

THEO FENNELL

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**Interim Report
for the six months ended 30 September 2007**

Directors and Advisors

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|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directors | F R Northcott FCA (Chairman) A T Fennell (Director) P Harper (appointed 6 December 2007) B A Snoad (resigned 6 December 2007) G R Saunders ACA (Finance Director) Justine Carmody C E P Carter (Non-Executive) Viscount Cowdray (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 a strong first half with sales up 21% on the same period last year, increasing turnover to £12.8 million. This is the third year of significant growth which has been achieved due to a high demand for the design-led pieces that make Theo Fennell popular yet unique. In addition, the International network continues to perform well and above expectations with new presences in Kazakhstan and Bahrain.

Financial

The Company's strong performance was upheld with first half profitability up 29% on the same period last year at £434,286 (2006: £336k). Earnings per share were 1.59p (2006: 1.41p per share).

Operational

Management have continued to focus on expanding Theo Fennell's representation in international markets. The Company has recently established presences in Kazakhstan, Bahrain and a unique boutique in the Wonder Room, Selfridges.

Earlier this year, Theo Fennell hosted a major exhibition of its jewellery 'Show Off' at the Royal Academy of Arts which received critical acclaim and was attended by international clients, media and opinion formers. A number of new one-off items were designed for the show, together with new collections, which will now be distributed through Theo Fennell's International network.

Two new collections have been launched in the first half of this year Quiver and Ampoule with Theo Fennell watches being developed for launch in 2008/09. The Theo Fennell scent has been very successful and is being rolled out Worldwide. The men's fragrance is due to be launched in 2008.

The Board

We are delighted that Pamela Harper has today joined us as Chief Executive. Pamela has over 28 years experience in the luxury goods industry and was instrumental in developing the Burberry brand globally, Hermes' UK presence, and turning around Escada in the UK. We are extremely pleased to have her on board and look forward to her input and contribution in developing our brand and further expanding our International network.

On the 11 October, we announced that Barbara Snoad was due to leave the business at the end of the year following six successful years as Managing Director. Following the appointment of Pamela Harper, Barbara Snoad has now resigned from the board with immediate effect.

Outlook

Theo Fennell continues to progress and sales in the second half are still ahead of last year's record performance albeit at more modest growth levels compared to the first half of this year. Our immediate focus is the important Christmas period and in the New Year we will be reviewing our business plan with the new CEO to accelerate the development of the brand and our International network.

Richard Northcott
Chairman
6 December 2007

Profit and Loss Account (Unaudited) for the six months ended 30 September 2007

| | Six months ended 30 September 2007 £ | Six months ended 30 September 2006 £ | Year ended 31 March 2007 £ |
|------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|----------------------------------------|
| Turnover | 12,808,456 | 10,639,915 | 25,360,518 |
| Cost of sales | (11,459,380) | (9,548,319) | (21,828,970) |
| Gross profit | 1,349,076 | 1,091,596 | 3,531,548 |
| Administrative expenses | (928,763) | (720,040) | (1,854,190) |
| Exceptional administrative expenses | - | - | (255,999) |
| Operating profit | 420,313 | 371,556 | 1,421,359 |
| Net interest receivable / (payable) | 13,973 | (35,330) | (51,040) |
| Profit on ordinary activities before taxation | 434,286 | 336,226 | 1,370,319 |
| Tax on profit on ordinary activities | (138,972) | (107,591) | 184,638 |
| Profit for the financial period | 295,314 | 228,635 | 1,554,957 |
| Basic earnings per share | 1.59p | 1.41p | 9.57p |
| Diluted earnings per share | 1.45p | 1.28p | 7.81p |

Balance Sheet (Unaudited) as at 30 September 2007

| | As at 30 September 2007 £ | As at 30 September 2006 £ | As at 31 March 2007 £ |
|-----------------------------------------------------------|------------------------------------|------------------------------------|--------------------------------|
| Fixed Assets | | | |
| Tangible assets | 734,176 | 790,507 | 641,964 |
| | <hr/> | <hr/> | <hr/> |
| Current assets | | | |
| Stocks | 10,835,275 | 9,315,915 | 9,024,623 |
| Debtors | 4,194,371 | 3,713,509 | 4,542,854 |
| Cash at bank and in hand | 11,989 | 10,537 | 10,972 |
| | <hr/> | <hr/> | <hr/> |
| | 15,041,635 | 13,039,961 | 13,578,449 |
| Creditors: amounts falling due within one year | (6,343,179) | (6,016,799) | (5,036,722) |
| | <hr/> | <hr/> | <hr/> |
| Net current assets | 8,698,456 | 7,023,162 | 8,541,727 |
| | <hr/> | <hr/> | <hr/> |
| Total assets less current liabilities | 9,432,632 | 7,813,669 | 9,183,691 |
| | <hr/> | <hr/> | <hr/> |
| Creditors: amounts falling due after one year | | | |
| Convertible loan note | - | (1,000,000) | (400,000) |
| Other | (256,345) | (40,504) | (9,121) |
| | <hr/> | <hr/> | <hr/> |
| Net assets | 9,176,287 | 6,773,165 | 8,774,570 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Capital and reserves | | | |
| Called up share capital | 930,533 | 808,892 | 913,791 |
| Share premium account | 4,507,857 | 3,879,752 | 4,423,850 |
| Profit and loss account | 3,706,157 | 2,084,521 | 3,410,843 |
| Share Options Reserve | 31,740 | - | 26,086 |
| | <hr/> | <hr/> | <hr/> |
| Shareholders' funds | 9,176,287 | 6,773,165 | 8,774,570 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Cash Flow Statement (Unaudited) for the six months ended 30 September 2007

| | Six months ended 30 September 2007 £ | Six months ended 30 September 2006 £ | Year ended 31 March 2007 £ |
|------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|----------------------------------------|
| Net cash (outflow) / inflow from operating activities | (398,179) | 14,897 | 642,586 |
| Returns on investment and servicing of finance | | | |
| Net interest received / (paid) | 11,060 | (35,106) | (47,905) |
| Taxation | | | |
| Corporation tax paid/repayment | 140,138 | - | (211,638) |
| Capital expenditure | | | |
| Purchase of fixed assets | (282,746) | (52,922) | (95,459) |
| Equity | | | |
| Issue of Share Options | 750 | - | 75,086 |
| Net cash (outflow)/inflow before financing | (528,977) | (73,131) | 362,670 |
| Financing | | | |
| Capital element of hire purchase agreements | (16,043) | (28,978) | (46,542) |
| Bank loan repayments | (62,035) | (58,090) | (118,365) |
| Bank loan | 350,000 | - | - |
| (Decrease)/Increase in cash | (257,055) | (160,199) | 197,763 |

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. 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.
2. The results for the year ended 31 March 2007 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 2007 was 125p (31 March 2007: 90.0p)

| | Six months ended 30 September 2007 £ | Six months ended 30 September 2006 £ | Year ended 31 March 2007 £ |
|-----------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------|
| Profit for the financial year | 295,314 | 228,635 | 1,554,957 |
| Effect of convertible loan note | 10,617 | 24,500 | 49,000 |
| Adjusted profit for dilutive earnings per share | 305,931 | 253,135 | 1,603,957 |
| Weighted average number of ordinary shares | 18,553,980 | 16,177,831 | 16,243,353 |
| Effect of dilutive share options | 1,155,834 | 220,188 | 966,916 |
| Effect of convertible loan note | 1,388,888 | 3,333,333 | 3,316,893 |
| Adjusted weighted average number of ordinary shares | 21,098,702 | 19,731,352 | 20,527,162 |
| Earnings per share – basic | 1.59p | 1.41p | 9.57p |
| Earnings per share – diluted | 1.45p | 1.28p | 7.81p |

4. Cash flow from operating activities:

| | Six months ended 30 September 2007 £ | Six months ended 30 September 2006 £ | Year ended 31 March 2007 £ |
|-----------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------|
| Operating profit | 420,313 | 371,556 | 1,421,359 |
| Depreciation charges | 190,534 | 186,398 | 377,478 |
| Increase in stocks | (1,810,652) | (1,262,291) | (970,999) |
| Decrease / (Increase) in debtors | 176,719 | (689,177) | (1,518,522) |
| Increase in creditors | 624,907 | 1,408,411 | 1,333,270 |
| | <hr/> | <hr/> | <hr/> |
| Net cash (outflow)/ inflow from operating activities | (398,179) | 14,897 | 642,586 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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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