

THEO FENNELL

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**Interim Report
for the six months ended 30 September 2009**

Directors and Advisors

Directors	R N Hambro (Chairman appointed 23 June 2009) A T Fennell (appointed 23 June 2009) B A Snoad (appointed 15 May 2009) A K Hadden-Paton ACA (appointed 23 June 2009) R A Pedder G R Saunders ACA (Finance Director) F R Northcott FCA (resigned 23 June 2009) Viscount Cowdray (resigned 23 June 2009)
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

I write this report about your company's trading results for the six months to 30 September 2009. The Company experienced difficult trading in the first half; impacted by the adverse and uncertain trading conditions and the difficult position the Company was in at the beginning of this financial year due to the previous management team.

As has been announced, there have been significant changes to the board during this period. Theo Fennell did not return to the board until June 2009 at the same time I became Chairman and Alasdair Hadden-Paton became Deputy Chairman. Barbara Snoad returned as Chief Executive in May 2009. Together we have begun to implement a new strategy compatible with the design-led ethos and core jewellery business which had been very successful in the past and which we believe will lead to a turnaround of the business in the medium term.

Financial

Trading in the first six months of the year continued to be difficult as consumers remained cautious in the current economic financial climate and the implementation of the new management team's turnaround strategy did not commence until August. Sales decreased in the first six months on a like for like basis by 20% to £4.3 million. The Company made a loss before taxation of £1,075,000 compared to a first half loss for the same period last year of £840,000.

Operational

Theo's return to the business as Creative Director, with responsibility for all creative aspects of the Company, has provided the Company with the direction missing in the last year.

This new creative impetus has enabled the Company to ensure we have an exciting selection of new one-off products, collections and unique silver pieces for the key Christmas selling period. In addition, the first new collection for two years, PHI, with new collections and ranges following fast behind, was launched in September and this we hope will lay the foundations for an improved second half and the turnaround in the Company's fortunes.

Consequently, we have seen a very positive improvement in sales in the first two months of the second half compared with the first two months of the second half last year with like for like retail sales up 38% in the period from 1 October to 30 November.

We therefore believe we are well positioned for the key Christmas trading period.

International

As reported to you in September, the Company has had a number of positive discussions with both new and existing wholesale partners. We are very pleased to report that we have secured a new wholesale partner in Moscow and will be opening on Moscow's premium shopping street, Stoleshnikov Street, in December 2009 and an additional outlet is to open at The Crane in Barbados. We continue to explore opportunities with a number of new partners in key International markets and are hopeful of securing additional distribution outlets in the near future.

The Original Design Partnership

We continue to strengthen our relationship with Theo's new design business the Original Design Partnership ("ODP"). A new collaboration agreement has been signed between the two companies. The ODP has a contractual arrangement with the Company to provide design services to develop new products. It remains your Board's intention to acquire a minority interest in ODP to provide fresh investment capital for the ODP.

We have agreed a new contract with Theo Fennell that confirms Theo as Creative Director and ensures that he will commit the significant majority of his time focused on the development of the Theo Fennell business. As part of this agreement we have formalised the use by the Company of the Theo Fennell name.

Fund Raising

The board is exploring options to raise further funds via an equity placing in 2010 to ensure the Company has the resources to implement its strategy and to accelerate the growth of the business and establish Theo Fennell PLC as a unique International luxury niche business.

Outlook

Your board is pleased by the amount of work completed since we took management control of the Company and is confident that the first steps have been made to return the Company to long term profitability. Although sales for the initial period of trading in the key Christmas period have been very encouraging the final weeks to the 24 December remain vitally important. We continue to believe in the significant potential for the future growth of the business.

Rupert Hambro
Chairman
18 December 2009

Profit and Loss Account (Unaudited) for the six months ended 30 September 2009

	Six months ended 30 September 2009 £	Six months ended 30 September 2008 £	Year ended 31 March 2009 £
Turnover			
Continuing operations	4,324,761	5,411,404	11,885,938
Discontinued operations	-	4,791,950	9,936,410
Total turnover	4,324,761	10,203,354	21,822,348
Cost of sales	(4,581,463)	(9,990,065)	(21,507,904)
Exceptional cost of sales	-	-	(1,063,358)
Total cost of sales	(4,581,463)	(9,990,065)	(22,571,262)
Gross (loss) / profit	(256,702)	213,289	(748,914)
Administrative expenses	(719,888)	(1,061,023)	(2,310,646)
Exceptional administrative expenses	(55,000)	-	(248,700)
Total administrative expenses	(774,888)	(1,061,023)	(2,559,346)
Operating loss			
Continuing operations	(1,031,590)	(955,689)	(2,463,057)
Discontinued operations	-	107,955	(845,203)
Total operating loss	(1,031,590)	(847,734)	(3,308,260)
Net interest receivable	(43,454)	7,460	(32,868)
Loss on ordinary activities before taxation	(1,075,044)	(840,274)	(3,341,128)
Tax on loss on ordinary activities	-	268,887	391,394
Retained loss for the financial period	(1,075,044)	(571,387)	(2,949,734)
Basic loss per share	(5.72)p	(3.04)p	(15.70)p
Diluted loss per share	(5.39)p	(2.80)p	(15.70)p
Basic loss per share from continuing operations	(5.72)p	(3.62)p	(11.20)p
Diluted loss per share from continuing operations	(5.39)p	(3.30)p	(11.20)p

Balance Sheet (Unaudited) as at 30 September 2009

	As at 30 September 2009 £	As at 30 September 2008 £	As at 31 March 2009 £
Fixed Assets			
Tangible assets	484,843	715,827	594,829
	<hr/>	<hr/>	<hr/>
Current assets			
Stocks	7,643,646	11,421,857	8,506,093
Debtors	833,421	2,205,013	1,295,645
Cash at bank and in hand	916,381	13,471	1,418,330
	<hr/>	<hr/>	<hr/>
	9,393,448	13,640,341	11,220,068
Creditors: amounts falling due within one year	<hr/>	<hr/>	<hr/>
	(2,154,214)	(4,552,797)	(2,951,860)
Net current assets	<hr/>	<hr/>	<hr/>
	7,239,234	9,087,544	8,268,208
Total assets less current liabilities	<hr/>	<hr/>	<hr/>
	7,724,077	9,803,371	8,863,037
Creditors: amounts falling due after one year			
Convertible loan note	(300,000)	(300,000)	(300,000)
Other	(1,500,000)	(125,903)	(1,563,917)
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Net assets	<hr/>	<hr/>	<hr/>
	5,924,077	9,377,468	6,999,120
Capital and reserves			
Called up share capital	940,533	940,533	940,533
Share premium account	4,572,857	4,572,857	4,572,857
Profit and loss account	376,763	3,809,077	1,451,806
Share Options Reserve	33,924	55,001	33,924
	<hr/>	<hr/>	<hr/>
Shareholders' funds	<hr/>	<hr/>	<hr/>
	5,924,077	9,377,468	6,999,120

Cash Flow Statement (Unaudited) for the six months ended 30 September 2009

	Six months ended 30 September 2009 £	Six months ended 30 September 2008 £	Year ended 31 March 2009 £
Net cash outflow from operating activities	(362,193)	(1,281,691)	(608,259)
Returns on investment and servicing of finance			
Net interest (paid) / received	(43,454)	5,761	(32,868)
Taxation			
Corporation tax paid/repayment	-	-	-
Capital expenditure			
Purchase of fixed assets	(34,584)	(154,332)	(305,072)
Net cash outflow before financing	(440,231)	(1,430,262)	(946,199)
Financing			
Issue of Share Options	-	25,000	25,000
Capital element of hire purchase agreements	(2,405)	(4,021)	(6,302)
Bank loan repayments	(59,313)	(55,040)	-
Bank loan	-	-	1,387,823
(Decrease) / Increase in cash	(501,949)	(1,464,323)	460,322

Notes

- The financial information 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 2009 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 2009 was 34.5p (31 March 2009: 12.5p)

	Six months ended 30 September 2009	Six months ended 30 September 2008	Year ended 31 March 2009
	£	£	£
Loss for the financial year	(1,075,044)	(571,387)	(2,949,734)
Effect of convertible loan note	7,560	7,560	
Adjusted loss for dilutive earnings per share	<u>(1,067,484)</u>	<u>(563,827)</u>	<u>(2,949,734)</u>
Weighted average number of ordinary shares	18,810,661	18,793,995	18,793,994
Effect of dilutive share options	-	339,359	-
Effect of convertible loan note	1,000,000	1,000,000	-
Adjusted weighted average number of ordinary shares	<u>19,810,661</u>	<u>20,133,354</u>	<u>18,793,994</u>
Loss per share – basic	<u>(5.72p)</u>	<u>(3.04p)</u>	<u>(15.70p)</u>
Loss per share – diluted	<u>(5.39p)</u>	<u>(2.80p)</u>	<u>(15.70p)</u>

- Cash flow from operating activities:

	Six months ended 30 September 2009	Six months ended 30 September 2008	Year ended 31 March 2009
	£	£	£
Operating (loss)	(1,031,590)	(847,734)	(3,308,260)
Depreciation charges	144,570	176,412	363,872
Loss on sale of fixed assets	-	-	84,278
Decrease / (Increase) in stocks	862,447	(1,368,564)	1,547,200
Decrease in debtors	462,224	203,781	1,042,826
(Decrease) / Increase in creditors	(799,844)	554,414	(338,175)
Net cash outflow from operating activities	<u>(362,193)</u>	<u>(1,281,691)</u>	<u>(608,259)</u>

- 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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