

THEO FENNELL

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**Interim Report
for the six months ended 30 September 2008**

Directors and Advisors

Directors	F R Northcott FCA (Chairman) P E Harper (Chief Executive Officer) G R Saunders ACA (Finance Director) J L Carmody (Commercial Director) Viscount Cowdray (Non-Executive) R A Pedder (Non-Executive)
Company Secretary	G R Saunders ACA
Registered Office	2b Pond Place London SW3 6TF
Registered Number	1955534
Nominated Adviser	Seymour Pierce 20 Old Bailey London EC4M 7EN
Broker	Seymour Pierce 20 Old Bailey London EC4M 7EN
Registered Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Solicitors	Bird & Bird 15 Fetter Lane London EC4A 1JP
Bankers	Clydesdale Bank PLC London City Financial Solutions Centre 80 Wood Street London EC2V 7QQ
Registrars	Northern Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

CHAIRMAN'S STATEMENT

Overview

The Company experienced difficult trading in the first half; impacted by the downturn in consumer confidence. Until this point, Theo Fennell PLC had experienced sustained growth year-on-year; led by the demand for design-led pieces that make Theo Fennell unique. The company has continued to be active in overseas markets; most recently Dublin and the Middle East.

Financial

Trading has been difficult as consumers become more cautious in the current economic climate. Sales decreased 20% on the same period last year to £10.2million (2007: £12.8m). The company made a loss of £840,274 compared to a first half profit for the same period last year of £434,286. This was partly due to the company's heavy first half investment programme of expansion into Dublin and other overseas markets.

Operational

In November, the Company opened a concession in the fine jewellery and watch hall in Brown Thomas, Dublin; the premier Irish department store. The Company also won the contracts to operate the luxury watch and fine jewellery counters in the same room. The Company's Middle East partners expect to open a new standalone Theo Fennell store in Emirates Towers, Dubai and in Kuwait City in 2009 as well as smaller concessions in Jeddah Saudi Arabia and Qatar. The Company continues to operate and explore further opportunities in the former Soviet Union States.

Third party investment

Talks with the third party interested in making a significant investment in the business in order to fulfill our expansions plans are continuing. Progress has been slower than anticipated due to the current economic environment, but will continue in the New Year although there is still no guarantee a transaction will complete.

Outlook

Theo Fennell PLC has been affected by the economic downturn. Our key challenge is to ensure the business is correctly positioned for when consumer confidence returns and the board are taking steps to ensure overheads are appropriate to the current trading environment. We still believe in the significant potential for the future growth of the business and when confidence does return, believe the Company is well placed to capitalise on this, maintain its market position and continue to develop Theo Fennell into a major, luxury brand.

Richard Northcott
Chairman
22 December 2008

Profit and Loss Account (Unaudited) for the six months ended 30 September 2008

	Six months ended 30 September 2008 £	Six months ended 30 September 2007 £	Year ended 31 March 2008 £
Turnover	10,203,354	12,808,456	28,065,078
Cost of sales	(9,990,065)	(11,459,380)	(23,986,310)
Gross profit	213,289	1,349,076	4,078,768
Administrative expenses	(1,061,023)	(928,763)	(2,201,045)
Exceptional administrative expenses	-	-	(500,600)
Operating (loss) / profit	(847,734)	420,313	1,377,123
Net interest receivable	7,460	13,973	25,350
(Loss) / Profit on ordinary activities before taxation	(840,274)	434,286	1,402,473
Tax on (loss) / profit on ordinary activities	268,887	(138,972)	(432,853)
(Loss) / Profit for the financial period	(571,387)	295,314	969,620
Basic (loss) / earnings per share	(3.04p)	1.59p	5.21p
Diluted (loss) / earnings per share	(2.76p)	1.45p	4.74p

Balance Sheet (Unaudited) as at 30 September 2008

	As at 30 September 2008 £	As at 30 September 2007 £	As at 31 March 2008 £
Fixed Assets			
Tangible assets	715,827	734,176	737,907
	<hr/>	<hr/>	<hr/>
Current assets			
Stocks	11,421,857	10,835,275	10,053,293
Debtors	2,205,013	4,194,371	2,408,794
Cash at bank and in hand	13,471	11,989	958,008
	<hr/>	<hr/>	<hr/>
	13,640,341	15,041,635	13,420,095
Creditors: amounts falling due within one year	<hr/>	<hr/>	<hr/>
	(4,552,797)	(6,343,179)	(4,046,526)
Net current assets	<hr/>	<hr/>	<hr/>
	9,087,544	8,698,456	9,373,569
Total assets less current liabilities	<hr/>	<hr/>	<hr/>
	9,803,371	9,432,632	10,111,476
Creditors: amounts falling due after one year			
Convertible loan note	(300,000)	-	-
Other	(125,903)	(256,345)	(187,622)
	<hr/>	<hr/>	<hr/>
Net assets	<hr/>	<hr/>	<hr/>
	9,377,468	9,176,287	9,923,854
Capital and reserves			
Called up share capital	940,533	930,533	935,533
Share premium account	4,572,858	4,507,857	4,552,857
Profit and loss account	3,809,076	3,706,157	4,380,463
Share Options Reserve	55,001	31,740	55,001
	<hr/>	<hr/>	<hr/>
Shareholders' funds	<hr/>	<hr/>	<hr/>
	9,377,468	9,176,287	9,923,854

Cash Flow Statement (Unaudited) for the six months ended 30 September 2008

	Six months ended 30 September 2008 £	Six months ended 30 September 2007 £	Year ended 31 March 2008 £
Net cash (outflow) / inflow from operating activities	(1,281,691)	(398,179)	1,940,513
Returns on investment and servicing of finance			
Net interest received	5,761	11,060	25,350
Taxation			
Corporation tax paid/repayment	-	140,138	140,139
Capital expenditure			
Purchase of fixed assets	(154,332)	(282,746)	(482,281)
Net cash (outflow)/inflow before financing	(1,430,262)	(529,727)	1,623,721
Financing			
Issue of Share Options	25,000	750	79,665
Capital element of hire purchase agreements	(4,021)	(16,043)	(19,848)
Bank loan repayments	(55,040)	(62,035)	(146,846)
Bank loan	-	350,000	350,000
(Decrease) / Increase in cash	(1,464,323)	(257,055)	1,886,692

Notes

- The financial statements for the period under review have not been audited or reviewed by the Company's auditors, Grant Thornton UK LLP. The company is not required to adopt IFRS and the Board considers there would be no advantage to do so voluntarily, so will continue to prepare the financial statements under UK GAAP.
- The results for the year ended 31 March 2008 are taken from the statutory financial statements, which were reported on by the Company's auditors without qualification. These have been filed with the Registrar of Companies.
- Earnings per share and diluted earnings per share. Average market price for the six months ended 30 September 2008 was 44.5p (31 March 2008: 98.5p)

	Six months ended 30 September 2008	Six months ended 30 September 2007	Year ended 31 March 2008
	£	£	£
(Loss) / Profit for the financial year	(571,387)	295,314	969,620
Effect of convertible loan note	14,700	10,617	14,700
Adjusted (loss)/profit for dilutive earnings per share	(556,687)	305,931	984,320
Weighted average number of ordinary shares	18,793,995	18,553,980	18,607,508
Effect of dilutive share options	339,359	1,155,834	1,143,119
Effect of convertible loan note	1,000,000	1,388,888	1,027,777
Adjusted weighted average number of ordinary shares	20,133,354	21,098,702	20,778,404
(Loss) / Earnings per share – basic	(3.04p)	1.59p	5.21p
(Loss) / Earnings per share – diluted	(2.76p)	1.45p	4.74p

- Cash flow from operating activities:

	Six months ended 30 September 2008	Six months ended 30 September 2007	Year ended 31 March 2008
	£	£	£
Operating (loss) / profit	(847,734)	420,313	1,377,123
Depreciation charges	176,412	190,534	386,338
Increase in stocks	(1,368,564)	(1,810,652)	(1,028,670)
Decrease in debtors	203,781	176,719	2,105,204
Increase / (Decrease) in creditors	554,414	624,907	(899,482)
Net cash (outflow) / inflow from operating activities	(1,281,691)	(398,179)	1,940,513

- A copy of the interim statement will be posted to shareholders and made available to the public at the Company's Registered Office, 2b Pond Place, London SW3 6TF for one month from the date thereof.
- No interim dividend is declared on the ordinary shares.

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