

**THEO FENNELL**

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**Interim Report  
for the six months ended 30 September 2006**

# Directors and Advisors

<b>Directors</b>	F R Northcott FCA (Chairman) A T Fennell (Director) B A Snoad (Managing Director) G R Saunders ACA (Finance Director) J L Carmody (appointed 30 August 2006) C E P Carter (Non-Executive) Viscount Cowdray (Non-Executive)
<b>Company Secretary</b>	G R Saunders ACA
<b>Registered Office</b>	2b Pond Place London SW3 6TF
<b>Registered Number</b>	1955534
<b>Nominated Adviser</b>	Seymour Pierce Limited Bucklersbury House 3 Queen Victoria Street London EC4N 8EL
<b>Broker</b>	Seymour Pierce Limited Bucklersbury House 3 Queen Victoria Street London EC4N 8EL
<b>Registered Auditors</b>	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
<b>Solicitors</b>	Osborne Clarke Hillgate House 26 Old Bailey London EC4M 7HW
<b>Bankers</b>	Clydesdale Bank PLC 10 Fleet Place London EC4M 7RB
<b>Registrars</b>	Northern Registrars Limited Northern House, Woodsome Park, Fenay Bridge Huddersfield HD8 0LA

# CHAIRMAN'S STATEMENT

## Overview

Theo Fennell has performed exceptionally strongly in the first half, continuing its rapid expansion and development into a global luxury brand. Sales in the first half have increased by 41% fuelled by very strong like for like sales and international contributions.

These results highlight the success of both Management's strategy in expanding the brand domestically and internationally and the Group's unique design philosophy. Theo Fennell is today one of the few global jewellery brands with an eponymous, and critically acclaimed, in house designer. This focus on design distinguishes us from other global luxury jewellery brands, giving us a distinctive positioning in the global luxury Jewellery market. This unique positioning is a major factor in driving sales growth.

## Financial

The Group's strong performance translated into first half profitability with a pre-tax profit of £336,226 compared with a loss of £94,880 in the first half of 2005. Turnover increased to £10,639,915 (2005: £7,556,537). Earnings per share were 1.41p (2005: loss per share 0.40p).

The Group has secured improved bank facilities to take advantage of the expansion opportunities referred to below.

## Operational

Over the first half, the management team has focused on expanding Theo Fennell's representation in major international markets. The Group has now established itself in the key markets of Hong Kong, Dubai, Dublin and most recently Moscow performing ahead of expectations in each country.

Our operations in the UK continue to perform well ahead of budget. Trading in the beginning of the second half is encouraging and we are well positioned for the Christmas period.

In addition we look forward to the exclusive launch of the Theo Fennell scent in Harrods in February 2007.

## **Outlook**

Theo Fennell has made excellent progress. The Group today is viewed as a luxury jewellery brand, competing comfortably against other major international brands in some of the world's key luxury destinations. Our success in the first half highlights the overall international potential of the Group. Theo Fennell has the base from which to expand further, using its design ethos, healthy balance sheet and strong management team.

**Richard Northcott**  
**Chairman**  
**21 November 2006**

## Profit and Loss Account (Unaudited) for the six months ended 30 September 2006

	Six months ended 30 September 2006 £	Six months ended 30 September 2005 £	Year ended 31 March 2006 £
<b>Turnover</b>	10,639,915	7,556,537	19,433,422
Cost of sales	(9,548,319)	(6,903,455)	(16,924,808)
<b>Gross profit</b>	1,091,596	653,082	2,508,614
Administrative expenses	(720,040)	(660,165)	(1,639,368)
<b>Operating profit / (loss)</b>	371,556	(7,083)	869,246
Net interest payable	(35,330)	(87,797)	(136,795)
<b>Profit / (loss) on ordinary activities before taxation</b>	336,226	(94,880)	732,451
Tax on profit / (loss) on ordinary activities	(107,591)	30,360	(241,413)
<b>Profit / (loss) for the financial period</b>	228,635	(64,520)	491,038
Basic earnings per share	1.41p	(0.40)p	3.04p
Diluted earnings per share	1.28p	(0.40)p	2.77p

## Balance Sheet (Unaudited) as at 30 September 2006

	<b>As at 30 September 2006 £</b>	<b>As at 30 September 2005 £</b>	<b>As at 31 March 2006 £</b>
<b>Fixed Assets</b>			
Tangible assets	790,507	862,400	923,983
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<b>Current assets</b>			
Stocks	9,315,915	8,441,693	8,053,624
Debtors	3,713,509	2,573,717	3,024,332
Cash at bank and in hand	10,537	10,500	12,515
	<hr/>	<hr/>	<hr/>
	13,039,961	11,025,910	11,090,471
<b>Creditors: amounts falling due within one year</b>	<hr/>	<hr/>	<hr/>
	(6,016,799)	(4,698,877)	(4,347,156)
<b>Net current assets</b>	<hr/>	<hr/>	<hr/>
	7,023,162	6,327,033	6,743,315
<b>Total assets less current liabilities</b>	<hr/>	<hr/>	<hr/>
	7,813,669	7,189,433	7,667,298
<b>Creditors: amounts falling due after one year</b>			
Convertible loan note	(1,000,000)	(1,000,000)	(1,000,000)
Other	(40,504)	(200,462)	(122,768)
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<b>Net assets</b>	<hr/>	<hr/>	<hr/>
	6,773,165	5,988,971	6,544,530
<b>Capital and reserves</b>			
Called up share capital	808,892	808,892	808,892
Share premium account	3,879,752	3,879,752	3,879,752
Profit and loss account	2,084,521	1,300,327	1,855,886
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<b>Shareholders' funds</b>	<hr/>	<hr/>	<hr/>
	6,773,165	5,988,971	6,544,530

## Cash Flow Statement (Unaudited) for the six months ended 30 September 2006

	Six months ended 30 September 2006 £	Six months ended 30 September 2005 £	Year ended 31 March 2006 £
<b>Net cash inflow / (outflow) from operating activities</b>	14,897	(370,773)	985,984
<b>Returns on investment and servicing of finance</b>			
Net interest paid	(35,106)	(84,802)	(142,080)
<b>Taxation</b>			
Corporation tax paid	-	-	(1,909)
<b>Capital expenditure</b>			
Purchase of fixed assets	(52,922)	(104,045)	(359,293)
<b>Net cash (outflow)/inflow before financing</b>	(73,131)	(559,620)	482,702
<b>Financing</b>			
Capital element of hire purchase agreements	(28,978)	(25,652)	(52,968)
Bank loan	(58,090)	(54,687)	(111,127)
<b>(Decrease)/Increase in cash</b>	(160,199)	(639,959)	318,607

## Notes

1. The financial statements for the period under review have not been audited or reviewed by the Company's auditors, Grant Thornton UK LLP, but have been reviewed and approved by the Audit Committee.
2. The results for the year ended 31 March 2006 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.
3. Earnings per share and diluted earnings per share. Average market price for the six months ended 30 September 2006 was 58.8p (31 March 2006: 32.0p)

	<b>Six months ended 30 September 2006 £</b>	<b>Six months ended 30 September 2005 £</b>	<b>Year ended 31 March 2006 £</b>
Profit for the financial year	228,635	(64,520)	491,038
Effect of convertible loan note	24,500	–	49,000
Adjusted profit for dilutive earnings per share	253,135	(64,520)	540,038
Weighted average number of ordinary shares	16,177,831	16,177,831	16,177,831
Effect of dilutive share options	220,188	–	12,050
Effect of convertible loan note	3,333,333	–	3,333,333
Adjusted weighted average number of ordinary shares	19,731,352	16,177,831	19,523,214
Earnings per share – basic	1.41p	(0.40)p	3.04p
Earnings per share - diluted	1.28p	(0.40)p	2.77p

## Notes

4. Cash flow from operating activities:

	Six months ended 30 September 2006 £	Six months ended 30 September 2005 £	Year ended 31 March 2006 £
<b>Operating profit / (loss)</b>	371,556	(7,083)	869,246
Depreciation charges	186,398	162,896	356,561
Increase in stocks	(1,262,291)	(469,585)	(81,516)
Increase in debtors	(689,177)	(292,108)	(769,748)
Increase in creditors	1,408,411	235,107	611,441
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<b>Net cash inflow/(outflow) from operating activities</b>	14,897	(370,773)	985,984)
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5. 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.
6. No interim dividend is declared on the ordinary shares.





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