

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

Preliminary Results for the year ended 30th April 2013

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 of £70.62m (2012: £70.40m)
- Pre-tax profit up 13% to £3.55m (2012: £3.15m)
- Earnings per share up 15% to 18.2p (2012: 15.8p)
- £4m of cash returned to shareholders via a Tender Offer and share buyback
- Net cash of £7.63m (2012: £8.52m)
- Proposed 5% increase in final dividend to 2.10p per share, taking total for the year to 4.00p per share (2012: 3.85p)
- Fabric Division - sales in core US market increased by 6% but were down in the UK and Europe
- Decorating Division - affected by project delays
- Trading conditions continue to improve in the US but the UK and Europe remain difficult

David Green, Chairman of Colefax, commented,

“The increase in the Group’s profit was mainly due to improved profitability in the Fabric Division although overall sales remained flat. The Decorating Division was affected by delays to several key projects and as a result profits were well below expectations.

Trading conditions in our main market, the US, have continued to improve and we are optimistic about growth prospects. However trading in the UK and Europe remains difficult and we have budgeted for a further sales decline in the current year. We hope that these markets will bottom out this year and we will then see a return to growth. As a result we will continue to invest in our portfolio of brands in anticipation of more favourable market conditions.”

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 2013 increased by 13% to £3.55 million (2012: £3.15 million) on flat sales of £70.62 million (2012: £70.40 million). Earnings per share increased by 15% to 18.2p (2012: 15.8p). The Group ended the year with net cash of £7.63 million (2012: £8.52 million).

On 13th September 2012 the Group returned £4 million of surplus cash to shareholders by way of a Tender Offer to purchase for cancellation 1.6 million shares at a price of £2.50 per share. The shares cancelled represented 11.5% of the Group's issued share capital at the start of the year.

The Board has decided to propose an increase in the final dividend of 5% to 2.10p per share (2012: 2.00p) making a total for the year of 4.00p, an increase of 4% (2012: 3.85p). The final dividend will be paid on 10th October 2013 to shareholders on the register at the close of business on 13th September 2013.

The increase in the Group's profit was mainly due to improved profitability in the Fabric Division although overall sales remained flat. Sales increased by 6% in the US but this increase was offset by a sales decline of 9% in the UK and 4% in Europe. The Decorating Division was affected by delays to several key projects and as a result profits were well below expectations.

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 87% of Group turnover, were flat at £61.13 million (2012: £61.27 million). Profit from operations increased by 7% to £3.41 million (2012: £3.18 million) mainly due to an increase in margin resulting from a stronger US Dollar which averaged \$1.57 compared to \$1.60 last year.

Sales in the US, which represent 54% of the Fabric Division's turnover, increased by 6% on a constant currency basis. The US market continued to recover throughout the year reflecting a significant improvement in the housing market and growth in the general economy. Sales in the US are still 21% below the peak achieved in 2008 and we believe that there is considerable scope for further recovery. We are continuing to invest in our sales network and later this year we are planning to move to a new showroom in our Washington DC territory.

Sales in the UK, which represent 19% of the Fabric Division's turnover, decreased by 9% during the year reflecting challenging market conditions. The strength of the high end housing market in London has not been sufficient to offset difficult trading in the wider UK market and we believe that trading conditions will remain subdued until there is a sustained improvement in the housing market.

Sales in Continental Europe, which represent 24% of the Fabric Division's turnover, were down 4% on a constant currency basis. This performance was better than we expected at the start of the year especially in our largest market, France, where sales increased by 1%. In Italy, trading conditions were extremely difficult and sales declined by 10%. Sales in Germany were flat and this country has now overtaken Italy as our second largest market in Europe. Overall we expect trading conditions in Europe to remain challenging for at least another year and we are particularly concerned about France where there are signs that the economy is weakening.

Sales in the rest of the world, which represent just 3% of the Fabric Division's turnover, decreased by 8% mainly due to one large contract order in the prior year. Our largest markets in the rest of the world are China, Russia and the Middle East and we will continue to focus on these territories to grow sales from a low base.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which account for 3% of Group turnover, were flat at £2.28 million (2012: £2.28 million). Operating profit was £79,000 compared to £63,000 last year. Market conditions for high end furniture have been extremely difficult and we expect this to continue in the current year. Furniture is the Group's only manufacturing activity and profits are very sensitive to small fluctuations in sales.

Interior Decorating Division

Decorating sales, which account for 10% of Group turnover, increased by 5% to £7.21 million (2012: £6.85 million). The division made a small operating profit of £54,000 compared to a loss of £87,000 last year. At the start of the year we were expecting a significant improvement in decorating profits and this year's disappointing result was largely due to delays to building work outside of our control. However, as a result of these delays the division has started the current year with a very healthy level of deposits.

Prospects

Trading conditions in our main market, the US, have continued to improve and we are optimistic about growth prospects. However trading in the UK and Europe remains difficult and we have budgeted for a further sales decline in the current year. We hope that these markets will bottom out this year and we will then see a return to growth. As a result we will continue to invest in our portfolio of brands in anticipation of more favourable market conditions. The Group has a strong balance sheet with cash of £7.6 million and is well placed to benefit from any recovery in trading conditions.

David Green

Chairman

23rd July 2013

COLEFAX GROUP PLC
GROUP INCOME STATEMENT
For the year ended 30th April 2013

	2013 £'000	2012 £'000
Revenue	70,619	70,399
Cost of sales	31,518	31,595
Gross profit	39,101	38,804
Operating expenses	35,554	35,653
Profit from operations	3,547	3,151
Finance income	1	-
Finance expense	(1)	(3)
	-	(3)
Profit before taxation	3,547	3,148
Tax expense		
-UK	(554)	(691)
-Overseas	(659)	(262)
	(1,213)	(953)
Profit for the year attributable to equity holders of the parent	2,334	2,195
Basic earnings per share	18.2 p	15.8 p
Diluted earnings per share	18.2 p	15.8 p

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30th April 2013

	2013 £'000	2012 £'000
Profit for the year	2,334	2,195
Other comprehensive income / (expense):		
Exchange differences on translation of foreign operations	517	(62)
Cash flow hedges:		
Losses recognised directly in equity	(50)	(120)
Transferred to profit and loss for the year	(181)	(400)
Tax on components of other comprehensive income	(77)	57
Total other comprehensive income / (expense)	209	(525)
Total comprehensive income for the year attributable to equity holders of the parent	2,543	1,670

COLEFAX GROUP PLC
GROUP STATEMENT OF FINANCIAL POSITION

At 30th April 2013

	2013 £'000	2012 £'000
Non-current assets:		
Property, plant and equipment	7,699	7,319
Deferred tax asset	499	1,062
	<u>8,198</u>	<u>8,381</u>
Current assets:		
Inventories and work in progress	13,176	12,215
Trade and other receivables	9,995	8,894
Cash and cash equivalents	7,630	8,519
	<u>30,801</u>	<u>29,628</u>
Current liabilities:		
Trade and other payables	13,785	11,064
Current corporation tax	666	438
	<u>14,451</u>	<u>11,502</u>
Net current assets	<u>16,350</u>	<u>18,126</u>
Total assets less current liabilities	<u>24,548</u>	<u>26,507</u>
Non-current liabilities:		
Pension liability	265	253
Net assets	<u>24,283</u>	<u>26,254</u>
Capital and reserves attributable to equity holders of the Company:		
Called up share capital	1,231	1,391
Share premium account	11,148	11,148
Capital redemption reserve	1,643	1,483
ESOP share reserve	(113)	(96)
Share based payment reserve	-	19
Foreign exchange reserve	1,622	1,238
Cash flow hedge reserve	28	203
Retained earnings	8,724	10,868
Total equity	<u>24,283</u>	<u>26,254</u>

The financial statements were approved by the board of directors and authorised for issue on 23rd July 2013.

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

COLEFAX GROUP PLC
GROUP STATEMENT OF CASH FLOWS
For the year ended 30th April 2013

	2013 £'000	2012 £'000
Operating activities		
Profit before taxation	3,547	3,148
Finance income	(1)	-
Finance expense	1	3
Depreciation	2,036	1,991
Cash flows from operations before changes in working capital	5,583	5,142
(Increase) / decrease in inventories and work in progress	(880)	115
(Increase) / decrease in trade and other receivables	(1,189)	3,213
Increase / (decrease) in trade and other payables	2,521	(1,355)
Cash generated from operations	6,035	7,115
Taxation paid		
UK corporation tax paid	(610)	(919)
Overseas tax received	130	383
	(480)	(536)
Net cash inflow from operating activities	5,555	6,579
Investing activities		
Payments to acquire property, plant and equipment	(2,178)	(3,460)
Receipts from sales of property, plant and equipment	56	20
Interest received	1	-
Net cash outflow from investing	(2,121)	(3,440)
Financing activities		
Purchase of own shares	(4,000)	(342)
Interest paid	(1)	(3)
Equity dividends paid	(478)	(534)
Net cash outflow from financing	(4,479)	(879)
Net (decrease) / increase in cash and cash equivalents	(1,045)	2,260
Cash and cash equivalents at beginning of year	8,519	6,298
Exchange gains / (losses) on cash and cash equivalents	156	(39)
Cash and cash equivalents at end of year	7,630	8,519

COLEFAX GROUP PLC
GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30th April 2013

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	ESOP share reserve £'000	Share based payment reserve £'000	Foreign exchange reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
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
At 1 May 2011	1,405	11,148	1,469	(96)	94	1,383	583	9,474	25,460
Profit for the year	-	-	-	-	-	-	-	2,195	2,195
Foreign exchange	-	-	-	-	-	(62)	-	-	(62)
Cash flow hedges:									
Losses	-	-	-	-	-	-	(120)	-	(120)
Transfers	-	-	-	-	-	-	(400)	-	(400)
Tax on other comprehensive income	-	-	-	-	-	(83)	140	-	57
Share buybacks	(14)	-	14	-	-	-	-	(342)	(342)
Share options exercised	-	-	-	-	(75)	-	-	75	-
Dividends paid	-	-	-	-	-	-	-	(534)	(534)
At 30 April 2012	1,391	11,148	1,483	(96)	19	1,238	203	10,868	26,254

COLEFAX GROUP PLC
NOTES TO THE FINANCIAL INFORMATION

At 30th April 2013

1. Earnings per share

Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £2,334,000 (2012: £2,195,000) and on 12,846,164 (2012: 13,918,662) 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 £2,334,000 (2012: £2,195,000) and on 12,846,164 (2012: 13,933,662) ordinary shares, being the weighted average number of ordinary shares in issue during the year, calculated as follows:

	No.	No.
Weighted average number of ordinary shares in issue	12,846,164	13,918,662
Dilutive effect of shares under option	-	15,000
	12,846,164	13,933,662

2. Cash and cash equivalents

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

	2013 £'000	2012 £'000
Cash at bank and in hand	7,630	8,519
Bank overdrafts	-	-
	7,630	8,519

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 2013 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 2012 which have been delivered to the Registrar of Companies. The Independent Auditors' Report on both of those financial statements was unqualified 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 10th September 2013 at 11.00 a.m.