HOT TUNA (INTERNATIONAL) PLC

Interim Report

Six months ended 31st December 2007

Hot Tuna (International) PLC
Interim Report for the period ending 31st December 2007

CHIEF EXECUTIVE OFFICER'S STATEMENT

The Directors of Hot Tuna (International) PLC present the consolidated results for the half year ending 31 December 2007.

An extremely challenging trading environment coupled with restructuring of the Group's supply chain, slow brand recognition in the USA and adverse trading conditions have impacted trading results.

An unseasonably wet summer affected Spring/Summer 2007 sales and also forced many of our independent retail customers to reduce volumes for subsequent orders. This and the slowdown of the economy triggered higher than budgeted bad debts for the half year ending 31 December 2007. We have also been forced to dispose of inventory which accumulated under previous management who had entered into speculative production.

These circumstances have contributed to an operating loss for the half year of £1.5m. Although these difficult trading conditions were forecast we did not anticipate the full effect of the lack of brand recognition in the USA, which has resulted in lower than forecast sales revenue.

As mentioned in our strategic review, released in August of last year, we have been working to restructure the company and create an effective and efficient operating platform from which the company can springboard into the coming seasons. Whilst this process is still underway, most of the foundations are now in place.

In November we moved all of the brand's manufacturing to China, managed from our new sourcing office in Shanghai. The aim is to generate a lower cost base and stronger relationships with suppliers which will also ensure timely production of quality garments and generate additional savings in freight and logistics. We have also cut our overhead cost base in the UK and the USA, which will contribute to the profitability of our new operating model.

Improvements have also been made to the designs and we are asserting the brand position in our markets. During recent trade shows in the USA and in Europe, Hot Tuna has received excellent reviews from the press and fashion media. Hence, in addition to improved product, we are engaging with better retailers, reducing our cost of sales and repositioning the brand to create a more profitable business model.

Of our three core markets, Australia is performing very strongly. The launch of our Hot Tuna girls and boys clothing ranges into Myer department stores has exceeded expectations with a sell-through reaching 10%. This places Hot Tuna amongst the strongest performing brands in the department store and has allowed our expansion into David Jones department stores nationally.

The United States office was relocated to the Cooper Design Space in downtown Los Angeles. The new office offers a studio, office and showroom facilities all in one location and furthermore allows us direct access to the large department store buyers. Despite the fact we have secured some lucrative orders at recent trade shows, sales are still not meeting forecasts due to the lack of brand recognition, intense competition and consumer uncertainty.

In the United Kingdom, sales have been strong and the product has been well received in independent retail stores and department stores alike however margins have been affected by costly logistics. Spring/Summer 2008 promises to be a great success for the European business.

Finally, our online store is now fully operational across all three regions. The online store features both "basic collections" as well as product from recent seasons. In addition to team news and growing media coverage, the opportunity to purchase items online complements our much improved website.

Subsequent to the half year end, we have appointed Mr David Lenigas as our new Non Executive Chairman. David will replace Mr Ranjit Murugason, who having recently taken on the full time position at an international group, believes he can no longer devote the required time to the Chairmanship role. We wish Ranjit every success in the future and thank him for his dedication over the past two years. On behalf of the team I would like to welcome David to the Board, he brings a vast wealth of highly relevant experience and I am confident he will bring exceptional value to the Company as we continue to grow. I am also pleased to announce that this week we have also successfully raised £585,000 (before expenses) in an equity placing. The placing will enable the Company to continue and provide the necessary working capital for its growing order book.

Thank you to our committed and hard working employees who have worked tirelessly through this very difficult period and we would also thank our investors and shareholders for their continued support.

NIELS ANDERS JUUL

CHIEF EXECUTIVE OFFICER

6 March 2008

Consolidated Income Statement
For the period from 1 July 2007 to 31st December 2007

	Notes	*Half Year to 31.12.2007 (Un-audited)* **£000**	*Half Year to 31.12.2006 (Un-audited)* **£000**	*12 Months Ended 30.6.2007 (Audited)* **£000**
Continuing operations				
Revenue		445	183	619
Cost of sales		(472)	(119)	(482)
Gross (Loss)/Profit		**(27)**	**64**	**137**
Other operating income		-	22	5
Selling and marketing expense		(382)	(153)	(596)
General and administrative expenses		(1,216)	(1,475)	(3,210)
Depreciation and amortisation		(28)	(20)	(40)
Loss from operations		(1,653)	(1,562)	(3,704)
Exceptional share-based payment charge		120	(1,237)	(1,689)
Investment income		32	19	71
Loss on disposal of property, plant and equipment		(2)	(1)	(4)
Finance costs		(20)	(3)	(7)
Loss before tax		(1,523)	(2,784)	(5,333)
Taxation	2	-	-	-
Loss for the period		(1,523)	(2,784)	(5,333)
Attributable to:				
Equity holders		(1,523)	(2,755)	(5,333)
Minority interest		-	(29)	-
		(1,523)	(2,784)	(5,333)
LOSS PER SHARE				
Basic and diluted	4	(0.02 pence)	(5.14 pence)	(0.08 pence)

Consolidated Balance Sheet
At 31st December 2007

	Half Year to 31.12.2007 (Un-audited)	*Half Year to 31.12.2006 (Un-audited)*	*12 Months Ended 30.6.2007 (Audited)*
	£000	**£000**	**£000**
Assets			
Non-current assets			
Other intangible assets	5,238	5,251	5,238
Goodwill	207	187	207
Property, plant & equipment	156	127	124
	5,601	5,565	5,569
Current Assets			
Inventories	436	96	399
Trade and other receivables	497	614	524
Cash and cash equivalents	464	3,524	1,892
	1,397	4,234	2,815
Total Assets	6,998	9,799	8,384
Liabilities			
Current Liabilities			
Bank loans and overdraft	-	4	-
Trade and other payables	460	286	496
Convertible loan note	47	-	106
	507	290	602
Non-current Liabilities			
Convertible loan note	111	-	111
	111	-	111
Total Liabilities	618	290	713
Net Assets	**6,380**	**9,509**	**7,671**
Equity and other liabilities			
Capital and reserves			
Share capital	828	769	774
Share-based payment reserve	2,147	1,814	2,267
Share premium reserve	9,881	9,544	9,612
Merger reserve	1,474	1,474	1,474
Warrant reserve	800	772	800
Foreign exchange reserve	82	10	53
Retained loss	(8,832)	(4,731)	(7,309)
Equity attributable to equity holders of parent	6,380	9,652	7,671
Minority interest	-	(143)	-
Total Equity	**6,380**	**9,509**	**7,671**

Consolidated Cash Flow Statement
For the period from 1 July 2007 to 31st December 2007

	Notes	*Half Year to 31.12.2007 (Un-audited)* **£000**	*Half Year to 31.12.2006 (Un-audited)* **£000**	*12 Months Ended 30.6.2007 (Audited)* **£000**
Net Cash Flow from Operating Activities	5	**(1,667)**	**(1,935)**	**(3,921)**
Investing Activities				
Interest received		32	19	71
Purchase of property, plant and equipment		(57)	(77)	(94)
Net Cash Flow from Investing Activities		**(25)**	**(58)**	**(23)**
Financing Activities				
Proceeds on issue/(repayment) of convertible notes		(59)	-	218
Proceeds from issue of share capital		323	3,993	4,094
Net Cash Flow from Financing Activities		**264**	**3,993**	**4,312**
Net (decrease)/increase in cash and cash equivalents		**(1,428)**	**2,000**	**368**
Cash and cash equivalents at the beginning of the year		1,892	1,524	1,524
Cash and cash equivalents at the end of the year		464	3,524	1,892
Movement in Bank & Cash		**(1,428)**	**2,000**	**368**

Statement of changes in equity
For the period from 1 July 2007 to 31st December 2007

For the half year ended 31 December 2007	*Share capital*	*Share premium account*	*Share-based payment reserve*	*Other reserves*	*Warrant reserve*	*Retained profit/ (loss)*	*Total equity*	*Minority interest*	*Total Equity*
	£	£	£	£	£	£	£	£	£
Balance at 1 July 2007	774	9,612	2,267	1,527	800	(7,309)	7,671	-	7,671
Net loss for the period	-	-	-	-	-	(1,523)	(1,523)	-	(1,523)
Exchange differences arising on translation of overseas operations	-	-	-	29	-	-	29	-	29
Total recognised income and expense for period	-	-	-	29	-	(1,523)	(1,494)	-	(1,494)
Share conversion and issue	54	269	-	-	-	-	323	-	323
Employee share option scheme	-	-	(120)	-	-	-	(120)	-	(120)
Balance at 31 December 2007	828	9,881	2,147	1,556	800	(8,832)	6,380	-	6,380

For the year ended 30 June 2007									
	£	£	£	£	£	£	£	£	£
Balance at 1 July 2006	488	6,092	577	1,495	487	(1,976)	7,163	(114)	7,049
Net loss for the period	-	-	-	-	-	(5,333)	(5,333)	114	(5,219)
Exchange differences arising on translation of overseas operations	-	-	-	58	-	-	58	-	58
Total recognised income and expense for the period	-	-	-	58	-	(5,333)	(5,275)	114	(5,161)
Share conversion and issue	286	3,520	-	(26)	-	-	3,780	-	3,780
Warrants Subscribed	-	-	-	-	313	-	313	-	313
Employee share option scheme	-	-	1,690	-	-	-	1,690	-	1,690
Balance at 30 June 2007	774	9,612	2,267	1,527	800	(7,309)	7,671	-	7,671

For the half year ended 31 December 2006	***Share capital***	***Share premium account***	***Share-based payment reserve***	***Other reserves***	***Warrant reserve***	***Retained profit/ (loss)***	***Total equity***	***Minority interest***	***Total Equity***
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Balance at 1 July 2006	488	6,092	577	1,495	487	(1,976)	7,163	(114)	7,049
Net loss for the period	-	-	-	-	-	(2,755)	(2,755)	(29)	(2,784)
Exchange differences arising on translation of overseas operations	-	-	-	(11)	-	-	(11)	-	(11)
Total recognised income and expense for the period	-	-	-	(11)	-	(2,755)	(2,766)	(29)	(2,795)
Share conversion and issue	281	3,452	-	-	285	-	4,018	-	4,018
Employee share option scheme	-	-	1,237	-	-	-	1,237	-	1,237
Balance at 31 December 2006	769	9,544	1,814	1,484	772	(4,731)	9,652	(143)	9,509

Notes to the unaudited Interim Report
For the period ending 31st December 2007

1. PRESENTATION OF INTERIM RESULTS

This interim report has been prepared in accordance with the accounting policies set out in the Company's Annual Report for the year ended 30 June 2007 and are expected to be used in the Annual Report for the year ended 30 June 2008.

The results for the six months ended 31 December 2007 have not been audited. 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 2007 are based on the audited accounts (which received an unqualified audit 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	(1,523,334)
Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	77,997,734

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

	Half Year to 31.12.2007 (Un-audited)	*Half Year to 31.12.2006 (Un-audited)*	*12 Months Ended 30.6.2007 (Audited)*
Cash outflow from Operating Activities	**£000**	**£000**	**£000**
Loss from operations	(1,653)	(1,562)	(3,704)
Adjusted for:			
Depreciation of property, plant and equipment	28	20	44
Operating cash flows before movements in working capital	(1,625)	(1,522)	(3,660)
Increase in inventories	(37)	(76)	(227)
Decrease/(Increase) in receivables	27	(430)	(231)
(Decrease)/Increase in payables	(12)	97	204
Cash used in operations	(1,647)	(1,931)	(254)
Interest paid	(20)	(4)	(7)
Net Cash outflow from Operating Activities	(1,667)	(1,935)	(3,921)

6. POST BALANCE SHEET DATE EVENTS
The Company has raised £585,000 gross (£555,000 net of expenses) by way of a placing of 58,500,000 new ordinary shares of 1 pence each in the share capital of the Company at 1 pence per share. Participants have additionally been granted one warrant to subscribe for an additional ordinary share in Hot Tuna for each two new ordinary shares subscribed for by that participant in the placing. These warrants are exercisable at 1.5p per share for a period of five years from the date of admission of the shares to trading on AIM.