



COLEFAX GROUP PLC

INTERIM RESULTS
FOR THE SIX MONTHS TO 31 OCTOBER 2017

CHAIRMAN'S STATEMENT

Financial Results

Group sales for the six months to 31 October 2017 increased by 6.5% to £42.08 million (2016: £39.53 million) and increased by 5.1% on a constant currency basis. Pre-tax profits increased by 35% to £2.56 million (2016: £1.90 million). Earnings per share increased to 18.0p (2016: 12.5p). The Group ended the first half of the year with net cash of £9.5 million (2016: £8.0 million).

The main reason for the increase in profits in the first six months was an improvement in trading conditions in our core US market where Fabric Division sales increased by 4.5% on a constant currency basis. In contrast trading conditions in the UK and Europe remained challenging. Sales in the UK were flat during the period and sales in Europe increased by 6.5% but by 1.5% on a constant currency basis. The increase in profit was also due to an improved contribution from the Decorating Division which made a first half profit of £213,000 compared to a loss of £84,000 last year.

Hedging losses arising from US Dollar cover put in place prior to the Brexit vote were £595,000 (2016: £755,000) and, excluding these, the Group's pre-tax profit increased by 18.5% to £3.15 million (2016: £2.66 million).

In line with our progressive dividend policy the Board has decided to increase the interim dividend by 4% to 2.40p per share (2016: 2.30p). The interim dividend will be paid on 9 April 2018 to shareholders on the register at the close of business on 2 March 2018.

Product Division

- ***Fabric Division – Portfolio of Five Brands: “Colefax and Fowler”, “Cowtan and Tout”, “Jane Churchill”, “Manuel Canovas” and “Larsen”***

Sales in the Fabric Division, which represent 87% of the Group's sales, increased by 4.6% to £36.47 million (2016: £34.87 million) and by 3.1% on a constant currency basis. Excluding hedging losses of £595,000 (2016: £755,000) operating profits increased by 7% to £2.92 million (2016: £2.73 million) reflecting improved trading conditions in our core US market.

Sales in the US, which represent 60% of the Fabric Division's turnover, increased by 5.4% in reported terms and by 4.5% on a constant currency basis. The improvement was broadly based with sales in most territories ahead of last year, reflecting favourable market conditions. In recent years we have invested heavily in our US distribution network and our own showrooms now account for over 75% of US sales.

Sales in the UK, which represent just under 18% of the Fabric Division's turnover, were flat during the period reflecting challenging market conditions. We attribute this to the very weak high end housing market which continues to be adversely affected by high rates of stamp duty as well as economic uncertainty over the outcome of Brexit negotiations. Our business tends to lag changes in the high end housing market and as a result we believe market conditions could become more difficult over the next twelve months.

Sales in Continental Europe, which represent 20% of the Fabric Division's turnover, increased by 6.5% on a reported basis but were up by 1.5% on a constant currency basis. There is more optimism in Europe than we have seen for some years although the performance by country remains mixed. Sales in France, which is our largest market, were down by 9% in the period but this was mainly due to a significant contract order in the prior year. In Germany, sales increased by 1% on a constant currency basis and, in Italy, sales increased by 3%. Together these three markets account for 56% of our sales in Europe.

Sales in the rest of the world, which represent less than 3% of the Fabric Division's turnover, increased by 7% on a constant currency basis. The focus of our sales efforts in the rest of the world remain on our major territories, namely the Middle East, China and Russia.

- ***Furniture – Kingcome Sofas***

Sales for the six months to October 2017 increased by 4% to £1.19 million (2016: £1.15 million) and the Company made a small operating profit of £22,000 compared to £9,000 in 2016. At the half year end the order book was up by 18% compared to last year and ahead of our expectations based on market conditions. The majority of furniture sales are in the UK, centred on London and we expect future trading to be challenging due to the slowdown in the high end housing market.

Interior Decorating Division

Decorating sales, which account for just over 10% of Group turnover, increased by 26% in the period to £4.4 million (2016: £3.5 million) and the Division made a first half profit of £213,000 compared to a loss of £84,000 for the same period last year.

In December 2016 the Decorating business moved to new office and showroom premises at 89-91 Pimlico Road in Belgravia. The new location is well suited to the needs of the business and trading has been encouraging since the move. Sales and profits in the Decorating Division can vary significantly from year to year depending on the timing of contract completions. We have a number of major projects scheduled for completion in the second half of the year and therefore anticipate a stronger than expected overall performance for the year. Although the high end market in London has been challenging the weakness of Sterling is favourable for the business and we have seen an increase in the proportion of overseas contracts.

Prospects

The Group has made good progress over the last six months helped by improving trading conditions in our core US market. Trading conditions in the UK look challenging due to a weak high end housing market caused by high rates of stamp duty and continuing uncertainty over Brexit. However, our exposure to the UK is limited by the fact that over 82% of Fabric Division sales are made overseas. There is also increased optimism in Europe but this follows two years of sales decline and it is too early to assess the extent of any recovery.

Our Decorating Division delivered an encouraging first half contribution and we expect it to exceed our original expectations for the full year.

The Group has a strong balance sheet with net cash of £9.5 million and we will continue to invest with confidence in our portfolio of brands and worldwide distribution network.

David Green
Chairman
29 January 2018

Registered Office: 19-23 Grosvenor Hill, London, W1K 3QD

INTERIM GROUP INCOME STATEMENT

	Unaudited Six months to 31 Oct 2017 £'000	Unaudited Six months to 31 Oct 2016 £'000	Audited Year to 30 April 2017 £'000
Revenue	42,083	39,529	80,475
Profit from operations	2,559	1,903	2,937
Finance income	–	–	1
Finance expense	<u>(2)</u>	<u>–</u>	<u>(1)</u>
	(2)	–	–
Profit before taxation	2,557	1,903	2,937
Tax expense	<u>(729)</u>	<u>(628)</u>	<u>(1,042)</u>
Profit for the period attributable to equity holders of the parent	1,828	1,275	1,895
Basic earnings per share	18.0p	12.5p	18.6p
Diluted earnings per share	18.0p	12.5p	18.6p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 Oct 2017 £'000	Unaudited Six months to 31 Oct 2016 £'000	Audited Year to 30 April 2017 £'000
Profit for the period	1,828	1,275	1,895
Other comprehensive income/(expense):			
Items that will not be reclassified to profit and loss:			
Exchange differences on translation of foreign operations	335	2,543	1,628
Remeasurement of defined benefit pension scheme	–	–	101
Tax relating to items that will not be reclassified to profit and loss	<u>(411)</u>	<u>(617)</u>	<u>(449)</u>
	(76)	1,926	1,280
Items that will or may be reclassified to profit and loss:			
Cash flow hedges:			
Gains/(losses) recognised directly in equity	108	(3,309)	(2,611)
Transferred to profit and loss for the period	595	755	2,006
Tax relating to items that will or may be reclassified to profit and loss	<u>(133)</u>	<u>511</u>	<u>109</u>
	570	(2,043)	(496)
Total other comprehensive income/(expense)	494	(117)	784
Total comprehensive income for the period attributable to equity holders of the parent	2,322	1,158	2,679

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 Oct 2017 £'000	Unaudited At 31 Oct 2016 £'000	Audited At 30 April 2017 £'000
Non-current assets:			
Property, plant and equipment	9,771	9,135	9,669
Deferred tax asset	257	839	386
	10,028	9,974	10,055
Current assets:			
Inventories and work in progress	14,203	13,825	13,938
Trade and other receivables	12,056	12,604	11,805
Current corporation tax	–	–	170
Cash and cash equivalents	9,499	8,024	6,710
	35,758	34,453	32,623
Current liabilities:			
Trade and other payables	15,054	16,617	13,961
Current corporation tax	184	27	–
	15,238	16,644	13,961
Net current assets	20,520	17,809	18,662
Total assets less current liabilities	30,548	27,783	28,717
Non-current liabilities:			
Deferred rent	1,905	2,003	1,992
Pension liability	3	177	55
Deferred tax liability	636	954	734
Net assets	28,004	24,649	25,936
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	1,022	1,022	1,022
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,852	1,852	1,852
ESOP share reserve	(113)	(113)	(113)
Foreign exchange reserve	2,703	3,485	2,779
Cash flow hedge reserve	(409)	(2,526)	(979)
Retained earnings	11,801	9,781	10,227
Total equity	28,004	24,649	25,936

INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2017 £'000	Unaudited Six months to 31 Oct 2016 £'000	Audited Year to 30 April 2017 £'000
Operating activities			
Profit before taxation	2,557	1,903	2,937
Finance income	–	–	(1)
Finance expense	2	–	1
Depreciation	<u>1,382</u>	<u>1,279</u>	<u>2,720</u>
Cash flows from operations before changes in working capital	3,941	3,182	5,657
Increase in inventories and work in progress	(330)	(862)	(1,140)
Increase in trade and other receivables	(322)	(2,672)	(2,172)
Increase in trade and other payables	<u>1,880</u>	<u>2,547</u>	<u>1,835</u>
Cash generated from operations	<u>5,169</u>	<u>2,195</u>	<u>4,180</u>
Taxation paid			
UK corporation tax paid	(14)	(132)	(224)
Overseas tax paid	<u>(358)</u>	<u>(623)</u>	<u>(1,141)</u>
	<u>(372)</u>	<u>(755)</u>	<u>(1,365)</u>
Net cash inflow from operating activities	<u>4,797</u>	<u>1,440</u>	<u>2,815</u>
Investing activities			
Payments to acquire property, plant and equipment	(1,614)	(1,705)	(4,126)
Receipts from sales of property, plant and equipment	–	27	40
Interest received	–	–	1
Net cash outflow from investing	<u>(1,614)</u>	<u>(1,678)</u>	<u>(4,085)</u>
Financing activities			
Purchase of own shares	–	(2,583)	(2,583)
Interest paid	(2)	–	(1)
Equity dividends paid	<u>(254)</u>	<u>(244)</u>	<u>(478)</u>
Net cash outflow from financing	<u>(256)</u>	<u>(2,827)</u>	<u>(3,062)</u>
Net increase/(decrease) in cash and cash equivalents	2,927	(3,065)	(4,332)
Cash and cash equivalents at beginning of period	6,710	10,085	10,085
Exchange (losses)/gains on cash and cash equivalents	(138)	1,004	957
Cash and cash equivalents at end of period	9,499	8,024	6,710

NOTES

1. The Group prepares its annual financial statements in accordance with International Financial Reporting Standards (IFRS). These interim results have been prepared in accordance with the accounting policies expected to be applied in the next annual financial statements for the year ending 30 April 2018.

These standards and interpretations are subject to ongoing review and endorsement by the EU or possible amendment by interpretive guidance from the International Financial Reporting Interpretations Committee ('IFRIC') and are therefore still subject to change.

2. During the financial period ended 31 October 2017, the Company paid a final dividend for the year ended 30 April 2017 of 2.50p per ordinary share amounting to £254,000.

The proposed interim dividend of 2.4p (2016: 2.30p) per share is payable on 9 April 2018 to qualifying shareholders on the register at the close of business on 2 March 2018.

3. Basic earnings per share have been calculated on the basis of earnings of £1,828,000 (2016: £1,275,000) and on 10,160,000 (2016: 10,207,315) ordinary shares being the weighted average number of ordinary shares in issue during the period.

4. Diluted earnings per share have been calculated on the basis of earnings of £1,828,000 (2016: £1,275,000) and on 10,160,000 (2016: 10,207,315) ordinary shares being the weighted average number of ordinary shares in the period adjusted to assume conversion of all dilutive potential ordinary shares of nil (2016: nil).

5. The financial information for the year ended 30 April 2017 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 30 April 2017 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 30 April 2017 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

6. Copies of the interim report are being sent to shareholders and will be available from the Company's website on www.colefaxgroupplc.com. Copies will also be made available on request to members of the public at the Company's registered office at 19-23 Grosvenor Hill, London W1K 3QD.