



Hot Tuna (International) PLC

("Hot Tuna" or "the Group")

Interim Results for the six months ended 31 December 2006

Hot Tuna (International) PLC (AIM:HTT), a lifestyle apparel brand with authentic surf heritage, announces its interim results for the six months ended 31 December 2006.

Highlights

- Revenue £183,000 (H1 2005: £109,000)
- Loss from operations increased to £1,562,000 (H1 2005: £552,000)
- Completion of the design, manufacture and production phase for Spring/Summer 2007 range
- Successful completion of the design and sampling phase for the Autumn/Winter 2008 range
- On-going European distribution agreements successfully signed
- Strengthened balance sheet following £4.2 million placing in December 2006
- £2.5 million equity credit line agreed with Cornell Capital Partners in March 2007
- Strengthened board with appointment of Elle Macpherson as Executive Director

Commenting on the results, Ranjit Murugason, Chairman of Hot Tuna (International) PLC, said: "Hot Tuna has been exceptionally busy in the first six months of 2006. We have secured sales for our Spring/Summer 2007 range and we are confident the Group will deliver solid revenues in the second half of the year. We have also designed and are currently sampling our Autumn/Winter 2008 range.

"The Group's financial position has been much improved with a placing to raise £4.2 million completed in December 2006 and this, in conjunction with the equity-based credit facility agreed with Cornell Capital Partners in March 2007, will ensure that the Group has sufficient financial resources to execute its stated strategy."

- Ends -

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CHAIRMAN'S STATEMENT

The Directors of Hot Tuna (International) PLC have pleasure in presenting the consolidated results for the half year ended 31 December 2006.

Hot Tuna (International) PLC and its subsidiaries have had a very exciting and extraordinarily busy half year; designing garments, procuring sales and welcoming new accounts and customers to enjoy the newly relaunched Hot Tuna brand.

Over the last six months we have made significant progress in re-establishing Hot Tuna as a leading global surf and youth lifestyle brand. Hot Tuna has just completed the design, manufacture and production phase for *Spring/Summer 2007*, we are currently sampling and presenting *Autumn/Winter 2008* garments within the industry and to our customers; and, under the leadership of Elle Macpherson, we have launched the design cycle for our *Spring/Summer 2008* range which promises to provide our customers and ultimate consumers more design superlatives.

During the past six months, there have been many affirmations of the Company's growing strength and presence in the industry including the addition of fashion entrepreneur and brand management leader, Elle Macpherson, to the Company's Board of Directors. Elle Macpherson was featured by the prestigious BBC Money Programme in March 2007 and her considerable contribution to the Company's re-launch was well documented during the programme and also provided further authentication of the Company's strategy to develop a global surf lifestyle brand.

During the last six months of 2006, the Company has made significant strides and secured the delivery of its products into what the Directors consider to be the best independent retailers in all of its core markets. Further, during the second half of 2006, the Company secured key distribution agreements in some European markets. Currently the *Spring/Summer 2007* collection is being distributed aggressively in the United States at Jack's Surf Shop in Huntington Beach, California, the reigning "Retailer of the Year" as determined by the Surf Industry Manufacturers Association, and also at Diane Beachwear and Cocoa Beach Surf Company to name a few. In the United Kingdom, the Company's first full collection is currently being delivered to leading independent retailers including Fluid, Shore Watersports, Cult Clothing and Two Seasons. Hot Tuna has also achieved notable success in securing orders for its first collection in the United Kingdom in 6 years from the United Kingdom's leading action sports retailer, Free Spirit. In Australia, Hot Tuna has re-launched itself amongst the key

independents including, amongst others, Glue, Surf Vision and Beach Street. We believe that the Company is poised to secure very significant orders for its swim line from prestigious customers.

Hot Tuna also continues to support the sport of surfing through sponsoring athletes, events and grass roots surfing and surf schools. In August 2006, Hot Tuna was the sponsor of the fifth leg of the prestigious British Professional Surfing Association ("BPSA") Tour, held at Porthmeor Beach, St. Ives, Cornwall. Also in August 2006, Hot Tuna signed former World No. 11 and X-Games Champion surfer Shea Lopez to its roster as lead team rider. Under the Hot Tuna banner, Lopez shot to the top of the 2007 Association of Surfing Professionals (ASP) ratings and as of the date of press, he was the No. 2 surfer on the ASP World Qualifying Series (WQS) tour. In the United Kingdom., BPSA champion Micah Lester and BPSA-ranked No. 7 Toby Atkins were retained by Hot Tuna, ensuring a steady stream of national media play at the core of their sport, and top-flight representation at the highest levels of European and Australian competition. The whole Hot Tuna surf team converged this month on Hot Tuna's birthplace in Australia in support of the Company's crown-jewel event of the year, the ASP 4-star-rated Hot Tuna Central Coast Pro Surfing Championship, held at Soldiers Beach, NSW. The event was regarded as a major success and has done wonders to draw attention globally for the re-launch of Hot Tuna. From sponsorship of world-class talent and championship, to support of local and regional athletes and events, Hot Tuna retains its global stature as a surfer's surfing brand true to the sport and spirit of authentic surf culture.

Results Summary

The Group operating loss for the period of £1.6m included employee costs of £0.7m, production and manufacturing costs of £0.1m and marketing costs £0.1m. The high cash expenditure reflects the Group's commitment to commissioning the right management and personnel to drive the Group into the next phase of its strategy. This includes building the designs, sample lines and infrastructure required to enter our target markets with a full premiere range of men's, juniors and juniors swim for *Spring/Summer 2007* and *Autumn/Winter 2008*.

Hot Tuna's first global range, *Spring/Summer 2007*, which has been successfully received, is currently being invoiced to our customers and as budgeted, these sales will only be recognised in the second half of the financial year. Furthermore, the Group has now completed the design and sampling phase for the *Autumn/Winter 2008* range which is currently being marketed to our customers. Hence, the half year up to 31 December 2006 reflects all expenses incurred in

establishing the *Spring/Summer 2007* and the *Autumn/Winter 2008* range without the benefit of the corresponding sales, resulting in a £1.6m loss from operations for the half year.

Hot Tuna has incurred approximately £1.3m of non-cash expenses up to 31 December 2006 including; £0.1m bad debt and inventory write offs and £1.2m of exceptional share-based payment charges incurred in accordance with IFRS2 requirements. The share-based payments, which have been charged as an “exceptional item”, were incurred in order to appoint key personnel to the Hot Tuna team during the period. This charge does not affect the ability of the Company to pay dividends going forward nor does it affect the net assets of the Group. It is strictly a charge to reserves in accordance with current accounting standards.

During the period Hot Tuna (International) PLC underwent a capital raising exercise generating approximately £4.2 million (before expenses) via a placing of 28,024,994 new ordinary shares of nominal value 1 pence each, at 15 pence per share. These shares were issued together with warrants, in the ratio of one warrant for every two placing shares. Subsequent to the half year end, the Group also agreed a maximum £2.5m equity-based credit facility with Cornell Capital Partners LP. Cornell will also subscribe to convertible loan notes worth US\$450,000.

The six months leading up to December 2006, has been a period in which we have worked hard to progress our corporate strategy. The Group’s focus during 2007 is, quite simply, product and sales: to take advantage of our consolidated business operations in Australia, the United Kingdom and the United States, and the successful delivery of our *Spring/Summer 2007* collection into the stores of our customers and ensuring that the *Autumn/Winter 2008* collection is well received amongst our customers.

On behalf of the Board I wish to thank my fellow directors, our employees, manufacturing partners, and all those who have assisted Hot Tuna (International) PLC in its endeavours during the year. The Board of Hot Tuna continues to be strong believers in the growth prospects of the Company and we all believe that Hot Tuna has an exciting future and with its wealth of extremely talented staff across the globe, we are now in the best position from which to build long term value for all shareholders.

RANJIT MURUGASON

CHAIRMAN

30 March 2007

Consolidated Income StatementFor the period from 1 July 2006 to 31st December 2006

		Half Year to 31.12.2006 (Un-audited)	Half Year to 31.12.2005 (Un-audited)	18 Months Ended 30.6.2006 (Audited)
		£000	£000	£000
	Notes			
Continuing operations				
Revenue		183	109	368
Cost of sales		(119)	(9)	(205)
Gross Profit		64	100	163
Other operating income		22	1	5
Selling and marketing expense		(153)	(80)	(383)
General and administrative expenses		(1,475)	(573)	(1,742)
Depreciation and amortisation		(20)	-	(3)
Loss from operations		(1,562)	(552)	(1,960)
Exceptional share-based payment charge		(1,237)	-	(91)
Investment income		19	8	39
Profit/loss on disposal of property, plant and equipment		(1)	-	(1)
Finance costs		(3)	(1)	(5)
Loss before tax		(2,784)	(545)	(2,018)
Taxation	2	-	-	-
Loss for the period		(2,784)	(545)	(2,018)
<u>Attributable to:</u>				
Equity holders		(2,755)	(541)	(1,976)
Minority interest		(29)	(4)	(42)
		(2,784)	(545)	(2,018)
LOSS PER SHARE				
Basic and diluted	4	(5.14 pence)	(2.18 pence)	(0.06 pence)

Consolidated Balance SheetAt 31st December 2006

	Half Year to 31.12.2006 (Un-audited)	Half Year to 31.12.2005 (Un-audited)	18 Months Ended 30.6.2006 (Audited)
	£000	£000	£000
Notes			
<u>Assets</u>			
<i>Non-current assets</i>			
Other intangible assets	5,251	3,233	5,251
Goodwill	187	212	237
Property, plant & equipment	127	8	74
Deferred Tax Assets	-	25	-
Loan and advances	-	334	-
	5,565	3,812	5,562
<i>Current Assets</i>			
Inventories	96	100	172
Trade and other receivables	614	190	184
Cash and cash equivalents	3,524	686	1,524
	4,234	976	1,880
<u>Total Assets</u>	9,799	4,788	7,442
<u>Liabilities</u>			
<i>Current Liabilities</i>			
Bank loans and overdraft	4	72	111
Trade and other payables	286	300	282
	290	372	393
<u>Net current assets</u>	3,944	604	1,487
<u>Net Assets</u>	9,509	4,416	7,049
<u>Equity and other liabilities</u>			
<i>Capital and reserves</i>			
Share capital	769	400	488
Share-based payment reserve	1,814	-	577
Share premium reserve	9,544	4,632	6,092
Merger reserve	1,474	-	1,474
Warrant reserve	772	-	487
Foreign exchange reserve	10	-	(4)

Shares to be issued	-	1	25
Retained loss	(4,731)	(541)	(1,976)
Equity attributable to equity holders of parent	9,652	4,492	7,163
Minority interest	(143)	(76)	(114)
<u>Total Equity</u>	9,509	4,416	7,049

Consolidated Cash Flow Statement

For the period from 1 July 2006 to 31st December 2006

		Half Year to 31.12.2006 (Un-audited)	Half Year to 31.12.2005 (Un-audited)	18 Months Ended 30.6.2006 (Audited)
		£000	£000	£000
	Notes			
Net Cash Flow from Operating Activities			(832)	(1,925)
	5	(1,945)		
Investing Activities				
Currency revaluation reserve		10	-	(4)
Payments for purchase of controlled entity		-	-	(607)
Cash funding on purchase of controlled entities		-	-	(178)
Interest received		19	8	39
Purchase of property, plant and equipment		(77)	(2)	(38)
Payments for intangible assets		-	(433)	(283)
Investment in subsidiaries		-	(246)	-
Bank overdraft acquired with subsidiary		-	(17)	-
Net Cash Flow from Investing Activities		(48)	(690)	(1,071)
Financing Activities				
Proceeds on issue of shares		3,993	2,208	4,521
Net Cash Flow from Financing Activities		3,993	2,208	4,521
Net increase in cash and cash equivalents		2,000	686	1,524
Cash and cash equivalents at the beginning of the year		1,524	-	-
Cash and cash equivalents at the end of the year		3,524	686	1,524
Movement in Bank & Cash		2,000	686	1,524

Statement of changes in equity*For the period from 1 July 2006 to 31st December 2006*

	Half Year	Half Year	18 Months
	Ended	Ended	Ended
	31 December	31 December	30 June
	2006	2005	2006
	Notes	£000	£000
Net Loss for the period		(2,755)	(1,976)
Currency Translation		14	(4)
Total recognised income and expenses for the year		(2,741)	(1,980)
Share issue		4,203	10,350
Cost of issue		(210)	(1,298)
Share option charge		1,237	91
Net increase in shareholders' equity		2,486	7,163
Total shareholders' equity brought forward		7,163	-
Total shareholders' equity earned forward		9,649	7,163

Notes to the unaudited Interim Report

For the period ending 31st December 2006

1. PRESENTATION OF INTERIM RESULTS

This interim report has been prepared in accordance with (International) Financial Reporting Standards (IFRS) that are expected to be applicable to the consolidated financial statements for the 6 months ending 31 December 2006.

The results for the six months ended 31 December 2006 are unaudited. They have been prepared on accounting bases and policies that will be used in the preparation of the financial statements of the Group for the year ended 30 June 2007.

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results for the year ended 30 June 2006 are based on the audited accounts (which received an unqualified report). Full accounts have been delivered to the Registrar of Companies and are available on request.

2. TAXATION

No taxation has been provided due to losses in the period.

3. DIVIDENDS

The Directors have not declared a dividend for the period.

4. LOSS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

Earnings for the purposes of basic earnings per share net loss for the period attributable to equity holders of the parent	(2,830)
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Number of shares

Weighted average number of ordinary shares for the purposes of basic earnings per share	53,595
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The denominator for the purpose of calculating the basic earnings per share has been adjusted to reflect all capital raisings. Due to the loss incurred in the period, there is no dilutive effect resulting from the issue of share options, warrants and shares to be issued.

5. RECONCILIATION OF NET OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	£000
Cash outflow from Operating Activities	
Loss from operations	(1,562)
Adjusted for:	
Depreciation of property, plant and equipment	20
Loss on disposal of property, plant and equipment	2
Operating cash flows before movements in working capital	(1,580)
Increase in inventories	(76)
Increase in receivables	(430)
Increase in payables	145
Cash used in operations	(1,941)
Interest (paid)	(4)
Net Cash outflow from Operating Activities	(1,945)