

**AIM: CFX**  
**26 July 2016**

**COLEFAX GROUP PLC**  
**("Colefax" or the "Group")**

**Preliminary Results for the year ended 30 April 2016**

*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 broadly unchanged at £76.88m (2015: £76.80m)
- Pre-tax profit of £5.02m (2015: £5.03m)
- Earnings per share of 32.2p (2015: 32.2p)
- Strong operating cash flow of £7.20m (2015: £8.74m)
- £0.3m of cash returned to shareholders via share buybacks (2015: £1.6m)
- Net cash increased to £10.09m (2015: £6.86m)
- Proposed increased final dividend of 2.40p per share, taking total for the year to 4.60p, a rise of 5% (2015: 4.40p)
- Fabric Division - sales flat but reduced by 3% on a constant currency basis
- Prospects being affected by uncertainty over Brexit and the forthcoming US election

David Green, Chairman of Colefax, commented:

*"Sales, broadly unchanged at £76.88m and pre-tax profit of £5.02m, reflect a year which became progressively more challenging in all of our major markets. Different factors have affected different markets notably the forthcoming election in the US, higher stamp duty in the UK and weak consumer confidence in Europe. Nonetheless, cash generation remained strong and the Decorating Division delivered an improved performance which largely offset the profit decline in the Fabric Division.*

*Since the year end, the Referendum vote has created a great deal of uncertainty in both the UK and Europe. At this stage, it is too early to judge the extent to which our business will be affected. In our major market, the US, we are experiencing more difficult trading conditions which we attribute to concern about the November Presidential election. Despite the ongoing uncertainty we will continue to invest in our business with confidence and have a significant capital expenditure programme planned, with new US showrooms and a new Decorating Division showroom in the UK."*

**Enquiries:**

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*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation.*

## **COLEFAX GROUP PLC CHAIRMAN'S STATEMENT**

### **Financial Results**

The Group's pre-tax profit for the year to 30 April 2016 was in line with last year at £5.02 million (2015: £5.03 million) on flat sales of £76.88 million (2015: £76.80 million). Earnings per share were unchanged at 32.2p (2015: 32.2p). The Group ended the year with increased net cash of £10.1 million (2015: £6.9 million).

The Board has decided to propose an increased final dividend of 2.40p per share, a rise of 4% (2015: 2.30p) making a total for the year of 4.60p (2015: 4.40p), an increase of 5%. The final dividend will be paid on 10 October 2016 to shareholders on the register at the close of business on 9 September 2016.

This year's results reflect a year which became progressively more challenging in all of our major markets. Group profits for the first six months were up 13% at £3.27 million but for the second six months profits were down by 19% at £1.75 million. Different factors have affected different markets notably the forthcoming election in the US, higher stamp duty in the UK and weak consumer confidence in Europe. In our core Fabric Division sales were flat in reported terms but decreased by 3% on a constant currency basis and as a result profits reduced from £5.01 million to £4.53 million. The Decorating Division delivered an improved performance with operating profits of £221,000 compared to an operating loss of £139,000 last year and this largely offset the profit decline in the Fabric Division.

Despite flat sales the Group continued to generate strong cash flows reflecting tight control of working capital. Cash increased by £3.2 million to £10.1 million after dividend payments of £0.48 million and share buybacks of £0.32 million

### **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 Group turnover were flat at £66.40 million (2015: £66.30 million) but reduced by 3% on a constant currency basis. Operating profit declined by 9.5% to £4.53 million (2015: £5.01 million) reflecting a generally challenging sales environment.

Sales in the US, which represent 58% of the Fabric Division's turnover increased by 3% in reported terms but decreased by 3% on a constant currency basis. There was a marked difference between the first and second half of the year with first half sales down by 1% and second half sales down by 5%. We attribute this slowdown to concern about the forthcoming Presidential election in November which has made consumers cautious at the luxury end of the market. In the current financial year we are planning to open our own showrooms in Boston and Atlanta. Previously we sold through agents and this will give us direct control over sales in these territories.

Sales in the UK, which represent 19% of the Fabric Division's turnover were flat during the year. We attribute this to the ongoing impact of the significant increase in stamp duty on the high end housing market. Our sales typically lag activity in the high end housing market. We believe that the impact of a slowdown in high end housing transactions has been partly offset by an increase in refurbishment activity on existing homes but our customers tend to spend more when they move house.

Sales in Continental Europe, which represent 20% of the Fabric Division's turnover, decreased by 8% in Sterling terms but by 4% in constant currency. As usual the performance by country was very mixed and there was no overall sign of a strong recovery despite significant monetary easing by the European Central Bank. In France which is our largest market the economy remained difficult and sales were down by 8% in constant currency. Sales in Germany, our second largest market, were down by 10% in constant currency but in Italy, our third largest market, sales increased by 9%. In our smaller markets the picture was more encouraging but overall trading conditions were challenging.

Sales in the Rest of the World increased by 4% to £2.03 million (2015 £1.95 million). The Middle East, Australia, Russia and China are our largest markets but are still a relatively small part of overall sales and represent an opportunity if current market conditions improve.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture which are included within the Product Division and account for 3% of Group turnover increased by 7% to £2.62 million (2015: £2.45 million). Operating profit was £263,000 compared to £171,000 helped by a contract order at the start of the year. This business has relatively fixed labour costs and is therefore sensitive to small fluctuations in sales. The majority of sales are in the UK centred on London and as with the Fabric Division market conditions were relatively difficult during the year. Only 13% of Kingcome sales are currently generated overseas and export sales represent a growth opportunity.

### **Interior Decorating Division**

Decorating sales, which account for 10% of Group turnover, decreased by 2% to £7.86 million (2015: £8.03 million) but operating profits were £221,000 compared to an operating loss of £139,000 for the prior year. The improvement reflects a change in mix between decorating work and low margin antique sales where trading conditions have been very challenging. As previously reported, this autumn, after over 80 years based at 39 Brook Street in Mayfair, the Decorating Division will be moving to new premises at 89-91 Pimlico Road. The move represents a significant change for the Decorating Division to an area which is synonymous with high end decorating in London and we are optimistic about the benefits of the new location. As part of the move we will significantly reduce the scale of our antiques operation which has experienced increasingly tough trading conditions in recent years. The decorating business serves a diverse international client base and had a healthy level of deposits at the end of the year.

### **Prospects**

Since the year end the Referendum vote has created a great deal of uncertainty in both the UK and Europe, which is clearly not good for trading prospects. At this stage it is too early to judge the extent to which our business will be affected. In our major market, the US, we are experiencing more difficult trading conditions which we attribute to concern about the November Presidential election.

With almost 75% of Group sales made in overseas markets the devaluation in Sterling represents a growth opportunity. However, for the current year and a portion of next year we hedged our US Dollar exposure and therefore will not benefit from the post Brexit weakness of Sterling. Despite the ongoing uncertainty we will continue to invest in our business with confidence and have a significant year of capital expenditure with new US showrooms in Atlanta and Boston and our new Decorating Division showroom and offices in London.

David Green  
Chairman

26 July 2016

**COLEFAX GROUP PLC**  
**GROUP INCOME STATEMENT**  
For the year ended 30 April 2016

	<b>2016</b>	2015
	<b>£'000</b>	£'000
<b>Revenue</b>	<b>76,879</b>	76,796
Cost of sales	<b>33,587</b>	34,760
<b>Gross profit</b>	<b>43,292</b>	42,036
Operating expenses	<b>38,279</b>	36,999
<b>Profit from operations</b>	<b>5,013</b>	5,037
Finance income	<b>3</b>	4
Finance expense	-	(12)
	<b>3</b>	(8)
<b>Profit before taxation</b>	<b>5,016</b>	5,029
Tax expense		
-UK	<b>(502)</b>	(651)
-Overseas	<b>(1,053)</b>	(836)
	<b>(1,555)</b>	(1,487)
<b>Profit for the year attributable to equity holders of the parent</b>	<b>3,461</b>	3,542
Basic earnings per share	<b>32.2 p</b>	32.2 p
Diluted earnings per share	<b>32.2 p</b>	32.2 p

**GROUP STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 April 2016

	<b>2016</b>	2015
	<b>£'000</b>	£'000
<b>Profit for the year</b>	<b>3,461</b>	3,542
<b>Other comprehensive (expense) / income:</b>		
<b>Items that will not be reclassified to profit and loss:</b>		
Exchange differences on translation of foreign operations	<b>642</b>	299
Remeasurement of defined benefit pension scheme	<b>(100)</b>	-
Tax relating to items that will not be reclassified to profit and loss	<b>(106)</b>	(302)
	<b>436</b>	(3)
<b>Items that will or may be reclassified to profit and loss:</b>		
Cash flow hedges:		
Losses recognised directly in equity	<b>(805)</b>	(103)
Transferred to profit and loss for the year	<b>144</b>	160
Tax relating to items that will or may be reclassified to profit and loss	<b>132</b>	(11)
	<b>(529)</b>	46
<b>Total other comprehensive (expense) / income</b>	<b>(93)</b>	43
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>	<b>3,368</b>	3,585

**COLEFAX GROUP PLC**  
**GROUP STATEMENT OF FINANCIAL POSITION**  
At 30 April 2016

	<b>2016</b>	2015
	<b>£'000</b>	£'000
<hr/>		
<b>Non-current assets:</b>		
Property, plant and equipment	<b>7,551</b>	7,257
Deferred tax asset	<b>35</b>	285
	<hr/> <b>7,586</b>	<hr/> 7,542
<b>Current assets:</b>		
Inventories and work in progress	<b>12,518</b>	12,296
Trade and other receivables	<b>9,179</b>	9,681
Cash and cash equivalents	<b>10,085</b>	6,861
	<hr/> <b>31,782</b>	<hr/> 28,838
<hr/>		
<b>Current liabilities:</b>		
Trade and other payables	<b>11,258</b>	10,812
Current corporation tax	<b>163</b>	230
	<hr/> <b>11,421</b>	<hr/> 11,042
<b>Net current assets</b>	<hr/> <b>20,361</b>	<hr/> 17,796
<b>Total assets less current liabilities</b>	<hr/> <b>27,947</b>	<hr/> 25,338
<hr/>		
<b>Non-current liabilities:</b>		
Deferred rent	<b>1,459</b>	1,433
Pension liability	<b>170</b>	148
<b>Net assets</b>	<hr/> <b>26,318</b>	<hr/> 23,757
<hr/>		
<b>Capital and reserves attributable to equity holders of the Company:</b>		
Called up share capital	<b>1,076</b>	1,083
Share premium account	<b>11,148</b>	11,148
Capital redemption reserve	<b>1,798</b>	1,791
ESOP share reserve	<b>(113)</b>	(113)
Foreign exchange reserve	<b>1,559</b>	1,062
Cash flow hedge reserve	<b>(483)</b>	46
Retained earnings	<b>11,333</b>	8,740
<b>Total equity</b>	<hr/> <b>26,318</b>	<hr/> 23,757

The financial statements were approved by the Board of Directors and authorised for issue on 25 July 2016.

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

**COLEFAX GROUP PLC**  
**GROUP STATEMENT OF CASH FLOWS**  
For the year ended 30 April 2016

	<b>2016</b>	2015
	<b>£'000</b>	£'000
<hr/>		
<b>Operating activities</b>		
Profit before taxation	<b>5,016</b>	5,029
Finance income	<b>(3)</b>	(4)
Finance expense	<b>-</b>	12
Depreciation	<b>2,187</b>	2,028
	<hr/>	<hr/>
<b>Cash flows from operations before changes in working capital</b>	<b>7,200</b>	7,065
(Increase) / Decrease in inventories and work in progress	<b>(127)</b>	1,409
Decrease in trade and other receivables	<b>704</b>	655
Decrease in trade and other payables	<b>(582)</b>	(388)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>7,195</b>	8,741
<hr/>		
<b>Taxation paid</b>		
UK corporation tax paid	<b>(556)</b>	(765)
Overseas tax paid	<b>(781)</b>	(894)
	<hr/>	<hr/>
	<b>(1,337)</b>	(1,659)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>5,858</b>	7,082
<hr/>		
<b>Investing activities</b>		
Payments to acquire property, plant and equipment	<b>(2,278)</b>	(2,213)
Receipts from sales of property, plant and equipment	<b>24</b>	32
Interest received	<b>2</b>	4
	<hr/>	<hr/>
<b>Net cash outflow from investing</b>	<b>(2,252)</b>	(2,177)
<hr/>		
<b>Financing activities</b>		
Purchase of own shares	<b>(324)</b>	(1,567)
Interest paid	<b>(1)</b>	(10)
Equity dividends paid	<b>(483)</b>	(472)
	<hr/>	<hr/>
<b>Net cash outflow from financing</b>	<b>(808)</b>	(2,049)
<hr/>		
<b>Net increase in cash and cash equivalents</b>	<b>2,798</b>	2,856
Cash and cash equivalents at beginning of year	<b>6,861</b>	4,057
Exchange gains / (losses) on cash and cash equivalents	<b>426</b>	(52)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	<b>10,085</b>	6,861
	<hr/>	<hr/>

**COLEFAX GROUP PLC**  
**GROUP STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 April 2016

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	ESOP share reserve £'000	Foreign exchange reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2015	1,083	11,148	1,791	(113)	1,062	46	8,740	23,757
Profit for the year	-	-	-	-	-	-	3,461	3,461
Foreign exchange	-	-	-	-	642	-	-	642
Remeasurement of defined benefit pension scheme	-	-	-	-	-	-	(100)	(100)
Cash flow hedges:								
Losses	-	-	-	-	-	(805)	-	(805)
Transfers	-	-	-	-	-	144	-	144
Tax on other comprehensive income	-	-	-	-	(145)	132	39	26
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>497</b>	<b>(529)</b>	<b>3,400</b>	<b>3,368</b>
Share buybacks	(7)	-	7	-	-	-	(324)	(324)
Dividends paid	-	-	-	-	-	-	(483)	(483)
<b>At 30 April 2016</b>	<b>1,076</b>	<b>11,148</b>	<b>1,798</b>	<b>(113)</b>	<b>1,559</b>	<b>(483)</b>	<b>11,333</b>	<b>26,318</b>
At 1 May 2014	1,125	11,148	1,749	(113)	1,065	-	7,237	22,211
Profit for the year	-	-	-	-	-	-	3,542	3,542
Foreign exchange	-	-	-	-	299	-	-	299
Cash flow hedges:								
Losses	-	-	-	-	-	(103)	-	(103)
Transfers	-	-	-	-	-	160	-	160
Tax on other comprehensive income	-	-	-	-	(302)	(11)	-	(313)
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>(3)</b>	<b>46</b>	<b>3,542</b>	<b>3,585</b>
Share buybacks	(42)	-	42	-	-	-	(1,567)	(1,567)
Dividends paid	-	-	-	-	-	-	(472)	(472)
<b>At 30 April 2015</b>	<b>1,083</b>	<b>11,148</b>	<b>1,791</b>	<b>(113)</b>	<b>1,062</b>	<b>46</b>	<b>8,740</b>	<b>23,757</b>



**COLEFAX GROUP PLC**  
**NOTES TO THE FINANCIAL INFORMATION**  
**At 30 April 2016**

**1. Earnings per share**

Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £3,461,000 (2015: £3,542,000) and on 10,750,549 (2015: 10,984,807) 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 £3,461,000 (2015: £3,542,000) and on 10,750,549 (2015: 10,984,807) 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:

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Cash at bank and in hand	<b>10,085</b>	6,861
Bank overdrafts	-	-
	<hr/>	<hr/>
	<b>10,085</b>	6,861

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 30 April 2016 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 30 April 2015 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 15 September 2016 at 11.00 a.m.