

CFX
26 January 2015

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

Half Year Results
for the six months ended 31 October 2014

Colefax is an international designer and distributor of furnishing fabrics & wallpapers and owns a leading interior decorating business.

The Group trades under five brand names, serving different segments of the soft furnishings marketplace; these are Colefax and Fowler, Cowtan & Tout, Jane Churchill, Manuel Canovas and Larsen.

Key Points

- Sales down 4% at £37.44m (2013: £39.17m) but flat on a constant currency basis
- Core Fabric Division sales up 5% on a constant currency basis
- Pre-tax profit down 6% at £2.88m (2013: £3.07m) – mainly reflecting a weak performance from the Interior Decorating Division
- Earnings per share up 6% to 18.1p (2013: 17.0p)
- Net cash of £4.72m (2013: £7.58m)
- Interim dividend increased by 5% to 2.10p per share (2013: 2.0p per share)

David Green, Chairman, said

“In the core Fabric Division sales increased by 5% on a constant currency basis reflecting a good performance in the US and the UK but challenging trading conditions in Europe.

We are optimistic about the ongoing recovery in the US and believe that trading conditions will remain favourable in this market. In addition, the recent strengthening of the US Dollar is a welcome development.

In the Decorating Division activity levels are well below the exceptional performance of last year and this will offset some of the progress in the core Fabric Division.”

Enquiries:

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COLEFAX GROUP PLC

CHAIRMAN'S STATEMENT

Financial Results

The Group's pre-tax profit for the six months to 31 October 2014 decreased by 6% to £2.88 million (2013: £3.07 million) on sales down by 4% at £37.44 million (2013: £39.17 million) and flat on a constant currency basis. Earnings per share increased by 6% to 18.1p (2013: 17.0p) with the increase primarily due to the impact of share buybacks over the last 12 months. The Group ended the half year with net cash of £4.72 million (2013: £7.58 million).

The principal reason for the decline in the Group's pre-tax profit for the first six months was a weak performance from the Decorating Division which produced a first half loss of £365,000 compared to a profit of £365,000 in the prior year. In the core Fabric Division sales increased by 5% on a constant currency basis reflecting a good performance in the US and the UK but challenging trading conditions in Europe.

The Board has decided to increase the interim dividend by 5% to 2.10p per share (2013: 2.00p). The interim dividend will be paid on 10 April 2015 to shareholders on the register at the close of business on 6 March 2015.

During the period the Group continued its policy of returning surplus cash to shareholders through an annual share buyback program by purchasing for cancellation a total of 168,982 shares at a total cost of £626,000 and amounting to 1.5% of the total issued share capital.

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 88% of the Group's sales, were flat at £33.05 million (2013: £33.09 million) reflecting a weaker US and Euro exchange rate during the period but were up by 5% on a constant currency basis.

Sales in the US, which represent 56% of the Fabric Division's sales, increased by 2% and by 9% on a constant currency basis. The US market has continued to grow in line with the wider economy although sales are still 12% below the peak level of sales achieved in 2007. The improvement in trading was apparent across the US with nearly all territories showing positive sales growth. We have continued to invest in our showroom network and in September we moved to our new and larger showroom in Washington DC.

Sales in the UK, which represent 20% of the Fabric Division's sales, were up by 7% compared to last year. We attribute this improvement to a much stronger UK housing market especially in London. Typically our trading performance tends to lag changes in the high end housing market.

Sales in Continental Europe, which represent 21% of the Fabric Division's sales, were down by 10% reflecting a much weaker Euro during the period but down by 4% on a constant currency basis. Overall trading in Europe has been very challenging although there are significant variations between countries. In France which is our largest market sales during the period were down by 9%. In Germany which is our second largest market sales were up by 13%. In Italy which is our third largest market sales were down by 13%. All these figures are quoted on a constant currency basis. In September we opened our new showroom in Milan and we believe that this will help to stabilise and grow sales in this important market.

Sales in the Rest of the World, which represent just 3% of the Fabric Division's sales, increased by 1%. The main markets in the Rest of the World are the Middle East, China and Hong Kong, Russia and Australia and of these the Middle East was the strongest performer during the period. We will continue to invest in these markets according to their growth potential.

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2014 were up by 14% at £1.20 million (2013: £1.05 million). Operating profit was £64,000 compared to a loss of £29,000 in the prior year. As with the Fabric Division we attribute the improvement in trading to the strengthening of the UK housing market. Approximately 87% of Kingcome sales are in the UK especially London.

Interior Decorating Division

Decorating sales decreased by 37% to £3.18 million (2013: £5.03 million) and the Division made a first half loss of £365,000 compared to a profit of £365,000 last year. Sales in the first half of last year were exceptional due to several projects delayed from the prior year and as result the full year Decorating Division performance was exceptionally strong last year. Decorating sales will be significantly lower this year compared to last year and combined with a difficult trading environment for antiques this Division is currently not expected to make a contribution to the Group's profit this year.

Prospects

We are optimistic about the ongoing recovery in the US and believe that trading conditions will remain favourable in this market. In addition, the recent strengthening of the US Dollar is a welcome development. The UK market is performing well but the outlook is more uncertain. The recent change to stamp duty will negatively impact the high end housing market and there is also the potential adverse impact of the mansion tax dependent upon the outcome of the election. Trading conditions in Europe are likely to remain very challenging for the foreseeable future. In the Decorating Division activity levels are well below the exceptional performance of last year and this will offset some of the progress in the core Fabric Division. Our strategy is to continue investing in our brands and our distribution network, particularly in the US market, whilst keeping tight control of costs and working capital.

David Green
Chairman

26 January 2015

COLEFAX GROUP PLC

INTERIM GROUP INCOME STATEMENT

	Unaudited Six months to 31 Oct 2014 £'000	Unaudited Six months to 31 Oct 2013 £'000	Audited Year to 30 April 2014 £'000
Revenue	37,440	39,172	78,035
Profit from operations	2,886	3,093	4,922
Finance income	2	2	4
Finance expense	(4)	(21)	(41)
	(2)	(19)	(37)
Profit before taxation	2,884	3,074	4,885
Tax expense	(870)	(990)	(1,532)
Profit for the period attributable to equity holders of the parent	2,014	2,084	3,353
Basic earnings per share	18.1p	17.0p	27.9p
Diluted earnings per share	18.1p	17.0p	27.9p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 Oct 2014 £'000	Unaudited Six months to 31 Oct 2013 £'000	Audited Year to 30 April 2014 £'000
Profit for the period	2,014	2,084	3,353
Other comprehensive income / (expense):			
Currency translation differences on foreign currency net investments	240	(300)	(797)
Cash flow hedges:			
(Losses) / gains recognised directly in equity	(51)	107	135
Transferred to profit and loss for the period	14	(84)	(171)
Tax on components of other comprehensive income	(162)	90	248
Total other comprehensive income / (expense)	41	(187)	(585)
Total comprehensive income for the period attributable to equity holders of the parent	2,055	1,897	2,768

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INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 Oct 2014 £'000	Unaudited At 31 Oct 2013 £'000	Audited At 30 April 2014 £'000
Non-current assets:			
Property, plant and equipment	7,215	7,313	6,810
Deferred tax asset	442	583	590
	7,657	7,896	7,400
Current assets:			
Inventories and work in progress	13,406	13,479	13,526
Trade and other receivables	9,625	10,319	10,055
Cash and cash equivalents	5,337	7,650	4,298
	28,368	31,448	27,879
Current liabilities:			
Trade and other payables	11,976	12,541	12,526
Current corporation tax	575	687	425
	12,551	13,228	12,951
Net current assets	15,817	18,220	14,928
Total assets less current liabilities	23,474	26,116	22,328
Non-current liabilities:			
Pension liability	79	193	117
Net assets	23,395	25,923	22,211
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	1,108	1,231	1,125
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,767	1,643	1,749
ESOP share reserve	(113)	(113)	(113)
Foreign exchange reserve	1,137	1,417	1,065
Cash flow hedge reserve	(29)	46	-
Retained earnings	8,377	10,551	7,237
Total equity	23,395	25,923	22,211

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INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2014 £'000	Unaudited Six months to 31 Oct 2013 £'000	Audited Year to 30 April 2014 £'000
Operating activities			
Profit before taxation	2,884	3,074	4,885
Finance income	(2)	(2)	(4)
Finance expense	4	21	41
Depreciation	988	1,078	2,078
Cash flows from operations before changes in working capital	3,874	4,171	7,000
Decrease / (increase) in inventories and work in progress	227	(368)	(503)
Decrease / (increase) in trade and other receivables	560	(393)	(380)
Decrease in trade and other payables	(1,143)	(1,249)	(1,250)
Cash generated from operations	3,518	2,161	4,867
Taxation paid			
UK corporation tax paid	(382)	(241)	(660)
Overseas tax paid	(341)	(723)	(967)
	(723)	(964)	(1,627)
Net cash inflow from operating activities	2,795	1,197	3,240
Investing activities			
Payments to acquire property, plant and equipment	(1,213)	(837)	(1,583)
Receipts from sales of property, plant and equipment	-	11	17
Interest received	2	2	4
Net cash outflow from investing	(1,211)	(824)	(1,562)
Financing activities			
Purchase of own shares	(626)	-	(4,362)
Interest paid	(4)	(21)	(29)
Equity dividends paid	(246)	(257)	(478)
Net cash outflow from financing	(876)	(278)	(4,869)
Net increase / (decrease) in cash and cash equivalents	708	95	(3,191)
Cash and cash equivalents at beginning of period	4,057	7,630	7,630
Exchange (losses) / gains on cash and cash equivalents	(48)	(141)	(382)
Cash and cash equivalents at end of period	4,717	7,584	4,057

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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 2015.

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 2014, the Company paid a final dividend for the year ended 30 April 2014 of 2.20p per ordinary share amounting to £246,000.

The proposed interim dividend of 2.10p (2013: 2.00p) per share is payable on 10 April 2015 to qualifying shareholders on the register at the close of business on 6 March 2015.

3. Basic earnings per share have been calculated on the basis of earnings of £2,014,000 (2013: £2,084,000) and on 11,148,571 (2013: 12,250,000) 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 £2,014,000 (2013: £2,084,000) and on 11,148,571 (2013: 12,250,000) 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 (2013: nil).
5. The financial information for the year ended 30 April 2014 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 30 April 2014 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 2014 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 39 Brook Street, London W1K 4JE.