

COLEFAX GROUP PLC
(“Colefax” or the “Group”)

Preliminary Results for the year ended 30th April 2014

Colefax is an international designer and distributor of luxury furnishing fabrics & wallpapers and owns a leading interior decorating business. The Group trades under five brand names, which serve different segments of the soft furnishings marketplace; these are Colefax and Fowler, Cowtan and Tout, Jane Churchill, Manuel Canovas and Larsen.

Highlights

- Sales up 11% to £78.04m (2013: £70.62m)
- Pre-tax profit up 38% to £4.89m (2013: £3.55m)
- Earnings per share up 53% to 27.9p (2013: 18.2p)
- £4.25m of cash returned to shareholders via a Tender Offer
- Net cash of £4.06m (2013: £7.63m)
- Proposed increase in final dividend to 2.20p per share, taking total for the year to 4.20p, an increase of 5% (2013: 4.00p)
- Fabric Division - sales in core US market up by 7%, with UK sales up 8% and Europe up 4% (on a constant currency basis)
- Decorating Division – exceptionally strong performance, benefitting from completion of last year’s delayed projects
- Positive trading outlook with continuing recovery in the US and UK – but adverse impact from the strength of Sterling against the US dollar

David Green, Chairman of Colefax, commented,

“The main reason for the 38% increase in the Group’s pre-tax profit was a strong performance from the Decorating Division. In the Group’s Fabric Division, sales increased by 6% on a constant currency basis, reflecting the ongoing recovery in our core US market and an improvement in UK trading in the second half of the year. In contrast, trading in Europe remained challenging in most of our major markets.

Trading conditions in our two principal markets, the US and UK, continue to trend upwards but in low single figures and Continental Europe remains challenging. Although we remain optimistic about growth prospects, the high proportion of Group sales made in the US market and invoiced in US dollars means that the strength of Sterling will have an adverse impact on profitability. In addition, the Decorating Division is expected to return to a more normal level of activity following an exceptional performance last year.

We remain optimistic about the long term future and will continue to invest in new product and strengthening our distribution network.”

Enquiries:

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COLEFAX GROUP PLC CHAIRMAN'S STATEMENT

Financial Results

The Group's pre-tax profit for the year to 30th April 2014 increased by 38% to £4.89 million (2013: £3.55 million) on sales up by 11% to £78.04 million (2013: £70.62 million). Earnings per share increased by 53% to 27.9p (2013: 18.2p). The Group ended the year with net cash of £4.06 million (2013: £7.63 million).

On 13th February 2014 the Group returned £4.25 million of surplus cash to shareholders through a Tender Offer which resulted in the purchase and cancellation of 1.06 million shares at a price of £4.00 per share. The shares cancelled represented 8.6% of the Group's issued share capital at the start of the year.

The Board has decided to increase the final dividend by 5% to 2.20p per share (2013: 2.10p) making a total for the year of 4.20p (2013: 4.00p), an increase of 5%. The final dividend will be paid on 9th October 2014 to shareholders on the register at the close of business on 12th September 2014.

The main reason for the 38% increase in the Group's pre-tax profit was a strong performance from the Decorating Division, which made an operating profit of £985,000 compared to a profit of £54,000 last year. This improvement was partly due to the completion of projects delayed from the prior year. In the Group's Fabric Division, sales increased by 6% on a constant currency basis, reflecting the ongoing recovery in our core US market and an improvement in UK trading in the second half of the year. In contrast, trading in Europe remained challenging in most of our major markets.

Product Division

- **Fabric - Portfolio of Five Brands: "Colefax and Fowler", "Cowtan and Tout", "Jane Churchill", "Manuel Canovas" and "Larsen"**

Sales in the Fabric Division, which represent 83% of Group turnover, increased by 6% to £64.52 million (2013: £61.13 million). Operating profit increased by 15% to £3.91 million (2013: £3.41 million) but was adversely impacted by the progressive weakening of the US dollar in the second half of the year.

Sales in the US, which represent 53% of the Fabric Division's turnover, increased by 5% and by 7% on a constant currency basis. The US market continued to recover although sales were still 16% below the peak achieved prior to the financial crisis. We believe that growth in the second half was affected by the severe cold weather which affected much of North America from December to March. The US is our largest and most important market and we have continued to invest in our distribution network with a new showroom in Washington which is now scheduled to open in October 2014.

Sales in the UK, which represent 20% of the Fabric Division's turnover, increased by 8% during the year reflecting the significant improvement in the UK housing market which started in September 2013. Trading was particularly strong in London although all regions showed growth in the second half of the year.

Sales in Continental Europe, which represent 24% of the Fabric Division's turnover, increased by 6% and by 4% on a constant currency basis. Trading performance varied significantly from country to country. In France, which is our largest market, sales decreased by 3% on a constant currency basis. In Germany, which has now overtaken Italy as our second largest market, sales increased by 8% on a constant currency basis and, in Italy, sales declined by 5%. We are opening a new showroom in Milan in October as part of our long term commitment to the Italian market and we believe it will help to stabilise and grow sales.

Sales in the rest of the world, which represent just 3% of the Fabric Division's turnover, increased by 10%. This increase was mainly due to growth in the Middle East and Russia and we will continue to focus on growing these two important territories.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which account for 3% of Group turnover, were £2.27 million (2013: £2.28 million) and operating profit was £24,000 compared to £79,000 last year. Furniture is the Group's only manufacturing activity and profitability is very sensitive to small fluctuations in sales due to the relatively fixed factory costs.

Interior Decorating Division

Decorating sales, which account for 14% of Group turnover, increased by 56% to £11.24 million (2013: £7.21 million). Operating profit was £985,000 compared to £54,000 last year with the strong performance partly due to the completion of a number of projects which were delayed from the second half of last year. The nature of this business is that profits fluctuate from year to year according to the timing of major projects. The Decorating Division includes sales of antiques which increased by 1% to £1.38 million (2013: £1.36 million).

Prospects

Trading conditions in our two principal markets, the US and UK, continue to trend upwards but in low single figures. The rate of increase is slightly lower than expected given the current strength of the housing recovery in both these markets, but we do tend to lag any changes. Continental Europe remains challenging and there are currently no signs of recovery in any of our major countries. Sales in the rest of the world are mixed, but overall we expect continued growth.

Although we remain optimistic about growth prospects, the high proportion of Group sales made in the US market and invoiced in US dollars means that the strength of Sterling will have an adverse impact on profitability. Since the beginning of September Sterling has strengthened against the US dollar by 13% and there is no sign that this will reverse in the short term. In addition, the Decorating Division is expected to return to a more normal level of activity following an exceptional performance last year. We remain optimistic about the long term future and will continue to invest in new product and strengthening our distribution network.

David Green
Chairman
16th July 2014

COLEFAX GROUP PLC
GROUP INCOME STATEMENT
For the year ended 30th April 2014

	2014	2013
	£'000	£'000
Revenue	78,035	70,619
Cost of sales	36,418	31,518
Gross profit	41,617	39,101
Operating expenses	36,695	35,554
Profit from operations	4,922	3,547
Finance income	4	1
Finance expense	(41)	(1)
	(37)	-
Profit before taxation	4,885	3,547
Tax expense		
-UK	(875)	(554)
-Overseas	(657)	(659)
	(1,532)	(1,213)
Profit for the year attributable to equity holders of the parent	3,353	2,334
Basic earnings per share	27.9 p	18.2 p
Diluted earnings per share	27.9 p	18.2 p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th April 2014

	2014	2013
	£'000	£'000
Profit for the year	3,353	2,334
Other comprehensive (expense) / income :		
Exchange differences on translation of foreign operations	(797)	517
Cash flow hedges:		
Gains / (losses) recognised directly in equity	135	(50)
Transferred to profit and loss for the year	(171)	(181)
Tax on components of other comprehensive income	248	(77)
Total other comprehensive (expense) / income	(585)	209
Total comprehensive income for the year attributable to equity holders of the parent	2,768	2,543

COLEFAX GROUP PLC
GROUP STATEMENT OF FINANCIAL POSITION
At 30th April 2014

	2014	2013
	£'000	£'000
Non-current assets:		
Property, plant and equipment	6,810	7,699
Deferred tax asset	590	499
	7,400	8,198
Current assets:		
Inventories and work in progress	13,526	13,176
Trade and other receivables	10,055	9,995
Cash and cash equivalents	4,298	7,630
	27,879	30,801
Current liabilities:		
Trade and other payables	12,526	13,785
Current corporation tax	425	666
	12,951	14,451
Net current assets	14,928	16,350
Total assets less current liabilities	22,328	24,548
Non-current liabilities:		
Pension liability	117	265
Net assets	22,211	24,283
Capital and reserves attributable to equity holders of the Company:		
Called up share capital	1,125	1,231
Share premium account	11,148	11,148
Capital redemption reserve	1,749	1,643
ESOP share reserve	(113)	(113)
Share based payment reserve	-	-
Foreign exchange reserve	1,065	1,622
Cash flow hedge reserve	-	28
Retained earnings	7,237	8,724
Total equity	22,211	24,283

The financial statements were approved by the board of directors and authorised for issue on 16th July 2014.

D. B. Green Director
R. M. Barker Director

COLEFAX GROUP PLC
GROUP STATEMENT OF CASH FLOWS
For the year ended 30th April 2014

	2014	2013
	£'000	£'000
Operating activities		
Profit before taxation	4,885	3,547
Finance income	(4)	(1)
Finance expense	41	1
Depreciation	2,078	2,036
Cash flows from operations before changes in working capital	7,000	5,583
Increase in inventories and work in progress	(503)	(880)
Increase in trade and other receivables	(380)	(1,189)
(Decrease) / increase in trade and other payables	(1,250)	2,521
Cash generated from operations	4,867	6,035
Taxation paid		
UK corporation tax paid	(660)	(610)
Overseas tax (paid) / received	(967)	130
	(1,627)	(480)
Net cash inflow from operating activities	3,240	5,555
Investing activities		
Payments to acquire property, plant and equipment	(1,583)	(2,178)
Receipts from sales of property, plant and equipment	17	56
Interest received	4	1
Net cash outflow from investing	(1,562)	(2,121)
Financing activities		
Purchase of own shares	(4,362)	(4,000)
Interest paid	(29)	(1)
Equity dividends paid	(478)	(478)
Net cash outflow from financing	(4,869)	(4,479)
Net decrease in cash and cash equivalents	(3,191)	(1,045)
Cash and cash equivalents at beginning of year	7,630	8,519
Exchange (losses) / gains on cash and cash equivalents	(382)	156
Cash and cash equivalents at end of year	4,057	7,630

COLEFAX GROUP PLC
GROUP STATEMENT OF CHANGES IN EQUITY
For the year ended 30th April 2014

	Share capital	Share premium account	Capital redemption reserve	ESOP share reserve	Share based payment reserve	Foreign exchange reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2013	1,231	11,148	1,643	(113)	-	1,622	28	8,724	24,283
Profit for the year	-	-	-	-	-	-	-	3,353	3,353
Foreign exchange	-	-	-	-	-	(797)	-	-	(797)
Cash flow hedges:									
Gains	-	-	-	-	-	-	135	-	135
Transfers	-	-	-	-	-	-	(171)	-	(171)
Tax on other comprehensive income	-	-	-	-	-	240	8	-	248
Share buybacks	(106)	-	106	-	-	-	-	(4,362)	(4,362)
Dividends paid	-	-	-	-	-	-	-	(478)	(478)
At 30 April 2014	1,125	11,148	1,749	(113)	-	1,065	-	7,237	22,211
At 1 May 2012	1,391	11,148	1,483	(96)	19	1,238	203	10,868	26,254
Profit for the year	-	-	-	-	-	-	-	2,334	2,334
Foreign exchange	-	-	-	-	-	517	-	-	517
Cash flow hedges:									
Losses	-	-	-	-	-	-	(50)	-	(50)
Transfers	-	-	-	-	-	-	(181)	-	(181)
Tax on other comprehensive income	-	-	-	-	-	(133)	56	-	(77)
Share buybacks	(160)	-	160	-	-	-	-	(4,000)	(4,000)
Share options lapsed	-	-	-	(17)	(19)	-	-	-	(36)
Dividends paid	-	-	-	-	-	-	-	(478)	(478)
At 30 April 2013	1,231	11,148	1,643	(113)	-	1,622	28	8,724	24,283

COLEFAX GROUP PLC
NOTES TO THE FINANCIAL INFORMATION
At 30th April 2014

1. Earnings per share

Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £3,353,000 (2013: £2,334,000) and on 12,025,641 (2013: 12,846,164) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Shares owned by the Colefax Group Plc Employees' Share Ownership Plan (ESOP) Trust are excluded from the basic earnings per share calculation.

Diluted earnings per share have been calculated on the basis of profit on ordinary activities after tax of £3,353,000 (2013: £2,334,000) and on 12,025,641 (2013: 12,846,164) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

2. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2014	2013
	£'000	£'000
Cash at bank and in hand	4,298	7,630
Bank overdrafts	(241)	-
	4,057	7,630

The fair value of cash and cash equivalents are considered to be their book value.

3. The above financial information, which has been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

The financial information for the year ended 30th April 2014 has been extracted from the statutory accounts which will be delivered to the Registrar of Companies following the company's annual general meeting. The comparative financial information is based on the statutory accounts for the financial year ended 30th April 2013 which have been delivered to the Registrar of Companies. The Independent Auditors' Report on both of those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) and Section 498(3) of the Companies Act 2006.

4. Annual general meeting

The Annual General Meeting of Colefax Group plc will be held at 19-23 Grosvenor Hill, London W1K 3QD on 17th September 2014 at 11.00 a.m.