

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

**Half Year Results**  
**for the six months ended 31 October 2013**

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 up 15% to £39.17m (2012: £34.04m)
- Strong performance from Decorating Division but partly due to timing of contracts
- Core Fabric Division sales up 7% on a constant currency basis
- Pre-tax profit up 72% to £3.07m (2012: £1.79m)
- Earnings per share up 93% to 17.0p (2012: 8.8p)
- Net cash of £7.58m (2012: £5.59m)
- Interim dividend increased by 5% to 2.00p per share (2012: 1.90p per share)
- Proposed Tender Offer to return £4.4m of cash to shareholders

David Green, Chairman, said

*“A significant factor behind the increase in Group profits for the first six months was an improved performance from the Decorating Division, partly reflecting timing differences in the completion of projects. In the core Fabric Division sales increased by 7% on a constant currency basis mainly due to the ongoing recovery in the US market and a better than expected improvement in the UK market.*

*We are optimistic about the recovery in the US and the UK but, in Europe, we expect trading to remain challenging for at least the remainder of the year.”*

**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 2013 increased by 72% to £3.07 million (2012: £1.79 million) on sales up by 15% at £39.17 million (2012: £34.04 million). Earnings per share increased by 93% to 17.0p (2012: 8.8p). The Group ended the half year with net cash of £7.58 million (2012: £5.59 million).

A significant factor behind the increase in Group profits for the first six months was an improved performance from the Decorating Division, which made an operating profit of £365,000 compared to an interim loss of £393,000 last year, partly reflecting timing differences in the completion of decorating projects. In the core Fabric Division sales increased by 7% on a constant currency basis mainly due to the ongoing recovery in the US market and a better than expected improvement in the UK market. In contrast trading conditions in Europe remained challenging.

The Board has decided to increase the interim dividend by 5% to 2.00p per share (2012: 1.90p). The interim dividend will be paid on 9 April 2014 to shareholders on the register at the close of business on 7 March 2014.

The Board is committed to a policy of returning surplus cash to shareholders through an annual share buyback program. The Group currently has net cash of £7.58 million and a substantial portion of this is considered to be surplus to the Group's projected requirements and yields only a minimal return. As a result the Board is proposing to return approximately £4.4 million of surplus cash to shareholders in the form of a Tender Offer for 9% of the issued share capital of the Group, to be conducted by Peel Hunt as principal. A circular is expected to be posted to shareholders today and for further details please refer to the tender offer announcement also released today.

### 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 84% of the Group's sales, increased by 10% to £33.09 million (2012: £30.21 million) but by 7% on a constant currency basis reflecting a stronger US and Euro exchange rate during the period.

Sales in the US, which represent 55% of the Fabric Division's sales, increased by 10% and by 8% on a constant currency basis. This performance mirrors the strong growth in the US economy and in particular the recovery in the housing market. The improvement in sales has been broad based covering most territories. We are continuing to invest in our US distribution and in May we will be moving to a larger showroom in Washington DC which should benefit sales in this territory.

Sales in the UK, which represent 19% of the Fabric Division's sales, were up by 6% compared to last year. Trading was subdued until the end of August and picked up in September and October in line with improvements in the housing market. This trend has continued into the second half of the year.

Sales in Continental Europe, which represent 23% of the Fabric Division's sales, were up by 10% but by 4% on a constant currency basis due to a stronger Euro during the period. The performance by market has been very mixed. In France, which is our largest market, sales were flat but trading is becoming more difficult and we are concerned about the impact of the recent top rate tax increase on the luxury market. In Germany, our second largest market, sales increased by 9% helped by our new showroom in Munich and in Italy, which is our third largest market, sales declined by 6%.

Sales in the rest of the world, which represent just 3% of the Fabric Division's sales, increased by 12% driven by improvements in China, Russia and the Middle East. These markets remain a relatively small part of overall sales but we are continuing to invest in anticipation of further growth.

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2013 were down 6% at £1.05 million (2012: £1.12 million) reflecting challenging market conditions for high end furniture. The business is highly operationally geared and as a result of the sales decline the company made a small loss during the period. The majority of furniture sales are in the UK, especially London, and we have seen a modest improvement in the order book compared to the prior year.

### **Interior Decorating Division**

Decorating sales increased by 86% to £5.03 million (2012: £2.71 million) and the Division made a first half profit of £365,000 compared to a loss of £393,000 last year. Timing differences can have a significant impact on decorating sales and profits and part of the improvement in first half profits is due to the completion of decorating projects which were delayed in the second half of last year.

### **Prospects**

The trends that we have seen in the first half of the year have continued into the second half. We are optimistic about the ongoing recovery in the US and the UK and future growth is likely to be closely tied to the strength of the high end housing market. In Europe we expect trading to remain challenging for at least the remainder of the year. The Decorating Division is set for a strong performance, partly due to timing reasons, and we expect activity to return to more normal levels next year. We will continue to invest in our brands and distribution network according to market conditions and maintain our focus on tight cost control and cash generation.

David Green  
Chairman

27 January 2014

**COLEFAX GROUP PLC**

**INTERIM GROUP INCOME STATEMENT**

	<b>Unaudited Six months to 31 Oct 2013 £'000</b>	Unaudited Six months to 31 Oct 2012 £'000	Audited Year to 30 April 2013 £'000
<b>Revenue</b>	<b>39,172</b>	34,038	70,619
<b>Profit from operations</b>	<b>3,093</b>	1,790	3,547
Finance income	<b>2</b>	-	1
Finance expense	<b>(21)</b>	-	(1)
	<b>(19)</b>	-	-
<b>Profit before taxation</b>	<b>3,074</b>	1,790	3,547
Tax expense	<b>(990)</b>	(609)	(1,213)
<b>Profit for the period attributable to equity holders of the parent</b>	<b>2,084</b>	1,181	2,334
Basic earnings per share	<b>17.0p</b>	8.8p	18.2p
Diluted earnings per share	<b>17.0p</b>	8.8p	18.2p

**INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited Six months to 31 Oct 2013 £'000</b>	Unaudited Six months to 31 Oct 2012 £'000	Audited Year to 30 April 2013 £'000
<b>Profit for the period</b>	<b>2,084</b>	1,181	2,334
<b>Other comprehensive income / (expense):</b>			
Currency translation differences on foreign currency net investments	<b>(300)</b>	40	517
Cash flow hedges:			
Gains / (losses) recognised directly in equity	<b>107</b>	70	(50)
Transferred to profit and loss for the period	<b>(84)</b>	(155)	(181)
Tax on components of other comprehensive income	<b>90</b>	(4)	(77)
<b>Total other comprehensive (expense) / income</b>	<b>(187)</b>	(49)	209
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>	<b>1,897</b>	1,132	2,543

**COLEFAX GROUP PLC**

**INTERIM GROUP STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited At 31 Oct 2013 £'000</b>	Unaudited At 31 Oct 2012 £'000	Audited At 30 April 2013 £'000
<b>Non-current assets:</b>			
Property, plant and equipment	7,313	7,561	7,699
Deferred tax asset	583	1,064	499
	<b>7,896</b>	8,625	8,198
<b>Current assets:</b>			
Inventories and work in progress	13,479	12,777	13,176
Trade and other receivables	10,319	8,510	9,995
Cash and cash equivalents	7,650	5,592	7,630
	<b>31,448</b>	26,879	30,801
<b>Current liabilities:</b>			
Trade and other payables	12,541	11,446	13,785
Current corporation tax	687	729	666
	<b>13,228</b>	12,175	14,451
<b>Net current assets</b>	<b>18,220</b>	14,704	16,350
<b>Total assets less current liabilities</b>	<b>26,116</b>	23,329	24,548
<b>Non-current liabilities:</b>			
Pension liability	193	224	265
<b>Net assets</b>	<b>25,923</b>	23,105	24,283
<b>Capital and reserves attributable to equity holders of the Company:</b>			
Called up share capital	1,231	1,231	1,231
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,643	1,643	1,643
ESOP share reserve	(113)	(113)	(113)
Foreign exchange reserve	1,417	1,254	1,622
Cash flow hedge reserve	46	138	28
Retained earnings	10,551	7,804	8,724
<b>Total equity</b>	<b>25,923</b>	23,105	24,283

**COLEFAX GROUP PLC**

**INTERIM GROUP STATEMENT OF CASH FLOWS**

	<b>Unaudited Six months to 31 Oct 2013 £'000</b>	Unaudited Six months to 31 Oct 2012 £'000	Audited Year to 30 April 2013 £'000
<b>Operating activities</b>			
Profit before taxation	3,074	1,790	3,547
Finance income	(2)	-	(1)
Finance expense	21	-	1
Depreciation	1,078	992	2,036
<b>Cash flows from operations before changes in working capital</b>	<b>4,171</b>	<b>2,782</b>	<b>5,583</b>
Increase in inventories and work in progress	(368)	(549)	(880)
(Increase) / decrease in trade and other receivables	(393)	306	(1,189)
(Decrease) / increase in trade and other payables	(1,249)	330	2,521
<b>Cash generated from operations</b>	<b>2,161</b>	<b>2,869</b>	<b>6,035</b>
<b>Taxation paid</b>			
UK corporation tax paid	(241)	(311)	(610)
Overseas tax (paid) / received	(723)	(2)	130
	<b>(964)</b>	<b>(313)</b>	<b>(480)</b>
<b>Net cash inflow from operating activities</b>	<b>1,197</b>	<b>2,556</b>	<b>5,555</b>
<b>Investing activities</b>			
Payments to acquire property, plant and equipment	(837)	(1,205)	(2,178)
Receipts from sales of property, plant and equipment	11	34	56
Interest received	2	-	1
<b>Net cash outflow from investing</b>	<b>(824)</b>	<b>(1,171)</b>	<b>(2,121)</b>
<b>Financing activities</b>			
Purchase of own shares	-	(4,000)	(4,000)
Interest paid	(21)	-	(1)
Equity dividends paid	(257)	(245)	(478)
<b>Net cash outflow from financing</b>	<b>(278)</b>	<b>(4,245)</b>	<b>(4,479)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>95</b>	<b>(2,860)</b>	<b>(1,045)</b>
Cash and cash equivalents at beginning of period	7,630	8,519	8,519
Exchange (losses) / gains on cash and cash equivalents	(141)	(67)	156
<b>Cash and cash equivalents at end of period</b>	<b>7,584</b>	<b>5,592</b>	<b>7,630</b>

## COLEFAX GROUP PLC

### 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 2014.

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 2013, the Company paid a final dividend for the year ended 30 April 2013 of 2.10p per ordinary share amounting to £257,000.

The proposed interim dividend of 2.00p (2012: 1.90p) per share is payable on 9 April 2014 to qualifying shareholders on the register at the close of business on 7 March 2014.

3. Basic earnings per share have been calculated on the basis of earnings of £2,084,000 (2012: £1,181,000) and on 12,250,000 (2012: 13,432,609) 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 £2,084,000 (2012: £1,181,000) and on 12,250,000 (2012: 13,432,609) 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 (2012: nil).

5. The financial information for the year ended 30 April 2013 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 30 April 2013 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 2013 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](http://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.