

THEO FENNELL

T

**Interim Report
for the six months ended 30 September 2011**

Directors and Advisors

Directors	R N Hambro A T Fennell B A Snoad (resigned 3 rd June 2011) A K Hadden-Paton ACA R A Pedder (resigned 3 November 2011) G R Saunders ACA (Finance Director)
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	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG
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 the Company's trading results for the six months to 30 September 2011. The Company has performed encouragingly over the last six months with sales up 10% versus the prior year and we are pleased with the progress that has been made. We do however remain cautious as we enter the Christmas trading period due to the continued economic uncertainty impacting the UK retail sector.

Financial

Sales in the first six months of the year increased by 10% to £5.36 million (2010: £4.87 million). The Company made a first half loss before taxation and exceptional items £1,045,000 compared to a first half loss for the same period last year of £877,000. The loss is as expected and reflects the continued investment in the business including the ongoing development of our website and our UK wide marketing campaign to officially launch Alias, our silver diffusion range.

Operational & Product

We have continued to invest in unique one off pieces which we believe clearly differentiate our product from our competitors in the jewellery market. These pieces are at the forefront of British design and craftsmanship and utilise the very best skills from our workshop. Most recent examples of this are the Castle ring and a series of unique brooches based on historic characters including Marie Antoinette, Chief Sitting Bull, Cleopatra, Elizabeth I and Chief Shaka Zulu. These will be showcased in our Fulham Road store and by key wholesale partners.

We have launched a number of new collections including Scallop keys, Joustier, Totem and coloured Spangle rings and crosses. Alias, our silver diffusion range, has a very strong product offering with 15 collections from £125 to over a £1,000. We have recently launched friendship bracelets from £125, Carnival, a colourful silver and enamel collection, and a further collection, Lief, which includes 18 ct gold detailing.

Website

We have continued the redevelopment of our website including the online store. The site was relaunched in November with an online campaign to further develop our online sales and presence.

International

We are exploring opportunities in key international markets including the Middle East, Far East and USA. We have opened a new wholesale concession in Los Angeles and continue to have discussions with distributors and potential partners in the important Far East and Chinese markets. The ongoing economic uncertainty continues to make discussions with new partners more protracted than we had expected but we hope to secure additional distribution outlets in the latter part of this financial year. We remain focused on appointing the right partners to represent the Theo Fennell brand.

Alias's appeal to a broader profile of customer has enabled the business to significantly increase the number of wholesale accounts operated in the UK. We now have over 30 points of sale across the UK including six stores with the UK's leading independent jewellery retailer, Fraser Hart. We expect Alias to become an increasingly important part of the business and generate incremental sales for the business in future years.

The Board

On 3 June 2011, we announced that Barbara Snoad, CEO of Theo Fennell, had left the Company. This follows a two year period at the Company in which Barbara worked closely with Theo Fennell and the Board to successfully refocus the business. Mr Theo Fennell continues in the role of Managing Director in the interim period until a successor is appointed.

On 3 November we announced that Roger Pedder, non executive director, resigned from the board. We are currently in discussions with a number of potential candidates to join the board.

Outlook

Our immediate focus is the important Christmas period and in the New Year we will be reviewing our strategic business plan to accelerate the development of the brand and our International network. We remain cautious about the outlook as we enter the key Christmas period given the hugely challenging economic environment, however we believe strongly in the long term potential of the brand.

Rupert Hambro
Chairman
15 December 2011

Profit and Loss Account (Unaudited) for the six months ended 30 September 2011

	Six months ended 30 September 2011 £	Six months ended 30 September 2010 £	Year ended 31 March 2011 £
Turnover	5,364,775	4,873,673	12,487,532
Cost of sales	(2,454,716)	(2,206,267)	(5,360,512)
Gross profit	<u>2,910,059</u>	<u>2,667,406</u>	<u>7,127,020</u>
Selling & distribution expenses	(2,862,540)	(2,587,297)	(5,807,761)
Administrative expenses	(1,043,247)	(944,915)	(1,823,418)
Exceptional administrative expenses	(345,000)	-	-
Total administrative expenses	<u>(4,250,787)</u>	<u>(3,532,212)</u>	<u>(7,631,179)</u>
Operating loss	<u>(1,340,728)</u>	<u>(864,806)</u>	<u>(504,159)</u>
Net interest payable	(50,011)	(12,524)	(43,220)
Loss on ordinary activities before taxation	<u>(1,390,739)</u>	<u>(877,330)</u>	<u>(547,379)</u>
Tax on loss on ordinary activities	-	-	-
Retained loss for the financial period	<u>(1,390,739)</u>	<u>(877,330)</u>	<u>(547,379)</u>
Basic loss per share	<u>(6.05)p</u>	<u>(4.22)p</u>	<u>(2.41)p</u>
Diluted loss per share	<u>(6.05)p</u>	<u>(4.15)p</u>	<u>(2.41)p</u>

All transactions arise from continuing operations.

Balance Sheet (Unaudited) as at 30 September 2011

	As at 30 September 2011 £	As at 30 September 2010 £	As at 31 March 2011 £
Fixed Assets			
Tangible assets	594,420	560,228	688,867
Investments	182,000	182,000	182,000
	776,420	742,228	870,867
Current assets			
Stocks	8,793,216	8,754,075	8,506,812
Debtors	1,640,050	1,313,177	1,596,968
Cash at bank and in hand	28,862	81,718	-
	10,462,128	10,148,970	10,103,780
Creditors: amounts falling due within one year	(3,813,372)	(3,761,131)	(3,469,810)
Net current assets	6,648,756	6,387,839	6,633,970
Total assets less current liabilities	7,425,176	7,130,067	7,504,837
Creditors: amounts falling due after one year	(1,216,881)	-	-
Net assets	6,208,295	7,130,067	7,504,837
Capital and reserves			
Called up share capital	1,157,901	1,137,901	1,137,901
Share premium account	5,741,166	5,698,187	5,693,166
Profit and loss account	(836,079)	224,711	554,662
Share Options Reserve	145,307	69,268	119,108
Shareholders' funds	6,208,295	7,130,067	7,504,837

Cash Flow Statement (Unaudited) for the six months ended 30 September 2011

	Six months ended 30 September 2011 £	Six months ended 30 September 2010 £	Year ended 31 March 2011 £
Net cash outflow from operating activities	(773,539)	(2,153,501)	(1,855,488)
Returns on investment and servicing of finance			
Net interest paid	(50,011)	(12,524)	(43,220)
Taxation			
Corporation tax paid/repayment	-	-	-
Capital expenditure & financial investment			
Purchase of fixed assets	(65,971)	(243,289)	(519,329)
Purchase of fixed asset investment	-	(182,000)	(182,000)
Net cash outflow before financing	(889,521)	(2,591,314)	(2,600,037)
Financing			
Issue of Shares	68,000	1,500,000	1,317,677
Expenses of Share Issue	-	(177,302)	-
Bank loan repayments	(79,466)	(1,563,918)	(102,959)
Decrease in cash	(900,987)	(2,832,534)	(1,385,319)

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 financial information set out in this interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The Company's statutory financial statements for the year ended 31 March 2011, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UKGAAP), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified. The report did not contain a statement under Section 498(2) of the Companies Act 2006.
- Loss per share and diluted loss per share. Average market price for the six months ended 30 September 2011 was 20.10p (31 March 2011: 40.5p)

	Six months ended 30 September 2011 £	Six months ended 30 September 2010 £	Year ended 31 March 2011 £
Loss for the financial year	(1,390,739)	(877,330)	(547,379)
Weighted average number of ordinary shares	22,998,466	20,784,345	22,758,029
Effect of dilutive share options	-	344,795	-
Adjusted weighted average number of ordinary shares	22,998,466	21,129,140	22,758,029
Loss per share – basic and diluted	(6.05p)	(4.22p)	(2.41p)

- Cash flow from operating activities:

	Six months ended 30 September 2011 £	Six months ended 30 September 2010 £	Year ended 31 March 2011 £
Operating loss	(1,340,728)	(864,806)	(504,159)
Depreciation charges	160,418	112,598	259,999
Share Option charge	26,199	-	83,706
Increase in stocks	(286,404)	(1,585,804)	(1,338,542)
Increase in debtors	(43,082)	(194,041)	(477,832)
Increase in creditors	710,058	378,552	121,340
Net cash outflow from operating activities	(773,539)	(2,153,501)	(1,855,488)

- The exceptional administrative charge for the 6 months to 30 September 2011 relates to the costs of the departure of the Chief Executive and legal fees in relation to the defence of an employment tribunal hearing.

6. 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.
7. No interim dividend is declared on the ordinary shares.
8. The Company purchased a minority interest (20%) in the Original Design Partnership on 23 June 2010. This is treated as a fixed asset investment as the Company does not exert significant influence over ODP.
9. The Company has changed its accounting policy in respect of the overheads attributable to cost of sales, as the change more appropriately and clearly represents the Company's actual cost of sales. The overheads previously attributed to cost of sales are now separately disclosed as selling and distribution expenses. All comparatives in the financial information have been restated in accordance with the above changes in accounting policy.

T

Theo Fennell plc
2b Pond Place, Fulham Road, London SW3 6TF
Telephone 020 7591 5000
www.TheoFennell.com