



Hot Tuna International PLC
("Hot Tuna" or "the Company")
Interim Report for the period ending 31 December 2008

HIGHLIGHTS

- Sales increase of 39%;
- Operational loss reduced by 59% to £679,000;
- Debenhams increased the number of stores in which it stocks product from 5 to 45;
- Benefits from cost reductions in 2008 now starting to come through;
- Australian market still performing strongly.

Hot Tuna (International) Plc (AIM: HTT), a leading surf wear and fashion brand, presents its consolidated results for the half year ending 31 December 2008.

In spite of an extremely challenging trading environment, Hot Tuna continues to perform strongly with sales increase of 39% in the six months to 31 December 2008. The Group continues to reap the benefits of the earlier restructuring across all regions. This, coupled with a shift in sales strategy; positioning the Hot Tuna brand from smaller independent retailers to major national retailers around the globe, has, and should continue to see an upward trend in revenue.

The increase in sales has been achieved by reducing our cost base and lowering our marketing costs in line with stockists' expectations as well as greater use of partnering. The improvement in revenue and a focus on a rigorous cost cutting exercise has enabled the Group to reduce its operational loss by some 59% to £679,000 against the corresponding period's operational loss of £1,653,000.

All regions now have considerably lower overheads than at the same time last year which means that the Group is in a significantly stronger position to face the global economic downturn.

In Australia, the economic downturn has not yet been as severe as in other parts of the world. With the brand considered a 'home brand' by the market, we anticipate that our Australian business will continue to see strong sales increases with the major stockists of Myer and David Jones with an expanded product range stocked.

In Europe the relocation of some parts of the manufacturing for the European market to Turkey has enable us to capitalise on the benefits of a shorter route to market and lower transport and logistical costs. This will show through with greater prominence in the second half of the financial year. In the UK, Debenhams has increased the number of stores in which it stocks Hot Tuna from 5 to 45. In Germany, the online retailer Sportscheck increased their orders from Spring/Summer 2008 to Spring/Summer 2009 by 305%.

The USA continues to pose challenges however the brand has now broken into Delia's and Victoria's Secret, with repeat orders on specific designs from these stockists. This supports our ongoing strategy of pursuing larger accounts in the USA. Further tightening of logistics and other costs will be required to push this into operational profit.

Niels Juul, Chief Executive commented: "We are pleased with these results in what has been a very difficult trading period across the globe. We cannot ignore the significant task ahead of us and future potential slowdown in retail sales across all our key markets. The Board continues to monitor all aspects of the business and will work with suppliers to reduce manufacturing and development costs. To support the current order book and growth potential of Hot Tuna, the Board is looking at various funding opportunities to provide the necessary working capital."

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Consolidated Income Statement
For the period from 1 July 2008 to 31st December 2008

		Half Year to 31.12.2008 (Un-audited) £000	Half Year to 31.12.2007 (Un-audited) £000	12 Months Ended 30.6.2008 (Audited) £000
	Notes			
Continuing operations				
Revenue		619	445	1,125
Cost of sales		(393)	(472)	(1,153)
Gross (loss)/profit		226	(27)	(28)
Selling and marketing expense		(110)	(382)	(425)
General and administrative expenses		(762)	(1,216)	(2,642)
Depreciation and amortisation		(33)	(28)	(57)
Loss from operations		(679)	(1,653)	(3,179)
Impairment of intangible assets		-	-	(2,588)
Exceptional share-based payment charge		-	120	-
Investment income		1	32	41
Loss on disposal of property, plant and equipment		(1)	(2)	(4)
Finance costs		(9)	(20)	(39)
Loss before tax		(688)	(1,523)	(5,769)
Taxation	2	-	-	-
Loss for the period		(688)	(1,523)	(5,769)
Attributable to:				
Equity holders		(688)	(1,523)	(5,769)
Minority interest		-	-	-
		(688)	(1,523)	(5,769)
LOSS PER SHARE				
Basic and diluted	4	(0.62) pence	(1.89) pence	(5.69) pence

Consolidated Balance Sheet
At 31st December 2008

	Half Year to 31.12.2008 (Un-audited) £000	Half Year to 12 Months Ended 31.12.2007 (Un-audited) £000	30.6.2008 (Audited) £000
Assets			
Non-current assets			
Other intangible assets	2,650	5,238	2,650
Goodwill	207	207	207
Property, plant & equipment	84	156	119
	2,941	5,601	2,976
Current Assets			
Inventories	398	436	331
Trade and other receivables	491	497	426
Cash and cash equivalents	-	464	-
	889	1,397	757
Total Assets	3,830	6,998	3,733
Liabilities			
Current Liabilities			
Bank loans and overdraft	63	-	35
Trade and other payables	840	460	557
Convertible loan note	134	47	184
	1,037	507	776
Non-current Liabilities			
Convertible loan note	-	111	-
	-	111	-
Total Liabilities	1,037	618	776
Net Assets	2,793	6,380	2,957
Equity and other liabilities			
Capital and reserves			
Share capital	1,813	828	1,533
Share-based payment reserve	9,882	9,881	9,618
Share premium reserve	2,308	2,147	2,308
Merger reserve	1,474	1,474	1,474
Warrant reserve	296	800	296
Foreign exchange reserve	43	82	63
Retained loss	(13,023)	(8,832)	(12,335)
Equity attributable to equity holders of parent	2,793	6,380	2,957
Minority interest	-	-	-
Total Equity	2,793	6,380	2,957

Consolidated Cash Flow Statement
For the period from 1 July 2008 to 31st December 2008

		Half Year to 31.12.2008 (Un-audited)	Half Year to 31.12.2007 (Un-audited)	12 Months Ended 30.6.2008 (Audited)
	Notes			
Net Cash Flow from Operating Activities	5	(523)	(1,617)	(2,884)
Investing Activities				
Interest received		1	32	41
Purchase of property, plant and equipment		-	(57)	(56)
Net Cash Flow from Investing Activities		1	(58)	(15)
Financing Activities				
Proceeds on issue/(repayment) of convertible notes		-	(59)	(32)
Proceeds from issue of share capital		494	323	1,005
Net Cash Flow from Financing Activities		494	264	972
Net (decrease)/increase in cash and cash equivalents		(28)	(1,428)	(1,927)
Cash and cash equivalents at the beginning of the period		(35)	1,892	1,892
Cash and cash equivalents at the end of the period		(63)	464	(35)
Movement in Bank & Cash		(28)	(1,428)	(1,927)

Statement of changes in equity
For the period from 1 July 2008 to 31st December 2008

For the half year ended 31 December 2008	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 2008	1,533	9,618	2,308	1,537	296	(12,335)	2,957	-	2,957
Net loss for the period	-	-	-	-	-	(688)	(688)	-	(688)
Exchange differences arising	-	-	-	(20)	-	-	(20)	-	(20)
Total recognised income and expense for period	-	-	-	(20)	-	(688)	(708)	-	(708)
Share conversion and issue	280	264	-	-	-	-	544	-	544
Balance at 31 December 2008	1,813	9,882	2,308	1,517	296	(13,023)	2,793	-	2,793

For the year ended 30 June 2008	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 January 2008	828	9,881	2,147	1,556	800	(8,832)	6,380	-	6,380
Net loss for the period	-	-	-	-	-	(3,503)	(3,503)	-	(3,503)
Exchange differences	-	-	-	(19)	-	-	(19)	-	(19)
Total recognised income and expense for the period	-	-	-	(19)	-	(3,503)	(3,522)	-	(3,522)
Share conversion and issue	705	36	-	-	-	-	-	-	741
Cost of share issue and conversion	-	(60)	-	-	-	-	(60)	-	(60)
Warrants Subscribed	-	(239)	-	-	239	-	-	-	-
Warrants expired	-	-	-	-	(743)	-	(743)	-	(743)
Employee share option scheme	-	-	161	-	-	-	161	-	161
Balance at 30 June 2008	1,533	9,618	2,308	1,537	296	(12,335)	2,957	-	2,957

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	-	-	-	29	-	-	29	-	29
Total recognised income and expense for the 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

Notes to the unaudited Interim Report
For the period ending 31st December 2008

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 2008 and are expected to be used in the Annual Report for the year ended 30 June 2009.

The results for the six months ended 31 December 2008 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 2008 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	£000's
Earnings for the purposes of basic earnings per share net loss for the period attributable to equity holders of the parent	688
Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	110,177,103

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.

Notes to the unaudited Interim Report
For the period ending 31st December 2008

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

	Half Year to 31.12.2008 (Un-audited) £000	Half Year to 31.12.2007 (Un-audited) £000	12 Months Ended 30.6.2008 (Audited) £000
Cash outflow from Operating Activities			
Loss from operations	(679)	(1,653)	(3,179)
Adjusted for:			
Depreciation of property, plant and equipment	33	28	57
Foreign exchange loss	(18)	-	9
Share based payments	-	-	41
Operating cash flows before movements in working capital	(590)	(1,625)	(3,071)
(Increase)/decrease in inventories	(67)	(37)	67
Decrease/(increase) in receivables	(66)	27	98
(Decrease)/increase in payables	283	(12)	60
Cash used in operations	(514)	(1,647)	(2,846)
Interest paid	(9)	(20)	(39)
Net Cash outflow from Operating Activities	(523)	(1,667)	(2,885)

6. POST BALANCE SHEET DATE EVENTS

On 6 February 2009, the Company held its Annual General meeting and all resolutions were duly passed.

On 12 March 2009, the Company held a General Meeting to propose a special resolutions to sub-divide each existing ordinary share of 1 pence each ("Existing Ordinary Shares") into one new ordinary share of 0.01 pence ("New Ordinary Shares") and one deferred share of 0.99 pence each ("Deferred Shares"), and to amend the Company's Articles of Association to set out the rights attaching to the Deferred Shares. The resolution was duly passed.

On 25 March 2009, the Company issued and allotted 20,000 New Ordinary Shares at 0.5p per share. Following this issue, the Company has made application for the 20,000 New Ordinary Shares to be admitted to trading on AIM, with admission expected to occur on or around 31 March 2009.

Following the issue of the 20,000 New Ordinary Shares, the Company will have 181,323,419 Ordinary Shares in issue.