the seasonal sales caused by retailers delaying Christmas purchasing to manage their own working capital

Peak borrowings

Borrowings in the period peaked at £9 0m in November 2010, an increase of £0 5m, approximately 6% compared to the peak of £8 5m in the prior year in November 2009, again caused by increased seasonal demand

Group net debt at 28 February 2011 has remained static at £5 6m (28 February 2010 £5 6m)

Financial Risks and Uncertainties

Principal Risks Relating to the Group

The price volatility of some of the raw materials purchased by the Group, in particular precious metals, could have a material adverse effect on the Group and its ability to reflect raw material price movements in the Group's selling prices and in its finance headroom

The Group's profit is impacted by the price of the raw materials that it purchases, particularly gold and other precious metals The prices of these raw materials are volatile and they are influenced by a number of external factors, such as conditions in the commodity markets, which are outside the Group's control The price of gold and other precious metals has continued to rise almost inexorably during the period ended 28 February 2011 The Group manages its balance sheet gold price exposure using a gold lease facility and has some ability to pass on higher input prices to its customers, but this ability is, to some extent, dependent upon market conditions and, in any event, may tend to lag behind the price input movements Increasing raw material prices also increases the Group's working capital requirement placing additional pressure on the funding facilities

All of these factors could have a material adverse effect on the Group's business, financial condition, prospects and results of operations More details are provided in Note 20

The Group may be affected adversely by global economic conditions

The Group's operating and financial performance is influenced by the economic conditions of the regions in which it operates, particularly in in Europe, which has been an area of sales growth The current debt position of certain Eurozone economies, as well as the UK and the proposed debt reduction policies of their respective governments, continues to create uncertainty which is damaging consumer and retailer confidence, which could lead to a general reduction in business activity and a consequent loss of income for the Group The ongoing global credit market conditions mean financial institutions continue to apply more stringent lending criteria and the availability of debt remains low by historical comparison, which may mean that it will remain more costly for the Group to raise funds to take advantage of opportunities The continued uncertain state of global economic conditions may also have a material adverse effect on the Group's business, results of operations and overall financial condition

Limitations on the Group's ability to fund its longer term financing requirements could affect the Group adversely

(i) Debt covenants

The Group's debt facilities provided by Burdale contain net worth, trading cash flow and EBITDA financial covenants tested quarterly and its facilities with Michael Lever also contain certain undertakings

If the Group cannot meet its liabilities under the debt facilities, then the guarantees and security in place over the Group may be enforced

The Group must manage its business and capital structure so that it is able to meet its debt covenants, whilst also ensuring it can meet its liabilities as they fall due Should trading deteriorate further, the Group may be forced to take actions that it would not ordinarily take in order to ensure it meets its debt covenants

The Group breached its covenants with Burdale in July 2010 and December 2010 The Group worked closely with Burdale to re-set these covenants

(ii) SCB

ATL's debt facilities with SCB have recently been renegotiated Under the terms of the current documentation, the terms of all of the facilities provided by SCB can be varied at any time Were SCB to withdraw its facilities or make their terms onerous, this could affect ATL's ability to trade

The Group is exposed to currency fluctuations which could impact its results, cashflow and/or financial condition materially

Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of the Group's assets, liabilities and earnings The Group's reporting currency is Pounds Sterling However, through wholly-owned subsidiaries in Hong Kong and Thailand and sales offices in other territories, the Group has or will have operational exposure in US Dollars, Euro and Thai Baht (amongst other currencies) and capital expenditure cash flows may also be in currencies other than the functional currency of the Group's subsidiaries As a result, the Group's profitability may be adversely impacted if the earnings and cash flows associated with these investments fall or cash outflows increase because of currency fluctuations against Pounds Sterling When valuing investments that are denominated in currencies other than Pounds Sterling the Group will be required to convert the values of such investments into Pounds Sterling based on prevailing exchange rates as at the end of the applicable accounting period Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments The Group uses derivative financial instruments to manage the value of its earnings To the extent that the Group's currency exposure remains un-hedged, these currency risks could have a material adverse effect on the Group's business, financial condition and results of operations More details are provided in Note 20

The Group is exposed to interest rate fluctuations which could impact its results, cash flow and/or financial condition materially

The Group's interest-bearing assets and liabilities are subject to fluctuations in interest rates Hence the Group's financial costs, financial condition and credit profile may be adversely affected by fluctuations in interest rates

The Group is also exposed to movements in interest rates which affect the amount of interest paid on borrowings and the return on its cash investments To the extent that any of the Group's interest rate exposure remains unhedged, adverse movements in interest rates could have a material adverse effect on the Group's business, results of operations and overall financial condition More details are provided in Note 20

The Group's business may be affected by the default of counterparties in respect of monies owed to the Group

As a consequence of its normal operations, the Group often has significant amounts owed to it by its customers In addition, the Group may hold large cash balances on deposit with financial institutions In the current market environment, the Group's operating and financial performance may be impacted by increased exposure to the default of counterparties (including customers with bad debts), in particular if global economic conditions worsen which may, among other things, reduce the Group's cash flows

There can be no assurance that the Group's policy to limit counterparty exposures by setting credit limits for each counterparty, where possible by reference to published credit ratings, will eliminate such exposure effectively and any such counterparty default may have a material adverse effect on the Group's business, results of operations and overall financial condition

Trade credit insurance policies to insure the Group against credit risk of its customers or counterparties, in particular due to the current volatile market conditions, may not be available on reasonable terms or at all

The occurrence of major operational problems could have a material adverse effect on the Group

The Group's revenues are dependent on the continued operations of its manufacturing facilities in the United Kingdom and Thailand Operational risks include equipment failure, failure to comply with applicable regulations and standards, raw material supply disruptions, labour force shortages or work stoppages, events impeding, or increasing the cost of, transporting the Group's products and natural disasters

Any disruption of the manufacturing processes can either result in delivery delays, interrupt the production or even lead to a full cessation of production If production is interrupted, customers may decide to purchase products from other suppliers The resulting loss of revenue and the impact on the Group's relationships with its customers could be significant

The occurrence of major operational problems may adversely affect the Group's business, financial condition, results of operations and prospects

The Group monitors this risk through its internal control, reporting systems and insurance Alternative sources of supply exist either through associated subsidiaries of the Group or other third party vendors The Group has increased its terrorism insurance following unrest in some of the territories in which it operates

The Group may be exposed to refinancing risks

To the extent that they have not been repaid by the due dates, the Group will be required to seek a refinancing of its debt facilities as they come to an end There can be no assurance that the Group will be able to obtain new finance on competitive terms or at all, and therefore it may suffer a loss as a result of having to dispose of assets either at a time which is not of the Group's own volition and/or at a price which does not reflect the full value of the asset which might be achieved upon its maturity A failure to obtain new finance could result in a member of the Group defaulting on its obligations which would have a material adverse effect on the Group More details are provided in Note 20

RISKS ASSOCIATED WITH THE INDUSTRY

The markets in which the Group operates are highly competitive with respect to price, geographic distinction, functionality, brand recognition and the effectiveness of sales and marketing

Due to pricing pressure, the Group may experience substantial fluctuations in future operating results If the Group is unable to offset any reductions in average selling prices by increases in volumes and/or by decreases in operating expenses, the Group's turnover and profitability may be affected negatively

Furthermore, competition could be intensified due to companies entering certain markets with new products or favourable cost structures, or due to competitors establishing co-operative relationships or alliances among themselves, or with third parties to increase the competitiveness of their products Accordingly, in such events, the Group's sales, margins and/or market share may decrease These and other competitive pressures may prevent the Group from competing successfully against current or future competitors Such competitive pressures could have a significant impact on the Group's business, financial condition, results of operations and prospects

The Group monitors this risk through analysing market and competitive trends and seeks to strategically position the Group's operations in areas where prospects remain viable in the longer term

The markets in which the Group operates experience seasonal variations in revenues and operating profits

Sales to the various sectors serviced by products from the Group vary greatly throughout the calendar year, influenced by the key Christmas selling season As a result, the Group actively manages its cost base and investment decisions in line with forecast activity levels and prior experience However, any shortfall in revenues during peak trading periods against those anticipated could have a significant impact on the Group's business, financial condition, results of operations and prospects

The Group monitors this risk through its internal control and reporting systems and is attuned to react to short term fluctuations of demand through stringent control of costs and working capital

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and the Independent Auditors' Report, for the year ended 28 February 2011

Principal activity
The principal activity of the Group is the design, manufacture and distribution of precious metal jewellery, principally in gold, platinum, palladium and silver The Company operates as a holding company for the Group

Business review
Details of the Group's development during the year and prospects for the future are dealt with on pages 4 to 17, together with a review of KPI's and principal financial risks and uncertainties

There are no specific issues to report in connection with environmental, employee or social and community matters

Results and dividends
The Group's loss before taxation for the year ended 28 February 2011 was £3 0m (2010 profit £1 6m) The Directors do not recommend the payment of a final dividend

Post balance sheet events
The Group breached its covenants with Burdale in December 2010 The Group worked closely with Burdale to re-set these covenants New covenants were agreed in May 2011 The Group also agreed an extension of the facility with Burdale to 9 March 2014 and reduced the facility limit from £8 0m to £4 0m in order to reduce future under-utilisation costs

Directors and their interests
The Directors who served during the year are shown below

S Ashton	
A Cheesebrough	(Non-Executive)
S Carpin	(Appointed 12 May 2010) (Non-Executive)
K Davenport	(Appointed 12 May 2010) (Non-Executive)
S Lazenby	(Appointed 30 September 2010)
G D Partridge	(Resigned 30 September 2010)
N Hamley	(Resigned 30 September 2010)

A Cheesebrough retires by rotation at the next Annual General Meeting and, being eligible, has been put forward for re-election

S Lazenby who was appointed as a Director since the last Annual General Meeting, retires at the next AGM and, being eligible, has been put forward for re-election

The beneficial interests of the Directors who held office at 28 February 2011, in the ordinary share capital of the Company were

	28 February 2011 Ordinary shares of 1p each	28 February 2010 Ordinary shares of 1p each
A Cheesebrough	**40,000**	40,000
S Ashton	**1,000,000**	1,000,000

No contract existed during or at the end of the year in relation to the Group's business in which a Director was materially interested

On 3 June 2010, as permitted by the Companies Act 2006, the Company agreed as from that date, to indemnify each of the Directors who held office at that date and at the date of this report.

The interests of the Directors in the Company's share option schemes at 28 February 2011 are shown on page 26

Substantial shareholdings

On 1 June 2011, other than the Directors the following were registered as being interested in 3% or more of the Company's issued ordinary share capital

Name	Number of Shares	% of issued shares
P Gyllenhammar	22,031,000	29 71
Gartmore Investment Management	10,800,000	14 57
Legal and General Investment Management	8,000,000	10 79
D J Fiszman	3,935,000	5 31
J Featherstone	3,600,000	4 86
Downing Corporate Finance	3,220,000	4 34
Baring Asset Management	2,500,000	3 37

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

Employee involvement

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group This is achieved through formal and informal meetings

Land and buildings

In the Directors' opinion, there is no material difference between the book value and market value of freehold land and buildings owned by the Group

Supplier payment policy

The Group's policy is to arrange terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment Trade creditors of the Group at 28 February 2011 were equivalent to 23 0 (2010 26 2) days' purchases

Share capital structure

Details of the share capital structure are disclosed in Note 22 on page 58

Financial instruments

The Group's financial risk management policies are disclosed in Note 20 on page 54

Independent auditors

The Directors will place a resolution before the Annual General Meeting to re-appoint BDO LLP as auditors for the ensuing year and authorise the Directors to fix their remuneration

All of the current Directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information The Directors are not aware of any relevant audit information of which the auditors are not aware

Registered Office	**By order of the Board**
4100 Park Approach	**S. Lazenby**
Thorpe Park	**Secretary**
Leeds LS15 8GB	**24 June 2011**

Corporate Governance Statement

Statement of compliance with the Combined Code
The Group is committed to high standards of corporate governance This report and, where appropriate, the Directors' Remuneration Report, describe how the Board has applied the principles of the Combined Code on Corporate Governance 2008

The Board confirms that the Group complied with section 1 of the Code throughout the year with the following exceptions Provision A 3 2 requires that there should be two independent Non-executive Directors Since 1 September 2008 until 12 May 2010, the Group only had one Non-executive Director who was independent and therefore all of the code's provisions regarding independent directors including membership of committees were not complied with In view of the Group's size and the extent of its activities, the Board is satisfied that the number of Non-executive Directors to 12 May 2010 was sufficient for the Group's needs However, Mr Cheesebrough does not meet all of the criteria for independence under the Code, in particular his length of service The Board is satisfied that he operates independently of management and is an important contributor to the Board He is available to shareholders as an additional channel of communication

On 12 May 2010, the Group appointed a further two Non-executive Directors and since that date is in compliance with Provision A.3 2.

As above, to 12 May 2010 the board were not compliant with regards to the other provisions of the Code, where reference is made to the Senior Independent Director (SID) These are principally in respect of the role of the SID, including membership of the Board committees (A.1 3, A.3 3, A.4 1, A.6 1, A.7 2 B 2 1, C.3 1 and D 1 1) On 12 May 2010, the Group appointed a further two Non-executive Directors and since that date is in compliance with these other Provisions.

Provision C 3 1 requires that at least one member of the Audit Committee has recent and relevant financial experience One of the members does have substantial relevant experience but this is not recent.

Provisions A2 1 and A3 1 require that the role of Chairman and Chief Executive should not be exercised by the same individual Provision A3 1 also requires that the Chairman should meet the independence criteria set out in B.1 1 The Board is satisfied that this structure is sufficient due to the size and extent of the Group's activities

The Board
The Board consists of five Directors, of whom three are Non-executive Directors

A. Cheesebrough is the senior Non-executive Director and a retired bank manager He brings a wealth of banking and commercial expertise to the Group Albert has been a Non-executive Director since 1992 and his contract is renewed annually Albert is a member of the Audit, Nomination and Remuneration Committees

S Carpin, aged 48, is a specialist jewellery and watch consultant with international experience in magazine publishing, market research and trend forecasting Sarah currently provides marketing, media and intelligence services to The Company of Master Jewellers and is Jewellery Editor and writer for a number of consumer publications, including Country & Town House magazine She is a member of the Nomination and Remuneration Committees

K. Davenport, aged 41, is a qualified solicitor and Company Secretary with significant experience in company administration, corporate governance and UK Listing Authority compliance Kathryn was appointed as a non-executive director of Coral Products plc in February 2010 and was previously the Company Secretary at Union plc, now Browallia Holdings Limited, from September 1997 to July 2001 She is a member of the Audit and Remuneration Committees

S Ashton is the executive Chairman of the Group and is responsible for the Board of Directors Over the past 16 years he has developed and grown a number of privately owned and VC backed businesses and has been a catalyst to half a dozen companies with turnovers up to £100m, across sectors as diverse as textiles, automotive, food service, gardening, office furnishings and giftware

S Lazenby, aged 36, is the Group Finance Director and Company Secretary Simon is a Chartered Management Accountant and joined Abbeycrest from The Christy Group, where he held the role of Group Finance Director since May 2009 Prior to that, between May 2005 and May 2009, Simon was employed by Abbeycrest International as Financial Controller and latterly headed that division From 1996 to May 2005, Simon worked at Tieto (formerly Attentiv plc), leaving the company as Financial Controller after playing a significant role in its flotation on AIM in March 2004

Information and Professional Development
The Chairman takes responsibility for ensuring the Directors receive accurate, timely and clear information with all Board and committee papers being issued in advance of meetings by the Company Secretary

In addition to formal Board meetings, the Chairman maintains regular contact with the other Directors to discuss specific issues The Group Finance Director takes responsibility for ensuring frequent contact between the Directors and senior management of the Group's operating divisions Directors are free to meet individual members of the senior management team at any time

Newly appointed Directors and senior managers undergo a structured induction programme, tailored to their individual requirements, to ensure that they have the necessary knowledge and understanding of the Group and its activities

The Board believes that, given the experience and skills of its particular Directors, the identification of general training needs is best left to the individual's discretion If any particular requirement is identified through the Board's formal appraisal processes or by an individual Director, the Group makes the necessary resources available

The Company Secretary acts as an adviser to the Board on matters concerning governance and he ensures Board procedures are complied with The appointment and removal of the Company Secretary is a matter for the Board as a whole

Performance Evaluation
Appraisal of the process of the Board, its individual members and its principal committees is completed on an on-going and informal basis through open and frank discussions during Board and other meetings Independent formal evaluations of Board members are completed from time to time as the need arises

Operation and Role of the Board
The Board has a schedule of matters reserved to it for decision, which is updated annually The requirement for Board approval on these matters is understood and communicated widely throughout the Group

The Directors have full and timely access to all relevant information to enable the Board to function effectively The Directors believe that it is essential that the Group should be led and controlled by an effective Board

The Board recognises the following matters as its main tasks

- Agreeing Group performance objectives, policies and strategies, including budgets and business plans
- Reviewing the progress made by the Group and its executives.
- Ensuring sound policies are in place and followed in respect of health and safety, corporate governance, financial risk and internal control
- Delegating clear responsibility and authority to individual members and to committees of the Board as appropriate
- Ensuring adequate and accurate reporting of the Group's financial position and effective communication of same to shareholders and other stakeholders
- Evaluating Board effectiveness at least annually

Board Meetings and Committees
The main Board met 21 times during the financial year The Board meetings follow a formal agenda of matters with supporting information to allow an appraisal of issues requiring decisions and approval by the Board

There is a procedure agreed by the Board for the Directors in furtherance of their duties, to take independent professional advice, if necessary, at the Group's expense No such advice was sought during the year

Corporate Governance Statement
continued

There are three Board Committees:

Audit Committee

The Audit Committee consists of two of the Non-executive Directors – A. Cheesebrough (Chairman) and K. Davenport, since her appointment on 12 May 2010, and S Lazenby who attended the Audit Committee meetings at the invitation of the Audit Committee Chairman During the year, the Committee met twice The Committee's main responsibilities are to

- Monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance
- Ensure that the Group's internal financial controls and internal control and risk management systems are reviewed and where appropriate, improved on a timely basis.
- Make recommendations to the main Board in relation to the appointment, re-appointment and removal of the external auditor and approve remuneration and terms of engagement of the external auditor
- Review and monitor the external auditor's independence and the effectiveness of the audit process This information is used to validate the reappointment of the auditors

The Audit Committee approves all non-audit services provided by the external auditors, in order to monitor and safeguard the external auditor's independence During the year, the external auditors provided tax services to the Group Following discussions with the external auditors, the Audit Committee has determined that the provision of such services has not affected audit independence Fees paid to the auditors during the year for non-audit services were £19,000 (2010· £91,000)

- The Group has a Whistle-blowing Policy, whereby staff of the Group may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters

Remuneration Committee

The Remuneration Committee's membership and principal terms of reference are set out on pages 25 to 28

Nominations Committee

There is a formal and transparent procedure for the appointment of new Directors to the Board, the prime responsibility for which is delegated to the Nominations Committee

The Nominations Committee consists of S Ashton (Chairman), A. Cheesebrough and S Carpin, since her appointment on 12 May 2010 and is responsible for assisting the Board in the formal selection and appointment of Directors and considers succession planning for the Board It also considers potential candidates and recommends appointments of new Directors to the Board The appointments are based on merit and against objective criteria including the time available and commitment, which will be required of the potential Director

The Terms of Reference of these Committees are available for inspection on the Group's website at www abbeycrest.co uk. The number of meetings of the Board and its Committees together with attendance thereof, is set out in the table below

	Main Board	**Audit Committee**	**Remuneration Committee**	**Nominations Committee**
Number of Meetings Held	**21**	**2**	**2**	**3**
S Ashton	21	–	–	3
S Lazenby	6	1	–	–
A. Cheesebrough	21	2	2	3
K. Davenport	14	2	1	–
S Carpin	8	–	1	2
G D Partridge	12	1	–	–
N Hamley	12	–	–	–

Communication with Shareholders

The Board places considerable importance on communications with shareholders and responds to them on a wide range of issues. Where appropriate the Chairman ensures that the views of the shareholders are communicated to the Board The Chairman and Group Finance Director meet with major institutional shareholders as appropriate, where issues such as strategy, performance, management and governance are discussed These meetings are then discussed with the other executive Directors and the Non-executive Directors All Directors attend the Annual General Meeting

Internal control

The Group statement on internal control prepared in accordance with Turnbull guidance is as follows.

The Board of Directors is responsible for ensuring that the Group maintains a sound system of internal control, to safeguard shareholders' investment and the Group's assets, as well as providing the Directors with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations The Directors also recognise that they have overall responsibility for reviewing the effectiveness of the internal control system However, there are inherent limitations in any system of internal control and accordingly even the most effective system is only designed to manage rather than eliminate the risk of failure against business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss

The Board of Directors has applied Principle C.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with the Code Provision C.2 1 and the guidance set out in Internal Control Guidance for Directors on the Combined Code, which was published in September 1999 The Board monitoring covers all controls including financial, operational and compliance controls and risk management. The review process includes

- Setting an internal control policy The Board has prepared a statement of policy on internal control after considering the nature and extent of the risks facing the Group, the extent and categories of risk which the Board regards as acceptable for the Group to bear the likelihood of risks materialising, the Group's ability to reduce the incidence and impact on the business of risks that do materialise, and the costs of operating particular controls relative to the benefit thereby obtained in managing the related risks

- Preparation of a detailed business risk management programme The programme provides a process for the identification and prioritisation of risks, and the identification, review and assignment of responsibilities for risk controls to the appropriate levels of management in order to ensure the proper implementation of the Board's policy on internal control The programme also facilitates communication within the Group which ensures that employees understand their responsibilities for internal control, and ensures that any evolving risks or control failings are reported immediately to the Board to enable appropriate actions to be taken

The Board has reviewed the effectiveness of the system of internal control in operation in the Group for the purposes of this annual report The assessment considers all significant aspects of internal control arising in the period covered by the report. Where additional controls were required, action plans have been put in place to address these Successful completion of these action plans will be carefully monitored

Internal financial control

The key features of the internal financial control system that operated throughout the year covered by the financial statements are described under the following headings

- Control environment. The Board has in place a documented organisational structure with clearly defined and understood lines of responsibility and delegation of authority from the Board to operating segments

- Identification and evaluation of business risks and control objectives The Board has the primary responsibility for identifying major business risks facing the Group and developing appropriate policies to manage those risks. The risk management approach is used to focus management on the Group's most significant areas of risk and to determine key control objectives.

- Information systems The Group operates a comprehensive annual budgeting system with budgets approved by the Board The financial reporting system compares results with budget and the previous year on a monthly basis to identify any significant deviation from approved plans Financial reviews of the major operating units are undertaken on a monthly basis Weekly key statistics information is also reviewed at Board level for all the main operating segments

Corporate Governance Statement
continued

- Main control procedures The Board has adopted a schedule of matters which are required to be brought to it for decision thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues The Board has identified a number of key areas which require its review and approval including all major transactions and significant organisational changes

- Monitoring The Board has delegated to executive management the monitoring of the system of internal financial control procedures The operation of the system is monitored by internal review focusing on key aspects of the business

The Board takes account of any control recommendations made by the auditors, responds to them formally and monitors them going forward As more of the Group's activities have transferred overseas, the Board is aware of the additional internal control vigilance required Whilst at present the Board still considers that the cost of a separate internal audit function would exceed the benefits it could bring to the Group's current system of internal control, the Group's finance team will increase the intensity of risk and controls assessment in respect of the overseas entities and will report to the Audit Committee along traditional internal audit lines

Going concern basis
After making enquiries the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future See note 1b of the notes to the financial statements for discussion on uncertainties. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements

Approval
This report was approved by the Board of Directors on 24 June 2011 and signed on its behalf by

A Cheesebrough
Senior Non-executive Director

Remuneration Report

Introduction

This report has been prepared in accordance with Schedule 8 of SI2008/410 ("the Regulations") The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved

The Regulations require the auditors to report to the Company's members on the 'auditable part" of the Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 2006 (as amended by the Regulations) The report has therefore been divided into separate sections for audited and unaudited information

Unaudited Information

Remuneration Committee

Remuneration of the executive Directors is determined by the Remuneration Committee The Remuneration Committee also assesses pay and conditions of employees of the Group when determining the executive Directors' remuneration The Remuneration Committee comprises K. Davenport (Chairman), S Carpin (both appointed on 12 May 2010) and A Cheesebrough The Non-executive Directors have no personal interest, other than A. Cheesebrough as a shareholder, in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business The Remuneration Committee normally meets twice a year to determine the terms and conditions including annual remuneration, grant of long-term incentives and bonus awards, of the executive Directors

Policy on remuneration of Directors

The remuneration policy for executive Directors is to offer a remuneration package which will attract and retain the highest calibre of executive and to ensure that individual rewards and incentives are directly aligned with personal performance, the performance of the Group, its growth in size and complexity and the interests of shareholders This policy is expected to continue in future financial years Should any of the executive Directors wish to accept external appointments, this would be referred to the Chairman, each case being considered on its own merits

The main elements of the Group's remuneration arrangements are

(i) **Basic salary and benefits**

The level of basic salary and benefits is determined by the Remuneration Committee after taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in comparable companies The companies used for comparison are chosen having regard to size, type of industry, geographical spread and the changing profile of their businesses Individual salaries of executive Directors are reviewed annually by the Remuneration Committee Benefits in kind normally include the provision of a car, fuel, private medical insurance, permanent health insurance and death-in-service benefits Non-executive Directors are not entitled to benefits in kind

(ii) **Performance related bonus**

Executive Directors are eligible to participate in the Group's Performance Related Bonus Scheme which rewards achievement of demanding financial targets of the Group These targets are established by reference to annual budgets and bonus levels for extra-budgetary performance and are at the discretion of the Remuneration Committee In addition, discretionary bonus payments may be made for achievement of specific objective targets as may be set by the Remuneration Committee

(iii) **Pension rights**

Executive Directors participate in the Abbeycrest Plc Group Personal Pension Plan, which is a defined contribution scheme The level of contribution throughout the year was 7 5% of salary The Directors can elect to take extra pension contributions in lieu of other benefits

(iv) **Share options**

On the 14 April 2010, the Company announced that, following approval by the Company's Remuneration Committee, it had granted each of its executive Directors options under the Abbeycrest 2010 Approved Executive Share Option Plan and the Abbeycrest 2010 Unapproved Executive Share Option Plan in total over 9 430,949 ordinary shares of 1 pence each in the share capital of the Company for £nil consideration The options were granted following the General Meeting of Abbeycrest on 14 April 2010, at which the Plans were approved by the Company's shareholders. A further 2,900,000 ordinary shares of 1 pence each in the share capital of the Company were granted to executive Directors and certain employees for £nil consideration on the 4 November 2010

Remuneration Report

continued

The options granted to the executive Directors under the Unapproved Plan have an exercise price of 9 00 pence per Ordinary Share The options granted to the Executive Directors under the Approved Plan have an exercise price of 7 38 pence per Ordinary Share

The number of Ordinary Shares subject to the Options granted, together with the beneficial interests of the Executive Directors currently held in the issued share capital of the Company, is as follows

	Number of Ordinary Shares subject to Options granted under the Approved Plan	Number of Ordinary Shares subject to Options granted under the Unapproved Plan	Total number of Ordinary Shares subject to Options granted under the Plans	Number of Ordinary Shares currently held	Number of Ordinary Shares currently held as a percentage of the Company s issued share capital
Simon Ashton (Executive Chairman)	406,504	4 308 971	4,715,475	1,000,000	1 35%
Simon Lazenby (Group Finance Director)	406,504	743,496	1,150,000	–	–

The options granted to each of the executive Directors become exercisable with immediate effect in respect of 20% of the total number of Ordinary Shares subject to the options granted to the relevant executive Director Dependent on the achievement of certain performance criteria, the options granted to each of the executive Directors become exercisable with effect from 30 June 2011 in respect of 30% of the total number of Ordinary Shares subject to the options granted to the relevant executive Director and in respect of the remaining 50% with effect from 30 June 2012 The options granted to S Ashton cannot be exercised any later than 14 April 2020 The options granted to S Lazenby cannot be exercised any later than 4 November 2020

(v) **Service agreements**

All executive Directors of the Company have service contracts (from the date of appointment) with an indefinite term which are terminable by the Company with six months' notice There is no provision for termination payments in the Directors' service contracts

(vi) **Non-executive Directors**

The remuneration of Non-executive Directors takes the form of fees, which are set by the Board When agreeing the fees for Non-executive Directors the Board takes into consideration their expertise and the level of fees paid by comparable companies. Non-executive Directors are subject to re-election and the Companies Act provisions relating to the removal of a Director Non-executive Directors cannot participate in any of the Company's share option schemes and are not eligible to join the Company's pension scheme

Performance Graph

In accordance with the requirements of the Regulations the graph below compares the total shareholder return of the Company (calculated in accordance with the Regulations over the last five years), compared with the total shareholder return of the FTSE All Share Index. The FTSE All Share Index has been selected for this comparison because, in the view of the Remuneration Committee, it consists of companies closely aligned with Abbeycrest Plc and therefore is an appropriate index for comparison

Audited Information

Details of Directors' remuneration and interests in the Company's options to subscribe for ordinary shares are set out as follows

(i) **Directors' remuneration**

The remuneration received by each Director is as follows

	2011 (£'000)					
	Salary and Fees (Note 1)	**Benefits (Note 2)**	**Performance Scheme Bonus (Note 3)**	**Total Emoluments**	**Pension (Note 4)**	**Total**
S Ashton	145	–	–	145	11	156
S Lazenby	28	–	–	28	2	30
G D Partridge	79	9	–	88	5	93
N Hamley	72	1	–	73	4	77
Non-executive Directors						
A. Cheesebrough	20	–	–	20	–	20
K Davenport	13	–	–	13	–	13
S Carpin	27	–	–	27	–	27
	384	**10**	**–**	**394**	**22**	**416**

	2010 (£'000)					
	Salary and Fees (Note 1)	Benefits (Note 2)	Performance Scheme Bonus (Note 3)	Total Emoluments	Pension (Note 4)	Total
S Ashton	150	1	63	214	15	229
GD Partridge	106	6	37	149	7	156
N Hamley	100	1	25	126	7	133
D Chapman	38	–	–	38	2	40
Non-executive Directors						
A. Cheesebrough	24	–	–	24	–	24
	418	**8**	**125**	**551**	**31**	**582**

Notes

(1) Executive Directors are paid a salary for their work as executives and are not paid fees in respect of their directorship Non-executive Directors are paid a fee for their services On 1 January 2011, the Directors took a 20% pay cut

(2) Benefits in kind are those of a fully expensed motor vehicle, private medical insurance, death in service benefit and permanent health insurance

(3) All executive Directors are eligible to participate in the Group's performance related bonus scheme

(4) Three (2010· three) Directors were members of money purchase schemes during the year Pension costs paid by the Company are based on 7 5% of salary except where other arrangements are in place, as described earlier

(5) No gains were made on the exercise of share options. A share based payment of £31,000 was charged to the consolidated income statement in relation to share options granted to executive Directors

(6) Performance related elements of remuneration, in particular bonus payments, interests in share options and interests in the Long-Term Share Incentive Scheme form a significant part of Directors' overall potential remuneration

Remuneration Report

continued

(ii) **Directors' interests in share options**

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors No options were exercised in the year The Directors' options to subscribe for ordinary shares of 1 pence under the Abbeycrest Plc 1995 Executive Share Option Scheme lapsed on 31 May 2009

In addition to the above, on the 14 April 2010, the Company announced that following approval by the Company's Remuneration Committee, it had granted each of its executive Directors options under the Abbeycrest 2010 Approved Executive Share Option Plan and the Abbeycrest 2010 Unapproved Executive Share Option Plan, in total over 9,430,949 ordinary shares of 1 pence each in the share capital of the Company for £nil consideration The options were granted following the General Meeting of Abbeycrest on 14 April 2010, at which the Plans were approved by the Company's shareholders A further 2,900,000 ordinary shares of 1 pence each in the share capital of the Company were granted to executive Directors and certain employees for £nil consideration on 4 November 2010 Full details of the awards to the Directors are disclosed in section(iv) Share options above

Approval

This report was approved by the Board of Directors on 24 June 2011 and signed on its behalf by

K. Davenport

Chairman of the Remuneration Committee

Statement of Directors' Responsibilities in respect of the Annual Report, The Directors' Remuneration Report and the Financial Statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law) Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period

In preparing these financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements, and
- Prepare a Director's Report and Director's Remuneration Report which comply with the requirements of the Companies Act 2006

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website Financial statements are published on the Company'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 Company's website is the responsibility of the Directors The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

Directors' responsibilities pursuant to DTR4
The Directors confirm to the best of their knowledge

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group
- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description or the principal risks and uncertainties that they face

Approval
This report was approved by the Board of Directors on 24 June 2011 and signed on its behalf by

S.Ashton
Chairman

Independent Auditors' Report to the Shareholders of Abbeycrest plc

We have audited the financial statements of Abbeycrest plc for the year ended 28 February 2011 which comprise the consolidated balance sheet and parent company balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB s website at www frc org uk/apb/scope/ukp cfm

Opinion on financial statements

In our opinion

- The financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 28 February 2011 and of the Group's loss for the year then ended
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- The parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation

Emphasis of matter - going concern

In forming our opinion which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern Based on current forecasts the Group, during its peak trading season in October 2011, needs to either extend its current borrowing facilities or reduce its working capital requirement by £0 4m The Directors are currently exploring a number of options available to achieve this The Directors are confident that the Group will be able to extend its borrowing facilities However, there is no binding agreement in place In the event the Group is unable to extend its facilities or reduce its working capital requirement accordingly, it is possible that the Group may not be able to operate as a going concern These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- The information given in the Corporate Governance Statement set out on pages 20 to 24 of the Annual Report and Financial Statements with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- The Directors' statement, in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

BDO LLP.

Nicholas Giles Wharton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
1 Bridgewater Place
Leeds
United Kingdom
LS11 5RU

24 June 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated Income Statement

For the year ended 28 February 2011

	Notes	**Year to 28 February 2011 £'000**	Year to 28 February 2010 £'000
Revenue	2	**38,529**	39,663
Operating costs	3	**(40,633)**	(37,257)
Operating (loss)/profit		**(2,104)**	2,406
Finance costs	5	**(866)**	(851)
(Loss)/profit before taxation	8	**(2,970)**	1,555
Analysis of (loss)/profit before taxation			
(Loss)/profit before taxation and exceptional items		**(1,093)**	55
Exceptional items – operating costs	4	**(1,777)**	1,500
Exceptional items – finance costs	4	**(100)**	–
(Loss)/profit before taxation		**(2,970)**	1,555
Tax on (loss)/profit	7	**–**	–
(Loss)/profit for the year attributable to equity shareholders of the parent		**(2,970)**	1,555
(Loss)/profit per share – basic and diluted	9	**(4.0)p**	3 2 p

Consolidated Statement of Comprehensive Income

For the year ended 28 February 2011

	Year to 28 February 2011 £'000	Year to 28 February 2010 £'000
(Loss)/profit for the period	**(2,970)**	1,555
Other comprehensive costs		
Cash flow hedges		
Losses recognised directly in equity	**(31)**	1,193
Exchange losses on retranslation of foreign operations	**15**	(1,263)
Other comprehensive costs	**(16)**	(70)
Total comprehensive (costs)/income for the year attributable to equity shareholders of the parent	**(2,986)**	1,485

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Balance Sheet

As at 28 February 2011

	Notes	28 February 2011 £'000	28 February 2010 As restated Note 19 £'000
Assets			
Non-current assets			
Goodwill	10	**1,866**	1,866
Other intangible assets	11	**385**	358
Property, plant and equipment	12	**3,486**	4,240
Deferred tax assets	21	**102**	102
		5,839	6,566
Current assets			
Inventories	14	**6,964**	8,046
Trade and other receivables	15	**5,127**	5,982
Cash and cash equivalents	16	**210**	493
		12,301	14,521
Liabilities			
Current liabilities			
Borrowings	18	**(5,783)**	(5,920)
Trade and other payables	17	**(4,382)**	(3,896)
Corporation tax		**-**	-
Provisions	19	**(915)**	(602)
		(11,080)	(10,418)
Net current assets		**1,221**	4,103
Non-current liabilities			
Financial liabilities			
Borrowings	18	**(51)**	(176)
Provisions	19	**(185)**	(724)
		(236)	(900)
Net assets		**6,824**	9,769
Shareholders' equity			
Share capital	22	**3,371**	3,371
Share premium account		**7,066**	7,066
Merger reserve		**199**	199
Cumulative translation reserves		**2,338**	2,354
Retained earnings		**(6,150)**	(3,221)
Total shareholders' equity		**6,824**	9,769

Approved and authorised for issue by the Board and signed on its behalf by

S Ashton
Chairman

S. Lazenby
Director

24 June 2011

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 28 February 2011

	Year to 28 February 2011 £'000	Year to 28 February 2010 £'000
Cash flow from operating activities		
(Loss)/profit after tax	**(2,970)**	1,555
Tax charge	**-**	-
Depreciation and amortisation	**865**	874
Share based payment	**41**	230
Finance costs	**966**	851
	(1,098)	3,510
Decrease in inventories	**1,058**	1,298
Decrease in receivables	**855**	4,721
Increase/(decrease) in payables	**301**	(7,503)
Finance costs paid	**(966)**	(851)
Taxation paid	**(49)**	(65)
Net cash inflow from operating activities	**101**	1,110
Purchase of property, plant and equipment	**(118)**	(284)
Proceeds from sale of property, plant and equipment	**-**	3
Purchase of intangible fixed assets	**(4)**	(89)
Net cash used in investing activities	**(122)**	(370)
Cash flow from financing activities		
Issue of ordinary shares	**-**	1,620
Proceeds of borrowings	**-**	185
Repayment of borrowings	**(395)**	(2,776)
Leased gold facility movement	**14**	859
Capital element of finance lease rental payments	**(120)**	(297)
Net cash used in financing activities	**(501)**	(409)
Net (decrease)/increase in cash	**(522)**	331
Cash and cash equivalents at beginning of year	**213**	(118)
Cash and cash equivalents at end of year	**(309)**	213
Cash and cash equivalents comprise:		
Cash and cash equivalents in the balance sheet	**210**	493
Bank overdrafts	**(519)**	(280)
	(309)	213

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity
For the year ended 28 February 2011

	Share capital	Share premium	Merger reserve	Cumulative translation reserve	Hedging reserve	Retained earnings	Total
Balance at 1 March 2010	3 371	7,066	199	2,354	–	(3 221)	9,769
Loss for the period	–	–	–	–	–	(2,970)	(2,970)
Exchange losses on retranslation of foreign operations	–	–	–	(16)	–	–	(16)
Total comprehensive income for the period	–	–	–	(16)	–	(2,970)	(2,986)
Share based payment	–	–	–	–	–	41	41
Balance at 28 February 2011	**3,371**	**7,066**	**199**	**2,338**	**–**	**(6,150)**	**6,824**

	Share capital	Share premium	Merger reserve	Cumulative translation reserve	Hedging reserve	Retained earnings	Total
Balance at 1 March 2009	2,922	5,665	199	2,424	–	(4,776)	6 434
Profit for the period	–	–	–	–	–	1,555	1,555
Exchange losses on retranslation of foreign operations	–	–	–	(70)	–	–	(70)
Total comprehensive income for the period	–	–	–	(70)	–	1,555	1,485
Gross issue of share capital	449	1,797	–	–	–	–	2,246
Issue costs	–	(396)	–	–	–	–	(396)
Balance at 28 February 2010	3,371	7,066	199	2,354	–	(3,221)	9,769

The accompanying notes are an integral part of these consolidated financial statements

Notes to the Financial Statements

28 February 2011

1 Accounting Policies

a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS

The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP (see pages 62 to 69)

b. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below The policies have been consistently applied to all the years presented, unless otherwise stated

Going concern

The financial statements have been prepared on a going concern basis

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 ended 28 February 2011 The Group has been adversely affected by the significant rise in the gold price which has increased working capital balances and reduced demand for the Group's products

Based on current forecasts the Group need to either extend the current facilities or reduce working capital requirement by £0 4m in October 2011, during the peak funding period The Directors are currently exploring a number of viable options available to them to achieve this

After the year end on 31 May 2011, the Group successfully re-negotiated its facilities with its lenders in the UK and Thailand Based on the success the Group has had on managing its working capital requirements, the current balance sheet positions and the on-going relationships with the Groups lenders, the Directors are confident that the Group will be able to either extend its facilities further or reduce its working capital position during the peak funding period and are therefore confident that the Group will have adequate resources to continue in operational existence

For the above reasons the Directors have prepared the financial statements on a going concern basis However, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business The financial statements do not contain any adjustments which may be required if the Group was unable to continue as a going concern

c. Changes in accounting policies

New standards, interpretations and amendments effective from 1 March 2010

The following new standards, interpretations and amendments, were effective for the first time from 1 March 2010, but have not had a material effect on the financial statements

- *Revision of IFRS 3 Business Combinations*
- *Amendment to IAS 27 Consolidated and Separate Financial Statements*
- *Amendment to IAS 39 Financial Instruments: Recognition and Measurement*
- *IFRIC 17 Distributions of Non-cash Assets to Owners*
- *Revised IFRS 1 First-time Adoptions of International Financial Reporting Standards*
- *IFRIC 18 Transfer of Assets from Customers*
- *Improvements to IFRSs (2009)*
- *Amendment to IFRS 2 Group Cash-settled Share-based Payment Transactions*
- *Amendment to IFRS 1 Additional Exemptions for First-time Adopters*
- *Amendment to IAS 32 Clarification of Rights Issues*

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Group's future financial statements

1 Accounting Policies (continued)

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*
- *IFRS 9 Financial Instruments*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 13 Fair Value Measurement*
- *IAS 27 Separate Financial Statements*

Management are considering the impact of these new standards and interpretations on the financial statements but there will be no impact on the operating results

The following new standards, interpretations and amendments, which have not been applied in these financial statements, are not expected to have an effect on the Group's future financial statements

- *Amendment to IFRS 1 First-time Adoption of International Financial Standards*
- *Revisions of IAS 24 Related Party Disclosures*
- *Amendments to IFRIC 14 and IAS 19 Limit on a Defined Benefit Assert, Minimum Funding Requirements and their Interaction*
- *Amendments to IFRS 7 Transfers of Financial Assets*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *IAS 28 Investments in Associates and Joint Ventures*

d. Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity Subsidiaries are fully consolidated from the date on which control is transferred to the Group They are de-consolidated from the date on which control ceases

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus historically costs directly attributable to the acquisition Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred Goodwill arising on the acquisition of B&N prior to the date of transition to IFRS has been retained at the previous UK GAAP values, as no adjustment was required on transition Goodwill is subject to impairment tests at least annually

e. Foreign currency

(1) Functional and presentation currency

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency') The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional and presentational currency

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied as set out in accounting policy 'y" on page 42

Notes to the Financial Statements
continued

1 Accounting Policies (continued)

(3) Group companies
The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency of the Group as follows

(i) assets and liabilities for each balance sheet presented are translated at the closing rate of the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates, and

(iii) all resulting exchange differences are recognised as a separate component of equity (cumulative translation reserve)

f. Revenue
Revenue from the sale of goods is recognised when the Group entity has delivered the product to the customer; the customer has accepted the product and collectability of the related receivable is reasonably assured No revenue is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods

Revenue is measured at the fair value of the consideration received or receivable and represents amounts due for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes

g. Exceptional items
Non-recurring income and costs whose size or nature result in a material impact on the Group's profit are classified as exceptional and are disclosed on the face of the income statement.

h. Software
Software is included in the balance sheet as an intangible asset where it is clearly linked to long-term economic benefits for the Group In this case it is measured initially at purchase cost and then amortised on a straight-line basis over its estimated useful life All other software costs are expensed in the income statement as incurred

i. Share-based payments
The Group operates a number of equity-settled share-based payment plans In respect of share awards granted after 7 November 2002 (and not vested by 1 March 2005), in accordance with IFRS 2 'Share-based Payment', an expense is recognised in respect of the fair value of employee services received in exchange for the grant of shares or share options Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored in to the fair value of the options granted As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied The cumulative expense is not adjusted for the failure to achieve a market vesting condition

A corresponding amount is recorded as an increase in equity within retained earnings The expense is spread over any relevant vesting period and is calculated by reference to the fair value of the shares or share options granted, excluding the effect of any non-market vesting conditions

j. Retirement benefit costs
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due Retirement benefits due to employees in Thailand are charged as an expense based on estimates of anticipated payments

k. Interest
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

l. Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

l Accounting Policies (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised (which, in particular, requires an assessment of the time horizon over which taxable profits will arise to offset brought forward losses) Liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries, where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

All deferred tax balances are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised This means using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax assets and liabilities are offset to the extent that they relate to taxes levied by the same tax authority and they are in the same taxable entity, or a group of taxable entities where the tax losses of one entity are used to offset the taxable profits of another

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

m. Goodwill

Goodwill represents the excess of cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition The carrying value of the goodwill is reviewed annually for impairment Goodwill is carried at cost less accumulated impairment losses Any impairment is written off to the income statement Goodwill impairments are not reversed

Where the fair value of the identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement

n. Property, plant and equipment

Property, plant and equipment is recorded at original cost less accumulated depreciation and any recognised impairment loss Cost includes professional fees and, for assets constructed by the Group, any related works to the extent that these are directly attributable to the acquisition or construction of the asset

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income

Subsequent costs are included in the varying value of an asset when it is probable that additional future economic benefits will flow to the Group and the cost of the item can be measured reliably All other repairs and renewals are charged to the income statement as incurred

o. Depreciation, amortisation and impairment of property, plant and equipment and other intangible fixed assets

Depreciation or amortisation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment and intangible fixed assets including those held under finance leases These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives The estimated useful lives of assets are reviewed regularly and, when necessary, revised Accelerated depreciation or amortisation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below No further charges are provided in respect of assets that are fully written down but are still in use

Notes to the Financial Statements
continued

1 Accounting Policies (continued)

The estimated useful lives for the main categories of property, plant and equipment and intangible assets are

Freehold and long leasehold buildings	2% straight line
Short leasehold buildings	Over the lease term
Motor vehicles	25-33% straight line
Equipment	10-50% straight line
Software	33% straight line
Land is not depreciated	
Goodwill is not amortised	

At each balance sheet date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use If any such indication exists the recoverable amount of the asset is reviewed in order to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years

p. Leases

Assets held under finance leases are recognised as assets of the Group at their deemed cost to the Group, being their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are charged directly against income over the period of the lease

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the lease Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.

Onerous lease provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of no longer using the asset under the lease arrangement and where there is a present obligation that will be settled in the future by meeting the ongoing lease payments and any associated unavoidable costs

In assessing the amount of the provision management also take into consideration any reduction of the cash outflows under the lease arrangement due to sub-lease of the asset

The provisions are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability

q. Trade receivables

Trade receivables are recognised at fair value which approximates to amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the income statement.

r. Inventories

Inventories of raw materials are valued at the lower of cost and net realisable value where cost comprises raw materials, production costs and inclusion of appropriate overhead Cost is determined using the 'first in first out' method

Stocks of leased gold, together with the related liability, are stated at the market value of gold at the balance sheet date Gold where the liability has been settled is stated at cost. Provision is made for obsolete slow moving or defective items where appropriate

1 Accounting Policies (continued)

s. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand and bank overdrafts Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

t. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

u. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker The chief operating decision maker has been identified as the Board of Directors of Abbeycrest plc

v. Accounting estimates and judgements

The Group's critical accounting policies under IFRS, have been set by management with the approval of the Audit Committee The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances

Under IFRS an estimate or judgement may be considered critical if it involves matters that are highly uncertain, or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period

Management has made a provision for a lease that is considered to be an onerous lease Estimates have been made for the expected future cash inflows and future cash outflows of the property being leased Further details of the provision are given in Note 19

w. Financial assets

The Group classifies its financial assets into one of two categories

(i) *Receivables.* Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset They are recognised at fair value and thereafter carried at amortised cost less any provision for impairment.

(ii) *Fair value through profit and loss account.* This category comprises only 'in the money' derivatives They are carried in the balance sheet at their fair value with changes in the fair value recognised in the income statement.

x. Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows

(i) *Fair value through profit and loss account* This category comprises only out-of-the-money derivatives They are carried in the balance sheet at their fair value with changes in fair value recognised in the income statement.

(ii) *Other financial liabilities* Other financial liabilities include the following items

- Trade payable and other short-term monetary liabilities, which are recognised at fair value and thereafter carried at amortised cost.

Notes to the Financial Statements
continued

1 Accounting Policies (continued)

- Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding

y. Accounting for derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

(i) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity, charged to the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Such derivatives are marked to market at each balance sheet date with the changes in the fair value of the derivatives taken through the income statement.

(iii) Hedges of a net investment in a foreign operation
Where the Group uses a non-derivative financial liability to hedge changes in the net investment in foreign operations arising from movements in the foreign exchange rate, to the extent that the hedge is effective, gains and losses arising on the derivative are recognised directly in equity. The ineffective portion of such hedges is recognised in the consolidated income statement.

2 Segmental analysis

The Group has two main reportable segments

(i) Brands division – this division is the Group's vehicle for increased penetration of higher value segments of the jewellery market. Its objective is to appeal to the most fashion conscious buyers through the creation of highly innovative branded jewellery collections and differentiated service propositions.

(ii) Essentials division – this division represents the bulk of the retained historic business of Abbeycrest. Its role is to continue to exploit the Group's supply capabilities across existing mainstream markets in much the same way as before, only with heightened consumer focus, product differentiation and account management. This is the Group's foundation.

Factors that management used to identify the Group's reportable segments
The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different marketing strategies

2 Segmental analysis (continued)

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of EBITDA and profit or loss from operations before tax not including non-recurring losses, such as restructuring costs and goodwill impairment, and also excluding the effects of share based payments

Segment assets exclude tax assets and assets used primarily for corporate purposes Details are provided in the reconciliation from segment assets and liabilities to the Group position

The following shows the revenues and results by reportable segment for the year ended 28 February 2011

	Brands division £'000	Essentials division £'000	Total £'000
Revenue	12,735	25,794	38,529
Segment result	(786)	120	(666)
Unallocated costs			(1,438)
Finance costs			(866)
Loss before income tax			(2,970)
Tax charge			–
Loss for the period			(2,970)

Unallocated costs relate to central costs and income, including exceptional items

Operating profit margins

	Brands division £'000	Essentials division £'000	Unallocated £'000	Total £'000
EBITDA before exceptional items	366	1,360	(1,158)	568
Less				
Depreciation of tangible fixed assets	(163)	(521)	–	(684)
Amortisation of intangible fixed assets	(1)	(210)	–	(211)
Operating profit before exceptional items	202	629	(1,158)	(327)
Exceptional items – operating costs	(988)	(509)	(280)	(1,777)
Operating (loss)/profit	(786)	120	(1,438)	(2,104)
EBITDA margin before exceptional items	2 9%	5 3%	–	1 5%
Operating margin before exceptional items	1 6%	2 4%	–	-0 8%

Segmental assets as at 28 February 2011 were as follows:

	Brands division £'000	Essentials division £'000	Unallocated £'000	Reconciliation £'000	Total £'000
Total assets	12943	17,165	14,720	(26,688)	18,140

The reconciling items relate to the elimination of intercompany balances of £18,783,000 and fixed asset investments of £7,905,000 on consolidation

Non-current asset additions totalled £109,000 of which £82,000 related to the Brands division and £27,000 related to the Essentials division

Notes to the Financial Statements

continued

2 Segmental analysis (continued)

The following shows the revenues and results by reportable segment for the year ended 28 February 2010·

	Brands division £'000	Essentials division £'000	Total £'000
Revenue	12,478	27,185	39,663
Segment result	411	1,555	1,966
Unallocated income			440
Finance costs			(851)
Profit before income tax			1,555
Tax charge			–
Profit for the period			1,555

Unallocated income relates to central costs and income, including exceptional items

Operating profit margins

	Brands division £'000	Essentials division £'000	Unallocated £'000	Total £'000
EBITDA before exceptional items	547	2,288	(1,060)	1,775
Less				
Depreciation of tangible fixed assets	(136)	(611)	–	(747)
Amortisation of intangible fixed assets	–	(122)	–	(122)
Operating profit before exceptional items	411	1,555	(1 060)	906
Exceptional items – operating costs	–	–	1,500	1,500
Operating profit	411	1,555	440	2,406
EBITDA margin before exceptional items	4 4%	8 4%	–	4 5%
Operating margin before exceptional items	3 3%	5 7%	–	2 3%

Segmental assets as at 28 February 2010 were as follows:

	Brands division £'000	Essentials division £'000	Unallocated £'000	Reconciliation £'000	Total £'000
Total assets	12,942	19,501	14,035	(25,391)	21,087

The reconciling items relate to the elimination of intercompany balances of £17,486,000 and fixed asset investments of £7,905,000 on consolidation

Non-current asset additions totalled £373,000 of which £169,000 related to the Brands division and £204,000 related to the Essentials division

The Group operates from three main geographical regions the United Kingdom, Thailand and Hong Kong

	United Kingdom		Thailand		Hong Kong		Total	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Total revenue	**13,693**	14,630	**19,519**	20,242	**5,317**	4,791	**38,529**	39,663
Total assets by location	**6,247**	7,846	**10,698**	11,206	**1,195**	2,035	**18,140**	21,087

Total revenues are allocated based on the country of origin

No customers represented 10% or more of the Group's revenue (2010 No customers)

Total assets are allocated based on where the assets are located

3 Operating costs

	2011 £'000	2010 £'000
Employee benefit expense	**7,087**	6,778
Depreciation and amortisation	**895**	869
Changes in inventories of finished goods and work-in-progress	**1,082**	1,285
Raw materials and consumables used	**26,967**	26,911
Other expenses (including non-payroll exceptional costs)	**4,602**	1,414
	40,633	37,257

4 Exceptional items

	2011 £'000	2010 £'000
Exceptional items – operating costs		
Onerous lease provision	**280**	(1,500)
Brands division restructure	**988**	-
Essentials division restructure	**509**	-
	1,777	(1,500)
Exceptional items – finance costs		
Financing costs	**100**	-
Total exceptional items	**1,877**	(1,500)

Operating costs

Exceptional operating costs incurred during the year ended 28 February 2011 comprised

(i) the onerous lease provision relates to management's re-assessment of the obligations under the tenancy agreement and associated unavoidable costs for the Group's former Head Office premises at Wilmington Grove in Leeds The Group benefited from a write-back of exceptional operating costs for the year ended 28 February 2010 of £1.5m as a result of the agreement with its landlord to grant an option to break the lease at the Group s former Head Office premises at Wilmington Grove in Leeds, in September 2011

(ii) the Brands division restructure relates to stock reduction, redundancy, professional and other costs arising from the fundamental review of the business and structure of the Brands division

(iii) the Essentials division restructure relates to stock reduction, redundancy, professional and other costs following a fundamental review of the division, resulting in the consolidation of the division's sourcing into Thailand

Finance costs

The financing costs in 2011 relate to facility fees and associated legal costs

5 Finance costs

Finance costs	2011 £'000	2010 £'000
– bank borrowings	**(502)**	(613)
– interest payable on leased gold facility	**(20)**	(17)
– bank charges	**(344)**	(221)
Finance costs	**(866)**	(851)

Notes to the Financial Statements
continued

6 Employees

	2011 £'000	2010 £'000
The total employment costs for all employees (including Directors) in the Group were		
Wages and salaries	**6,242**	5,979
Share based payments	**41**	–
Social security costs	**426**	455
Other pension costs	**378**	344
	7,087	6,778

The average monthly number of persons employed by the Group (including executive Directors) during the year was as follows.

	2011 Number	2010 Number
Production and assembly	**584**	575
Sales	**102**	65
Administration	**61**	104
	747	744

The total amounts for key management remuneration and other benefits were as follows

	2011 £'000	2010 £'000
Emoluments	**394**	551
Money purchase pension contributions	**22**	31
Share based payments	**31**	–
Social security costs	**41**	67
	488	649

Details of the Directors including their employment and interests in share options, are given in the audited section of the Remuneration Report.

The emoluments in respect of key management is the same as that of the Directors disclosed above and as such no separate disclosure has been provided

7 Taxation

Analysis of charge in year	2011 £'000	2010 £'000
Current tax		
– Current year	**–**	–
– Adjustment in respect of prior year	**–**	–
Deferred tax		
– Current year	**–**	–
– Adjustment in respect of prior year	**–**	–
Taxation	**–**	–

7 Taxation (continued)

Tax reconciliation

The tax for the year is higher (2010 lower) than the standard rate of corporation tax in the UK (28%) The differences are explained below

	2011 £'000	2010 £'000
(Loss)/profit before tax	**(2,970)**	1,555
(Loss)/profit multiplied by rate of corporation tax in the UK of 28% (2010 28 17%)	**(832)**	435
Effects of		
Expenses not deductible for tax purposes	**14**	147
Current year deferred tax not recognised	**128**	–
Utilisation of tax losses	**–**	(40)
Losses not utilised and carried forward	**773**	–
Lower rate of tax on overseas earnings	**–**	(124)
Other temporary differences	**(83)**	(418)
Total taxation	**–**	–

8 (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging the following

	2011 £'000	2010 £'000
Depreciation of tangible fixed assets		
– Owned	**620**	652
– Held under finance leases	**64**	95
Amortisation of intangible assets	**211**	122
Operating lease rentals		
– Plant and machinery	**21**	55
– Other	**183**	182
Auditors' remuneration for audit services		
– Group	**99**	87
Foreign Exchange		
– Exchange (profit)/loss	**(12)**	(255)

As disclosed in the Corporate Governance Report fees paid to the auditors during the year for non-audit services were £19,000 (2010 £21,000) for taxation services and £nil (2010 £70,000) for corporate finance advice

9 (Loss)/profit per share

The weighted average number of shares is as follows.

	2011 Number of Shares	2010 Number of Shares
Weighted average number of shares		
For basic (loss)/profit per share	**73,548,641**	47,947,545
For diluted (loss)/profit per share	**73,548,641**	47,992,545

	2011 £'000	2010 £'000
Financial (loss)/profit for the year	**(2,970)**	1,555
(Loss)/profit per share		
– basic and diluted	**(4.0)p**	3 2 p

Notes to the Financial Statements
continued

9 (Loss)/profit per share (continued)

The loss per ordinary share and diluted loss per ordinary share are equal because share options are only included in the calculation of diluted earnings per share if their issue would decrease net profit or increase the net loss per share

10 Goodwill

2011	**Goodwill £'000**
Cost and net book value	
At 1 March 2010 and 28 February 2011	**1,866**

2010	**Goodwill £'000**
At 1 March 2009	1,880
Disposals	(14)
At 28 February 2010	1,866

Impairment test

£1 866 000 of Goodwill relates to B&N, a company with in the Brands division B&N is treated as a single cash generating unit (CGU)

The Group's methodology is to assess the recoverable amount by calculating value in use Value in use is the present value of the cash flows expected to be generated by the CGU over a projection period together with a terminal value The projection period is the time period over which future cash flows are predicted The Group's methodology is to use a projection period of five years Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities of the CGU and reflect management's expectations of the range of economic conditions that may exist over the projection period Discount rates are associated with the Group borrowing structure No excessive growth rates have been applied over the expected economic growth rate

The value in use calculations are principally sensitive to revenue growth, future margins, any significant changes to the customer base and the discount rate used in the present value calculation The information used for valuation purposes takes into consideration past experience with regard to customer attrition rates and additions to the customer base, the ability to introduce price increases and new products and experience within the geographic segments in which the Group operates, together with management's assessment of future operating performance and market share movements

The key assumption on which the value in use calculation is dependent is the underlying customer base Based on past experience management considers that it is reasonable to assume that there will not be a major deterioration in the customer base over the projection period which will significantly impact the future cash flows. Should such a change occur, this would represent a triggering event to indicate that an impairment review may be necessary In accordance with IAS 36 "Impairment of Assets", a full impairment review would then be undertaken on the relevant CGU Any such changes are monitored through normal monthly procedures An impairment review is undertaken annually

11 Other intangible assets

2011	Computer software £'000
Cost	
At 1 March 2010	**955**
Additions	**4**
Disposals	**(2)**
Reclassification from property, plant and equipment	**294**
Exchange adjustment	**40**
At 28 February 2011	**1,291**
Accumulated depreciation	
At 1 March 2010	**597**
Charge for the year	**211**
Disposals	**(1)**
Reclassification from property, plant and equipment	**104**
Exchange adjustment	**(5)**
At 28 February 2011	**906**
Net book value	
At 28 February 2011	**385**

2010	Computer software £'000
Cost	
At 1 March 2009	1,075
Additions	89
Disposals	(207)
Exchange adjustment	(2)
At 28 February 2010	955
Accumulated depreciation	
At 1 March 2009	677
Charge for the year	122
Disposals	(200)
Exchange adjustment	(2)
At 28 February 2010	597
Net book value	
At 28 February 2010	358

Notes to the Financial Statements
continued

12 Property, plant and equipment

2011	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Motor vehicles £'000	Equipment £'000	Total £'000
Cost					
At 1 March 2010	2,419	928	143	7,349	**10,839**
Additions	2	–	–	116	**118**
Disposals	(7)	–	–	(85)	**(92)**
Reclassification to intangible assets	–	–	–	(294)	**(294)**
Exchange adjustment	32	–	(1)	41	**72**
At 28 February 2011	2,446	928	142	7,127	**10,643**
Accumulated depreciation					
At 1 March 2010	574	567	82	5,376	**6,599**
Charge for the year	102	45	18	519	**684**
Disposals	–	–	–	(39)	**(39)**
Reclassification to intangible assets	–	–	–	(104)	**(104)**
Exchange adjustment	6	(4)	(1)	16	**17**
At 28 February 2011	682	608	99	5,768	**7,157**
Net book value					
At 28 February 2011	**1,764**	**320**	**43**	**1,359**	**3,486**

2010	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Motor vehicles £'000	Equipment £'000	Total £'000
Cost					
At 1 March 2009	2,373	1,376	153	8,123	12,025
Additions	3	18	34	229	284
Disposals	–	(444)	(43)	(1,005)	(1,492)
Exchange adjustment	43	(22)	(1)	2	22
At 28 February 2010	2,419	928	143	7,349	10,839
Accumulated depreciation					
At 1 March 2009	467	995	99	5,787	7,348
Charge for the year	92	40	21	594	747
Disposals	–	(444)	(38)	(1,008)	(1,490)
Exchange adjustment	15	(24)	–	3	(6)
At 28 February 2010	574	567	82	5,376	6,599
Net book value					
At 28 February 2010	1,845	361	61	1,973	4,240

The net book value of assets held under finance leases included within equipment as at 28 February 2011 was £188,000 (2010 £451,000)

Property, plant and equipment totalling £3,486,000 (2010 £4,240,000) are pledged as security against the Group borrowings.

13 Subsidiaries

The principal subsidiary undertakings at 28 February 2011 were as follows

	Place of incorporation	Ownership %
Abbeycrest International Limited	England	100%
Eric's Jewellers Limited	England	100%
Brown & Newirth Limited	England	100%
Abbeycrest (Thailand) Limited	Thailand	100%
Abbeycrest North America Inc	New York	100%
Abbeycrest Hong Kong Limited	Hong Kong	100%

The issued share capital of the UK subsidiary undertakings comprise £1 ordinary shares, the Hong Kong subsidiary $1 HK ordinary shares, the Thailand subsidiary 10 Baht ordinary shares and the US subsidiary $0 1 ordinary shares

The principal subsidiary undertakings are engaged in the design, assembly manufacture and sale of jewellery products

14 Inventories

	2011 £'000	2010 £'000
Raw materials	**3,129**	4,410
Work in progress	**1,057**	592
Finished goods	**2,778**	3,044
	6,964	8,046

Inventories include the value of leased gold (valued at year end gold spot rate) as disclosed in Note 18

Inventories include provisions totalling £565,000 (2010 £243,000) to write-down the cost on inventories to net realisable value

Inventories totalling £3,727,000 (2010 £3,990,000) are pledged as security against the Group's UK bank borrowings.

15 Trade and other receivables

	2011 £'000	2010 £000
Trade receivables	**4,302**	5,340
Less Provision for impairment of trade receivables	**(198)**	(209)
Trade receivables – net	**4,104**	5,131
Other debtors	**139**	155
Prepayments and accrued income	**884**	696
	5,127	5,982

Movements on the Group provision for impairment of trade receivables are as follows

	2011 £'000	2010 £'000
At 1 March	**209**	448
Provided during the year	**62**	60
Receivable written off during the year as uncollectable	**(73)**	(299)
At 28 February	**198**	209

Notes to the Financial Statements

continued

15 Trade and other receivables (continued)

At 28 February 2011, the ageing analysis of trade receivables is as follows

			Past due but not impaired				
	Total	Not due	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2011	**4,104**	**2,169**	**1,165**	**299**	**193**	**228**	**50**
2010	5,131	3,260	1,067	319	215	163	107

There are significant balances which are past due that the Group does not consider to be impaired The Group has based this assumption on previous bad debt history and the fact that many of these balances are due from blue chip/ national customers

16 Cash and cash equivalents

	2011 £'000	2010 £'000
Cash	**210**	493

17 Trade and other payables

	2011 £'000	2010 £'000
Trade payables	**2,096**	2,398
Other taxation and social security	**437**	93
Other payables	**1,849**	1,405
	4,382	3,896

18 Borrowings

Current	**2011 £'000**	2010 £'000
Bank overdrafts	**519**	280
Bank loans	**2,602**	2,997
Leased gold	**2,577**	2,563
Obligations under hire purchase contracts	**85**	80
	5,783	5,920

The gold leasing facility is secured by a bank guarantee (Note 26)

Non-current	**2011 £'000**	2010 £'000
Obligations under hire purchase contracts	**51**	176

The obligations under hire purchase contracts are secured on the assets to which they relate

The carrying amounts of the Group's borrowings are denominated in the following currencies

Currency	**2011 £'000**	2010 £'000
Sterling	**3,275**	8,305
US dollar	**(1,924)**	(4,973)
Euro	**68**	505
Thai Baht	**4,415**	2,259
	5,834	6,096

The interest rate on floating rate financial liabilities is linked to Libor for periods between one day and six months.

18 Borrowings (continued)

The weighted average interest rates at the balance sheet date were as follows

	2011	2010
	%	%
Bank overdrafts	6 6	6 2
Bank loans	5 2	4 7
Leased gold	4 5	4 5
Finance leases	9 3	6 0

The maturity of borrowings is as follows

	2011			2010		
	Bank loans and overdrafts £'000	**Obligations under hire purchase contracts £'000**	**Total £'000**	Bank loans and overdrafts £'000	Obligations under hire purchase contracts £'000	Total £'000
In one year or less or on demand	5,698	85	5,783	5,840	80	5,920
Between one and two years	–	51	51	–	51	51
Between two and five years	–	–	–	–	125	125
More than five years	–	–	–	–	–	–
	5,698	**136**	**5,834**	5,840	256	6,096

Amounts payable under hire purchase contracts are as follows

	2011	2010
	£'000	£'000
In one year or less or on demand	**96**	88
Between one and two years	**60**	61
Between two and five years	**–**	135
	156	284
Less amounts representing interest in future minimum lease payments	**(20)**	(28)
	136	256

The above figures relate to plant and machinery acquired under hire purchase contracts

The Group has the following undrawn committed borrowing facilities available at 28 February 2011 in respect of which all conditions precedent had been met at that date

	2011	2010
	£'000	£'000
Expiring within one year	**1,131**	530

19 Provisions

	Onerous lease
	£'000
At 1 March 2010	1,326
Utilised in year	(506)
Provided in the year	280
At 28 February 2011	**1,100**

19 Provisions (continued)

The onerous lease provision is repayable as follows

	2011 £'000	2010 As restated £'000
In one year or less	**915**	602
Between one and two years	**185**	724
	1,100	1,326

The Group had a tenancy agreement for property at Wilmington Grove, Leeds which did not expire until June 2021 As part of the reorganisation of the UK business during the year ended 28 February 2009 a decision was made to vacate the premises and management considered the tenancy agreement to be onerous

Management have negotiated a break clause for September 2011 and have reassessed the onerous lease provision

Management have assessed the obligations under the tenancy agreement and associated unavoidable costs of £1 1m Management have not included any income against the cash outflows due to the sublease potential being assessed as low The net cash outflows have been discounted at a rate of 4 5% considered to be markets current assessment of the time value of money

20 Financial instruments

Risk management

The Group is exposed through its operations to the following financial risks

- Interest rate risk
- Credit risk
- Liquidity risk
- Foreign exchange risk
- Gold price risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows

- Trade receivables
- Cash at bank and bank overdrafts
- Trade and other payables
- Floating-rate bank loans
- Gold leases
- Forward currency contracts

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function The Board receives monthly reports from the Group finance function, through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets

20 Financial instruments (continued)

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility Further details regarding these policies are set out below

Interest rate risk

The Group finances its operations through a mixture of locally retained profits and bank borrowings It borrows in the desired currencies at floating rates of interest and its policy is to keep 100% of trade borrowings at floating rates of interest. Borrowings relating to HP agreements are at a fixed rate of interest.

Based on calculations performed, the impact of a 100 basis – point shift (being the maximum reasonable expectation of changes in interest rates) would be an increase or decrease in the annual net interest costs of £73,000 (2010 £72,000)

Credit risk

Trade receivables and other financial instruments give rise to credit risk for the Group arising from the amounts and obligations due from counter-parties

Credit limits are set for customers and reviewed on a regular basis Any impairment to the recoverability of receivables is reflected in the income statement on a regular basis Details of provisions for impairment of trade receivables and an analysis of the ageing of balances at the year-end are provided in note 15 The majority of the balances not due are from large national retail companies The maximum exposure to credit risk is the net amount of trade debtors and other receivables due together with cash balances

Credit risk also arises from the possibility of counter-parties failing to meet their obligations under forward currency contracts However counter-parties are established banks with high credit ratings The Group's theoretical risk is the cost of replacement at current market prices of these transactions in the event of default by the counter-parties The Group believes that the risk of incurring such losses is remote

Liquidity risk

Over recent years, Group debt has been relatively high and therefore the management of liquidity risk has been key, in the first instance through addressing debt levels

Total Group debt has been substantially reduced over the past five years As at the 28 February 2011 Group debt stood at £5 6m (2010· £5 6m)

As at 28 February 2011, the Group's debt is provided in the UK and Thailand under facility agreements which comprise asset-based lending The UK facilities are derived from and secured against inventory and receivables balances The Thailand facilities are derived from and secured on receivables and property plant and equipment.

The facility flexes with the seasonal requirements of the business and includes a suite of monthly financial covenants covering profitability, cash flow and net assets. Facility headroom requires on-going management and control

The Group's finance teams prepare comprehensive annual working capital forecasts which are discussed and agreed with the Group's primary bankers These forecasts are used for covenant setting and are used as a medium/long term road map for controlling liquidity A comprehensive re-forecast is performed at least half-yearly

Group finance also manages liquidity risk on a shorter time horizon, using detailed and well-established models. Management reviews short-term forecasts formally on a weekly basis against the full financial forecast, with a view to identifying potential future headroom difficulties. Corrective actions are taken accordingly This process has worked very well since the Group re-banked with its current senior lender in June 2006

Notes to the Financial Statements

continued

20 Financial instruments (continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk in two ways

(i) Foreign currency transactions

Up to 50% of the Group's sales are made in US Dollars, with the significant majority of these processed by overseas subsidiaries A similar proportion of Group purchases are made in foreign currencies, mainly US Dollars, but also Euros

The Group manages exchange rate risk through the matching of sales and purchases in the same currencies and also through the use of forward currency contracts

(ii) Investments in foreign subsidiaries

A significant proportion of the Group's net assets and profit streams are denominated in foreign currencies, particularly the Thai Baht

The parent Company has created inter-company hedging loans denominated in Thai Baht to mitigate against fluctuations in this currency These are accounted for as part of the net investment in the overseas operations to effectively hedge the currency exposure

Based on calculations performed, a fluctuation of plus or minus 5 Thai Baht to £1 (a reasonable degree of movement in a year, based on historic rates) would change reported Group profits and net assets, up or down, by approximately £13,000 (2010 £129,000) and £432,000 (2010 £630,000) respectively

Gold price risk

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

The gold price has increased by £138 per ounce from 1 March 2010 to 28 February 2011 An increase of £100 per ounce in the gold price would ultimately lead to an increase in the Group's investment in stock of around £0 5m with no change in volumes.

Non-derivative financial instruments

The fair value of non-derivative financial assets and liabilities approximates to their book value for the year ended 28 February 2011 and the year ended 28 February 2010

Non-current loans and receivables and non-current borrowings are valued at amortised cost.

The fair value of cash, cash equivalents and current borrowings is approximate to their book value due to their short term

For loans bearing a floating rate of interest it is deemed that the carrying amount approximates to their fair value

Derivative financial Instruments

Derivative financial instruments comprise forward currency contracts. The fair value of forward currency contracts is the quoted price on an active market, meeting the definition of a Level 1 valuation in the fair value measurement hierachy

20 Financial instruments (continued)

These items give rise to the following fair values that have been recognised in the balance sheet.

	2011		2010	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Current:				
Foreign currency contracts	–	–	–	–

All foreign currency contracts are to be settled in Sterling within one year from the balance sheet date At the balance sheet date the total notional amount of outstanding foreign currency contracts that the Group has committed to are as follows

	2011 £'000	2010 £'000
Foreign currency contracts	–	–

Capital management

The Group's objective when maintaining capital, being the share capital and capital reserves, is to safeguard the Group's ability to continue as a going concern so that it is able to provide returns for shareholders and benefits for other stakeholders.

21 Deferred tax

	2011 £'000	2010 £'000
Deferred tax assets	**102**	102

Deferred tax assets have been recognised in respect of differences between accounting and tax carrying values where it is probable that these assets will be recovered

The movements in the deferred tax assets and liabilities (prior to offsetting of balances within the same jurisdiction as permitted by IAS 12 Income taxes) during the year were as shown below

2011	**Accelerated capital allowances £'000**	**Other timing differences £'000**	**Tax losses available £'000**	**Total £'000**
At 1 March 2010	–	102	–	102
Credited/(charged) to income statement	–	–	–	–
At 28 February 2011	**–**	**102**	**–**	**102**

2010	**Accelerated capital allowances £'000**	**Other timing differences £'000**	**Tax losses available £'000**	**Total £'000**
At 1 March 2009	–	102	–	102
Credited/(charged) to income statement	–	–	–	–
At 28 February 2010	–	102	–	102

Deferred tax assets have not been recognised in respect of total tax losses with a value of £25,629,000 (2010 £21,340,000)

Notes to the Financial Statements
continued

22 Called up share capital

The Company's share capital comprises the following shares.

	2011 No. of shares	2011 £'000	2010 No of shares	2010 £'000
Authorised				
Ordinary shares of 1p each	**100,000,000**	**1,000**	100,000,000	1,000
Ordinary deferred shares of 9p each	**29,217,691**	**2,630**	29,217,691	2,630
	129,217,691	**3,630**	129,217,691	3,630

	2011 No. of shares	2011 £'000	2010 No of shares	2010 £'000
Allotted, called-up and fully paid				
Ordinary shares of 1p each	**74,142,691**	**741**	74,142,691	741
Ordinary deferred shares of 9p each	**29,217,691**	**2,630**	29,217,691	2,630
	103,360,382	**3,371**	103,360,382	3,371

Details of classes of share capital

Holders of ordinary shares are entitled to attend and vote at General Meetings and, on a poll, each holder will have one vote per share Ordinary shares rank pari passu with each other in respect of dividends and on a return of capital or a winding up

Holders of deferred shares are not entitled to receive notice of or attend at any General Meetings They are not entitled to receive a dividend On a winding-up of the Company they are entitled to the amount paid up on that share but only after the payment of the capital paid up on each ordinary share of one pence in the share capital of the Company and the further payment of £10,000 000 on each such ordinary share They are not entitled to receive a share certificate

23 Share-based payments

Total share options granted are shown in the table below

	2011 Number	2011 Weighted average exercise price	2010 Number	2010 Weighted average exercise price
Outstanding at 1 March	**45,000**	**103.00 p**	83,835	79 26p
Granted during the year	**12,330,949**	**8.60 p**	–	–
Lapsed	**(4,760,474)**	**7.66 p**	(38,835)	52 00p
Outstanding at 28 February	**7,615,475**	**8.53 p**	45,000	103 00p
These are made up of				
Exercisable at the end of the year	**1,523,095**	**7.95 p**	45,000	103 00p
Outstanding and subject to vesting conditions at the end of the year	**6,092,380**	**8.67 p**	–	–

The Company had not granted any options under the Executive Share Option Scheme which, at 28 February 2011, had not been exercised in respect of ordinary shares A reconciliation of option movements over the year to 28 February 2011 is shown below

	2011 Number	2011 Weighted average exercise price	2010 Number	2010 Weighted average exercise price
Outstanding at 1 March	**45,000**	**£1.03**	83 835	£0 79
Lapsed	**(45,000)**	**£1.03**	(38,835)	£0 52
Outstanding at 28 February	–	–	45,000	£1 03

23 Share-based payments (continued)

On 14 April 2010, following approval by the Company's Remuneration Committee, the Group granted each of its executive Directors options under the Abbeycrest 2010 Approved Executive Share Option Plan and the Abbeycrest 2010 Unapproved Executive Share Option Plan In total 9,430,949 ordinary shares of 1 pence each in the share capital of the Company were granted for £nil consideration A further 2,900,000 ordinary shares of 1 pence each in the share capital of the Company were granted to executive Directors and certain employees for £nil consideration on the 4 November 2010

The options granted under the Unapproved Plan have an exercise price of 9 00 pence per Ordinary share The options granted under the Approved Plan have an exercise price of 7 38 pence per Ordinary share The exercise of options is dependent upon eligible employees meeting performance criteria. The options are settled in equity once exercised

If the options remain unexercised after a period of ten years from the date of grant, the options expire Options are forfeited if the employee leaves the Group before the options vest

Details of the scheme are given below

Grant date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
Approved Plan						
14 April 2010	3	1,219,512	Time served	7 38	14 April 2010	14 April 2020
4 November 2010	5	580,000	Time served	7 38	4 November 2010	4 November 2020
4 November 2010	5	300,000	Share price target and EPS target	7 38	30 June 2011	4 November 2020
4 November 2010	5	933,008	Share price target and EPS target	7 38	30 June 2012	4 November 2020
Unapproved Plan						
14 April 2010	3	666,677	Time served	9 00	14 April 2010	14 April 2020
14 April 2010	3	2,829,284	Share price target and EPS target	9 00	30 June 2011	14 April 2020
14 April 2010	3	4,715,476	Share price target and EPS target	9 00	30 June 2012	14 April 2020
4 November 2010	5	570,000	Share price target and EPS target	9 00	30 June 2011	4 November 2020
4 November 2010	5	516,992	Share price target and EPS target	9 00	30 June 2012	4 November 2020

The number and weighted average exercise price of share options under the Approved Plan are as follows

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 March	–	–	–	–
Granted	**3,032,520**	**7.38 p**	–	–
Lapsed	**(813,008)**	**7.38 p**	–	–
Outstanding at 28 February	**2,219,512**	**7.38 p**	–	–
Exercisable at 28 February	**986,504**	**7.38 p**	–	–

The number and weighted average exercise price of share options under the Unapproved Plan are as follows.

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 March	–	–	–	–
Granted	**9,298,429**	**9.00 p**	–	–
Lapsed	**(3,902,466)**	**9.00 p**	–	–
Outstanding at 28 February	**5,395,963**	**9.00 p**	–	–
Exercisable at 28 February	**536,591**	**9.00 p**	–	–

Notes to the Financial Statements

continued

23 Share-based payments (continued)

Charge to the income statement

	2011 £'000	2010 £'000
Share-based payment charge	**41**	230

The share-based payment of £41,000 in the year ended 28 February 2011 relates to the grant of options. The share-based payment of £230,000 in the year ended 28 February 2010 relates to the settlement of liabilities owing to Moorgarth Investments Limited and Agilo

2,000,000 ordinary shares of 1 pence each were issued at 5 pence per share to Moorgarth Investments Limited in full satisfaction of a fee payable for entering into a deed of variation for an operating lease

2,625,000 ordinary shares of 1 pence each were issued to Agilo at an issue price of 5 pence each in full satisfaction of the lump sum interest charges accrued up to 31 August 2009

Fair value assumptions of share-based payments

The estimate of fair value of share-based awards is calculated using the Black-Scholes option pricing model The following assumptions were used for options granted during the period

Grant date	**Approved 14 April 2010**	**Unapproved 14 April 2010**	**Approved 4 November 2010**	**Unapproved 4 November 2010**
Share price at date of grant (p)	7 38	7 38	6 13	6 13
Exercise price (p)	7 38	9 00	7 38	7 38
Vesting period (days)	1	605	362	429
Expected volatility	75%	75%	75%	75%
Option life (years)	10	10	10	10
Expected life (years)	3 0	1 8	3 0	1 2
Risk-free rate	1 83%	1 83%	1 05%	1 05%
Expected dividends expressed as a dividend yield	0%	0%	0%	0%

The expected volatility is based on the historic volatility of the Company's share price over the last four years

24 Capital and reserves

The following describes the nature and purpose of each reserve within owners' equity

Reserve	**Purpose**
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Cumulative translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into Sterling.
Merger reserve	A reserve created on the combination of companies within the Group
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

25 Operating leases

At the balance sheet date the Group had total future payments under non-cancellable operating leases which expire as follows

	Land and buildings		**Other**	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Within one year	**582**	562	**84**	127
In one to two years	**805**	805	**52**	91
In two to five years	**237**	363	**–**	166
In more than five years	**560**	600	**–**	–
	2,184	2,330	**136**	384

26 Guarantees, other financial commitments and pensions

a. The Group had no capital commitments at the 28 February 2011 or 28 February 2010

b The Group's lenders have fixed and floating charges over all assets of the Group

27 Pensions

The Group operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Group in an independently administered fund The pension cost for the full year represents contributions payable by the Group to the fund and amounted to £378,000 (2010 £344,000)

28 Related party transactions

The Group has taken advantage of the exemption in IAS 24 "Related party transactions" from disclosing transactions between subsidiary companies There are no other related party transactions to disclose

Parent Company Balance Sheet
As at 28 February 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments	3	**7,884**	7,884
		7,884	7,884
Current assets			
Debtors	4	**4,888**	4,203
Cash at bank and in hand		**-**	-
		4,888	4,203
Creditors			
Amounts falling due within one year	5	**(573)**	(539)
Net current assets		**4,315**	3,664
Total assets less current liabilities		**12,199**	11,548
Creditors			
Provisions	7	**(1,100)**	(1,325)
Net assets		**11,099**	10,222
Capital and reserves			
Called-up share capital	8	**3,371**	3,371
Share premium account	10	**7,066**	7,066
Merger reserve	10	**199**	199
Profit and loss account	10	**463**	(414)
Equity shareholders' funds	11	**11,099**	10,222

Approved and authorised for issue by the Board and signed on its behalf by

S.Ashton
Chairman

S. Lazenby
Director

24 June 2011

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Parent Company Accounts

1. Accounting policies

a. Statement of accounting policies

The significant accounting policies, which have been applied consistently throughout the year and the preceding year, are as follows

b. Basis of preparation

The financial statements have been prepared under the historical cost convention, on a going concern basis, and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006

The Directors consider the going concern basis to be appropriate due to reasons set out in the Group accounting policies note 1(b)

As permitted by FRS 29, the disclosures in relation to financial instruments are not presented in the parent Company financial statements as disclosure is already made in the Group financial statements in note 20

c. Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment.

d Taxation

Current tax including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A deferred tax asset is regarded as recoverable and, therefore, recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary or associate

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date and is measured on a non-discounted basis.

e. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction All monetary assets and liabilities denominated in foreign currencies are translated at the actual rate of exchange ruling at the balance sheet date Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

f Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives The capital element of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding Rentals under operating leases are charged on a straight-line basis over the lease term

Notes to the Parent Company Accounts
continued

1 Accounting policies (continued)

g Retirement benefit costs

The Company operates a defined contribution pension scheme The amount charged to the profit and loss account represents the employer's contribution payable for the year

h Financial assets

Receivables Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset They are recognised at fair value and thereafter carried at amortised cost less any provision for impairment

i. Financial liabilities

Other financial liabilities include the following items

- Trade payables and other short-term monetary liabilities, which are recognised at fair value and thereafter carried at amortised cost

- Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding

j Share-based payments

The Group operates a number of equity-settled share-based payment plans In respect of share awards granted after 7 November 2002 (and not vested by 1 March 2005), in accordance with FRS 20 'Share-based Payment', an expense is recognised in respect of the fair value of employee services received in exchange for the grant of shares or share options Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest Market vesting conditions are factored in to the fair value of the options granted As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied The cumulative expense is not adjusted for the failure to achieve a market vesting condition

A corresponding amount is recorded as an increase in equity within retained earnings The expense is spread over any relevant vesting period and is calculated by reference to the fair value of the shares or share options granted, excluding the effect of any non-market vesting conditions.

2 Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year The Company reported a profit for the financial year ended 28 February 2011 of £836,000 (2010 profit £1,927,000)

The auditors' remuneration for audit services to the Company was £15,000 (2010 £15,000)

The auditors' remuneration for non-audit services was £6,000 (2010 £6,000)

3 Fixed asset investments

	2011 £'000
Cost	
At 1 March 2010 and 28 February 2011	**12,497**
Amounts written off	
At 1 March 2010 and 28 February 2011	**4,613**
Net book value	
At 28 February 2011	**7,884**
At 29 February 2010	**7,884**

Principal subsidiary undertakings are listed in Note 13 to the Group financial statements.

4 Debtors

	2011 £'000	2010 £'000
Amounts owed by Group undertakings	**4,532**	3,810
Other debtors	**102**	102
Prepayments and accrued income	**254**	291
	4,888	4,203

5 Creditors – Amounts falling due within one year

	Note	2011 £'000	2010 £'000
Bank loans and overdrafts		**369**	377
Other taxation and social security		**17**	17
Accruals and deferred income		**187**	145
		573	539

The bank loans and overdrafts are secured by fixed and floating charges over the assets of the Group

6 Borrowings

Borrowings are repayable as follows

	2011 £'000	2010 £'000
Within one year		
Bank and other borrowings	**369**	377
	369	377

Notes to the Parent Company Accounts
continued

7 Provisions for liabilities

	Onerous lease £'000
At 1 March 2010	1,326
Utilised in year	(506)
Provided in the year	280
At 28 February 2011	**1,100**

The Group had a tenancy agreement for property at Wilmington Grove, Leeds which did not expire until June 2021 As part of the reorganisation of the UK business during the year ended 28 February 2009, a decision was made to vacate the premises and management considered the tenancy agreement to be onerous

Management have negotiated a break clause for September 2011 and have reassessed the onerous lease provision

Management have assessed the obligations under the tenancy agreement and associated unavoidable costs of £1 1m Management have not included any income against the cash outflows due to the sublease potential being assessed as low The net cash outflows have been discounted at a rate of 4 5% considered to be markets current assessment of the time value of money

Deferred tax
Deferred tax assets have not been recognised in respect of total tax losses with a value of £11,492,000 (2010 £7,577,000)

8 Called up share capital

The Company's share capital comprises the following shares

	2011 No. of shares	**2011 £'000**	2010 No of shares	2010 £'000
Allotted, called-up and fully paid				
Ordinary shares of 1p each	**74,142,691**	**741**	74,142,691	741
Ordinary deferred shares of 9p each	**29,217,691**	**2,630**	29,217,691	2,630
	103,360,382	**3,371**	103,360,382	3,371

Details of classes of share capital
Holders of ordinary shares are entitled to attend and vote at General Meetings and, on a poll, each holder will have one vote per share Ordinary shares rank *pari passu* with each other in respect of dividends and on a return of capital or a winding up

Holders of deferred shares are not entitled to receive notice of or attend at any General Meetings They are not entitled to receive a dividend On a winding-up of the Company they are entitled to the amount paid up on that share but only after the payment of the capital paid up on each ordinary share of one pence in the share capital of the Company and the further payment of £10,000,000 on each such ordinary share They are not entitled to receive a share certificate

9 Share based payments

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 March	**45,000**	**103.00p**	83,835	79 26p
Granted during the year	**12,330,949**	**8.60p**	–	–
Lapsed	**(4,760,474)**	**7.66p**	(38,835)	52.00p
Outstanding at 28 February	**7,615,475**	**8.53p**	45,000	103 00p
These are made up of				
Exercisable at the end of the year	**1,523,095**	**7.95p**	45,000	103 00p
Outstanding and subject to vesting conditions at the end of the year	**6,092,380**	**8.67p**	–	–

The Company had not granted any options under the Executive Share Option Scheme, which at 28 February 2011, had not been exercised in respect of ordinary shares A reconciliation of option movements over the year to 28 February 2011 is shown below

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 March	**45,000**	**£1 03**	83,835	£0 79
Lapsed	**(45,000)**	**£1.03**	(38,835)	£0 52
Outstanding at 28 February	**–**	**–**	45,000	£1 03

On 14 April 2010 following approval by the Company's Remuneration Committee the Group granted each of its executive Directors options under the Abbeycrest 2010 Approved Executive Share Option Plan and the Abbeycrest 2010 Unapproved Executive Share Option Plan In total 9,430,949 ordinary shares of 1 pence each in the share capital of the Company were granted for £nil consideration A further 2,900,000 ordinary shares of 1 pence each in the share capital of the Company were granted to executive Directors and certain employees for £nil consideration on 4 November 2010

The options granted under the Unapproved Plan have an exercise price of 9 00 pence per ordinary share The options granted under the Approved Plan have an exercise price of 7 38 pence per ordinary share The exercise of options is dependent upon eligible employees meeting performance criteria The options are settled in equity once exercised

If the options remain unexercised after a period of ten years from the date of grant, the options expire Options are forfeited if the employee leaves the Group before the options vest.

Details of the scheme are given below

Grant date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
Approved Plan						
14 April 2010	3	1,219,512	Time served	7 38	14 April 2010	14 April 2020
4 November 2010	5	580,000	Time served	7 38	4 November 2010	4 November 2020
4 November 2010	5	300,000	Share price target and EPS target	7 38	30 June 2011	4 November 2020
4 November 2010	5	933,008	Share price target and EPS target	7 38	30 June 2012	4 November 2020

Notes to the Parent Company Accounts
continued

9 Share based payments (continued)

Grant date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
Unapproved Plan						
14 April 2010	3	666,677	Time served	9 00	14 April 2010	14 April 2020
14 April 2010	3	2,829,284	Share price target and EPS target	9 00	30 June 2011	14 April 2020
14 April 2010	3	4,715,476	Share price target and EPS target	9 00	30 June 2012	14 April 2020
4 November 2010	5	570,000	Share price target and EPS target	9 00	30 June 2011	4 November 2020
4 November 2010	5	516,992	Share price target and EPS target	9 00	30 June 2012	4 November 2020

The number and weighted average exercise price of share options under the Approved Plan are as follows

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 March	**–**	**–**	–	–
Granted	**3,032,520**	**7.38 p**	–	–
Lapsed	**(813,008)**	**7 38 p**	–	–
Outstanding at 28 February	**2,219,512**	**7.38 p**	–	–
Exercisable at 28 February	**986,504**	**7.38 p**	–	–

The number and weighted average exercise price of share options under the Unapproved Plan are as follows

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 March	**–**	**–**	–	–
Granted	**9,298,429**	**9 00 p**	–	–
Lapsed	**(3,902,466)**	**9.00 p**	–	–
Outstanding at 28 February	**5,395,963**	**9.00 p**	–	–
Exercisable at 28 February	**536,591**	**9.00 p**	–	–

Charge to the income statement

	2011 £'000	2010 £'000
Share based payment charge	**41**	230

The share-based payment of £41,000 in the year ended 28 February 2011 relates to the grant of options The share-based payment of £230 000 in the year ended 28 February 2010 relates to the settlement of liabilities owing to Moorgarth Investments Limited and Agilo

2,000,000 ordinary shares of 1 pence each were issued at 5 pence per share to Moorgarth Investments Limited in full satisfaction of a fee payable for entering into a deed of variation for an operating lease

2,625,000 ordinary shares of 1 pence each were issued to Agilo at an issue price of 5 pence each in full satisfaction of the lump sum interest charges accrued up to 31 August 2009

9 Share based payments (continued)

Fair value assumptions of share based payments

The estimate of fair value of share based awards is calculated using the Black-Scholes option pricing model The following assumptions were used for options granted during the period

Grant date	Approved 14 April 2010	Unapproved 14 April 2010	Approved 4 November 2010	Unapproved 4 November 2010
Share price at date of grant (p)	7 38	7 38	6 13	6 13
Exercise price (p)	7 38	9 00	7 38	7 38
Vesting period (days)	1	605	362	429
Expected volatility	75%	75%	75%	75%
Option life (years)	10	10	10	10
Expected life (years)	3 0	1 8	3 0	1 2
Risk-free rate	1 83%	1 83%	1 05%	1 05%
Expected dividends expressed as a dividend yield	0%	0%	0%	0%

The expected volatility is based on the historic volatility of the Company's share price over the last four years

10 Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 March 2010	7,066	199	(414)	6,851
Shares based payment	–	–	41	41
Retained profit for the year	–	–	836	836
At 28 February 2011	**7,066**	**199**	**463**	**7,728**

11 Movement in equity shareholders' funds

The overall movement in equity shareholders' funds during the year was as follows

	2011 £'000	2010 £'000
Profit for the financial year	**836**	1,927
Share based payment	**41**	–
Shares issued	**–**	1,850
Net addition to shareholders' funds	**877**	3,777
Opening equity shareholders' funds	**10,222**	6,445
Closing equity shareholders' funds	**11,099**	10,222

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Pinsent Masons LLP, 1 Park Row, Leeds LS1 5AB on 24 August 2011 at 2.00 p.m for the following purposes.

Ordinary Business

To consider and, if thought fit, pass the following resolutions ((1) - (6)) which will be proposed as ordinary resolutions

(1) To receive the report of the Directors and the audited financial statements for the year ended 28 February 2011

(2) To adopt the Remuneration Report.

(3) To re-elect A Cheesebrough as a Director of the Company

(4) To re-elect S Lazenby as a Director of the Company

(5) To re-appoint Messrs. BDO LLP as auditors and authorise the Directors to fix their remuneration.

(6) To consider and, if thought fit, to pass the following resolution as an ordinary resolution

That, (in substitution for any existing such authority) the Directors from time to time be and they are hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 (the ' Act ') to allot shares of the Company and/or grant rights to subscribe for, or convert any securities into, shares of the Company up to an aggregate nominal amount of £247 142 being approximately one third of the current issued ordinary share capital of the Company, provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company held in 2012 or fifteen months after the passing of this resolution (if earlier) except that the Directors may before the expiry of such period make an offer or agreement which would or might require shares to be allotted or rights granted after the expiry of such period and the Directors may allot shares or grant rights in pursuance of that offer or agreement as if this authority had not expired

Special Business

(7) To consider and, if thought fit, to pass the following resolution as a special resolution.

That, subject to the passing of resolution 6 above and in substitution for any existing such power the Directors be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 6 above as if section 561(1) of the Act did not apply to any such allotment, provided that such power shall be limited:

(a) to the allotment of such equity securities in connection with a rights issue or open offer in favour of ordinary shareholders where the equity securities allotted are in proportion (as nearly as may be) to the respective number of ordinary shares held by such ordinary shareholders but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory or the requirements of any regulatory body or stock exchange in any territory; and

(b) to the allotment (otherwise than pursuant to paragraph (a)) of such equity securities up to an aggregate nominal amount not exceeding £37 000·

and unless previously revoked or varied such power shall expire at the conclusion of the Annual General Meeting of the Company in 2012 or fifteen months after the passing of this resolution (if earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

The power conferred on the Directors by this resolution shall also apply to a sale of treasury shares which is an allotment of equity securities by virtue of section 560(3) of the Act.

(8) To consider and if thought fit, to pass the following resolution as a special resolution

That the Company be generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Act) of the Company's ordinary shares up to an aggregate of 7 414 000 ordinary shares (being 10% of the issued ordinary shares), provided that:

(a) the minimum price (exclusive of expenses) which may be paid for an ordinary share is not less than the nominal value of an ordinary share at the date of such purchase (the nominal value at the date of this Notice is 1p)

(b) the maximum price (exclusive of expenses) which may be paid for each ordinary share is not more than 5% above the average middle market quotations of an ordinary shares taken from the Daily Official List of the London Stock Exchange for the five business days immediately before the date of purchase or contract to purchase, and

(c) such authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2012 or fifteen months after the passing of this resolution, if earlier save that the Company may before such expiry make a contract to purchase shares which would or might require to be executed wholly or partly after such expiry and may make a purchase of shares pursuant to such contracts as if the authority had not expired.

By order of the Board
S Lazenby
Secretary

24 June 2011

Registered Office
4100 Park Approach
Thorpe Park
Leeds
LS15 8GB

Notice of Meeting
continued

Notes

1 A member entitled to attend, speak and vote at the Annual General Meeting convened by the notice set out above is entitled to appoint a proxy or proxies to attend, speak and vote in his place. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member A proxy need not be a member of the Company A Form of Proxy is enclosed for your use.

2 To appoint more than one proxy you may photocopy the proxy form attached Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you) Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3 To be valid, the Form of Proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be received by the Company's Registrars Capita Registrars, PXS The Registry 34 Beckenham Road Beckenham, Kent BR3 4TU not later than 2.00 p.m. on 22 August 2011

4 If you are unable to attend the meeting, please complete and return the enclosed Form of Proxy so as to reach the Company's Registrar not later than 2.00 p.m. on 22 August 2011 If you are a member of CREST you may register the appointment of proxy through the CREST electronic appointment service using CREST ID RA10 For further details refer to the CREST manual Completion of a Form of Proxy or the appointment of a proxy electronically will not stop you attending the meeting and voting in person should you so wish CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf

In order for a proxy appointment, or instruction made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited s (EUI ') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting For this purpose the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001 CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

5 A Vote withheld option is provided on the Form of Proxy which is to enable a shareholder to withhold their vote on a particular resolution It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for' or against a resolution

6 Disapplication of pre-emption rights (resolution 7) will allow the Board to allot equity securities for cash otherwise than to existing ordinary shareholders pro- rata to their existing holdings. Such power would be limited to the situations referred to in paragraphs (a) and (b) of that resolution. Paragraph (a) refers to rights issues and open offers.

Paragraph (b) permits allotments for cash (other than rights issues) of ordinary shares up to an aggregate nominal amount not exceeding 5% of the issued ordinary share capital as shown in the latest annual published accounts which complies with the guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds

7 Copies of (a) the Directors service contracts, and (b) a statement of the Directors share interests and those of their families will be available for inspection during business hours on any weekday from the date of this Notice until the conclusion of the Annual General Meeting at the Company's registered office and at the office of Pinsent Masons LLP City Point, One Ropemaker Street, London EC2Y 9AH These documents will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during, the Annual General Meeting.

8 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those Shareholders registered in the register of members of the Company as at 6.00 p.m. on 22 August 2011 (or in the case of an adjournment as at 48 hours before the time appointed for holding the meeting) shall be entitled to attend or vote at the above meeting and that the number of votes which any Shareholder may cast, on a poll will be determined by reference to the number of shares registered in such Shareholder's name at that time Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting

9 The right to appoint a proxy does not apply to a person whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (a Nominated Person') Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy Alternatively if Nominated Persons do not have such a right, or do not wish to exercise it, they may have the right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights

10 As at 23 June 2011 (being the latest business day prior to the publication of this notice), the Company's issued share capital consists of 74 142,691 ordinary shares of 1 pence each carrying one vote each. Every member has one vote on a show of hands and on a poll one vote for each share held.

11 Completion and return of the proxy form will not prevent you from attending and voting in person at the meeting or any adjourned meeting if you so wish. If you have appointed a proxy and attend the Meeting in person your proxy appointment will automatically be terminated

12 A proxy form is enclosed for your use. If you do not specifically nominate another person to attend the Annual General Meeting and to vote on your behalf the Chairman of the Annual General Meeting will be appointed as your proxy and will vote or abstain on a poll, on your behalf in accordance with your instructions.

13 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy only the appointment submitted by the most senior holder will be accepted.

Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior)

14 To change your proxy instructions simply submit a new proxy appointment using the methods set in the form of proxy Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form please contact Capita Registrars, PXS 34 Beckenham Road Beckenham Kent BR3 4TU

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

15 In order to revoke a proxy instruction you will need to inform the Registrar by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU In the case of a member which is a company the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

Directors and Advisers

The revocation notice must be received by the Registrar no later than 2.00 p.m. on the 22 August 2011

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph 1 above, your proxy appointment will remain valid

Directors	**Simon Ashton** (Chairman) **Simon Lazenby** (Group Finance Director)
Non-executive Directors	**Albert Cheesebrough** **Kathryn Davenport** **Sarah Carpin**
Company Secretary	**Simon Lazenby**
Bankers	**Burdale Financial Limited** 5th Floor Bow Bells House 1 Bread Street London EC4M 9BE
Stockbrokers	**Evolution Securities Limited** Kings House 1 King Street Leeds LS1 2HH
Auditors	**BDO LLP** 1 Bridgewater Place Leeds LS11 5RU
Legal Advisers	**Pinsent Masons LLP** 1 Park Row Leeds LS1 5AB
Registrars and Transfer Office	**Capita Registrars** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Financial PR	**Rawlings Financial PR Limited** 2 Howsham York YO60 7PH

The Company's registered number is 1411796

Abbeycrest plc
4100 Park Approach
Thorpe Park
Leeds LS15 8GB
Tel 0113 3970 864
Fax 0113 3970 468
www.abbeycrest.co.uk