

**CFX**  
**26 January 2016**

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

**Half Year Results**  
**for the six months ended 31 October 2015**

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**

- Pre-tax profit increased 13% to £3.27m (2014: £2.89m)
- Sales up 1.5% at £37.98m (2014: £37.44m) but flat on a constant currency basis
- Earnings per share up 19% to 21.6p (2014: 18.1p)
- Net cash of £7.8m (2014: £4.7m)
- Interim dividend increased by 5% to 2.20p per share (2014: 2.10p per share)
- Fabric Division – operating profit up 5% to £3.35m on sales up 0.8% to £33.33m
  - core US sales decreased by 1%, UK sales decreased by 4%, Europe decreased by 3% (on constant currency basis)
- Trading conditions in H2 are expected to be more challenging

David Green, Chairman, said:

*“The Group’s pre-tax profits for the first half have increased by 13% to £3.27m on sales up 1.5% to £37.98m with results helped by a stronger dollar against the pound.*”

*The recent trends in our two major markets, the US and the UK, suggest we are entering a period of more challenging market conditions. Together with the turbulence in global markets that has marked the start of 2016, we are cautious about prospects for the remainder of the year. The Group has a strong balance sheet with net cash of £7.8m and we will continue to invest with confidence in our diverse portfolio of brands.”*

**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 2015 increased by 13% to £3.27 million (2014: £2.89 million) on sales up by 1.5% at £37.98 million (2014: £37.44 million). Earnings per share increased by 19% to 21.6p (2014: 18.1p). The Group ended the half year with net cash of £7.8 million (2014: £4.7 million).

The Board has decided to increase the interim dividend by 5% to 2.20p per share (2014: 2.10p). The interim dividend will be paid on 11 April 2016 to shareholders on the register at the close of business on 4 March 2016.

Trading conditions in the Group's core Fabric Division became progressively more challenging during the first six months. Overall Fabric Division sales increased by 0.8% but decreased by 1.5% on a constant currency basis. The 13% improvement in the Group's operating profits was partly due to lower first half losses in the Decorating Division which reduced from £365,000 to £148,000 and partly due to the strength of the US Dollar which averaged \$1.54 compared to \$1.66 for the prior year.

#### 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, increased by 0.8% to £33.33 million (2014: £33.05 million) but decreased by 1.5% on a constant currency basis. Operating profits increased by 5% to £3.35 million (2014: £3.19 million) helped by a stronger dollar which benefits margins in the US market. The major market trends during the period have been a levelling off in US sales against strong prior year comparatives, a larger than expected decline in UK sales and the first tentative signs of a recovery in Europe.

Sales in the US, which represent 59% of the Fabric Division's turnover, increased by 7% in reported terms but decreased by 1% on a constant currency basis. The decline in sales follows strong growth of 8% in the same period last year and whilst the general economy remains healthy it is not yet clear how higher interest rates will affect housing market activity. We are continuing to invest in the US market and over the next 18 months we will be opening our own showrooms in Atlanta and Boston. These are the last two major US territories where we have historically sold through agents rather than direct to customers.

Sales in the UK, which represent 19% of the Fabric Division's turnover, were down by 4% compared to last year. Trading has been more challenging than we expected at the start of the year and we believe that the high end housing market is being affected by the substantial increase in stamp duty in December 2014, with a rate of 12% on values in excess of £1.5 million. This has substantially reduced the number of high end housing transactions which we have always regarded as a key driver of sales.

Sales in Continental Europe, which represent 19% of the Fabric Division's turnover, were down by 11% on a reported basis but 3% on a constant currency basis. Trading improved slightly during the period and there are signs of recovery in a number of markets suggesting that the weak Euro coupled with quantitative easing is starting to have a positive impact on the economy. The performance by country remains very mixed. France is our largest market in Europe and sales were down by 1% which was better than we expected in a challenging trading environment.

Sales in the rest of the world, which represent just 3% of the Fabric Division's turnover, increased by 7%. Weak sales in Russia and China were offset by a strong performance in the Middle East but overall these markets remain a small part of total sales.

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2015 increased by 4% to £1.26 million (2014: £1.21 million). Operating profit increased by 16% to £74,000 (2014: £64,000). Although market conditions are competitive we believe that there are opportunities to grow sales and profits from a relatively low base. At the half year end the forward order book was 8% ahead of last year.

## **Interior Decorating Division**

Decorating sales increased by 7% to £3.40 million (2014: £3.18 million) and the division made a reduced first half loss of £148,000 (2014: loss of £365,000). Decorating profits have been impacted by an increasingly difficult market for antiques which form part of this division. Antique sales during the first six months were down by 29% at £458,000 compared to £643,000 last year.

For over 80 years our Decorating Division has been based at our flagship showroom at 39 Brook Street, Mayfair. The long lease of these premises is coming to the end in December 2016 and our landlord has indicated that it will not be renewed. We have identified suitable new premises in Pimlico and intend to relocate the Decorating Division in the latter part of 2016. The premises are smaller than 39 Brook Street and we will use the move to significantly reduce the scale of our unprofitable antiques operation.

## **Prospects**

The recent trends in our two major markets the US and the UK suggest that we are entering a period of more challenging trading conditions. Together with the turbulence in global markets that has marked the start of 2016 we are cautious about prospects for the remainder of the current financial year and next financial year. We are seeing the first signs of a recovery in Europe but it is unlikely to have a significant positive impact on our overall results. Although the recent strengthening of the US Dollar is positive for our Fabric Division, this has to be balanced against the impact of rising interest rates on the US housing market and wider economy. The Group has a strong balance sheet with cash of £7.8 million and we will continue to invest with confidence in our diverse portfolio of brands.

David Green  
Chairman

26 January 2016

**COLEFAX GROUP PLC**

**INTERIM GROUP INCOME STATEMENT**

	<b>Unaudited Six months to 31 Oct 2015 £'000</b>	Unaudited Six months to 31 Oct 2014 £'000	Audited Year to 30 April 2015 £'000
<b>Revenue</b>	<b>37,985</b>	37,440	76,796
<b>Profit from operations</b>	<b>3,273</b>	2,886	5,037
Finance income	3	2	4
Finance expense	-	(4)	(12)
	<b>3</b>	<b>(2)</b>	<b>(8)</b>
<b>Profit before taxation</b>	<b>3,276</b>	2,884	5,029
Tax expense	<b>(949)</b>	(870)	(1,487)
<b>Profit for the period attributable to equity holders of the parent</b>	<b>2,327</b>	2,014	3,542
Basic earnings per share	<b>21.6p</b>	18.1p	32.2p
Diluted earnings per share	<b>21.6p</b>	18.1p	32.2p

**INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited Six months to 31 Oct 2015 £'000</b>	Unaudited Six months to 31 Oct 2014 £'000	Audited Year to 30 April 2015 £'000
<b>Profit for the period</b>	<b>2,327</b>	2,014	3,542
<b>Other comprehensive income / (expense):</b>			
Currency translation differences on foreign currency net investments	<b>(61)</b>	240	299
Cash flow hedges:			
Gains / (losses) recognised directly in equity	<b>78</b>	(51)	(103)
Transferred to profit and loss for the period	<b>(120)</b>	14	160
Tax on components of other comprehensive income	<b>(7)</b>	(162)	(313)
<b>Total other comprehensive income / (expense)</b>	<b>(110)</b>	41	43
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>	<b>2,217</b>	2,055	3,585

**COLEFAX GROUP PLC**

**INTERIM GROUP STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited At 31 Oct 2015 £'000</b>	Unaudited At 31 Oct 2014 £'000	Audited At 30 April 2015 £'000
<b>Non-current assets:</b>			
Property, plant and equipment	7,264	7,215	7,257
Deferred tax asset	307	442	285
	<b>7,571</b>	7,657	7,542
<b>Current assets:</b>			
Inventories and work in progress	13,333	13,406	12,296
Trade and other receivables	9,630	9,625	9,681
Cash and cash equivalents	7,777	5,337	6,861
	<b>30,740</b>	28,368	28,838
<b>Current liabilities:</b>			
Trade and other payables	10,631	10,708	10,812
Current corporation tax	424	575	230
	<b>11,055</b>	11,283	11,042
<b>Net current assets</b>	<b>19,685</b>	17,085	17,796
<b>Total assets less current liabilities</b>	<b>27,256</b>	24,742	25,338
<b>Non-current liabilities:</b>			
Deferred rent	1,426	1,268	1,433
Pension liability	104	79	148
<b>Net assets</b>	<b>25,726</b>	23,395	23,757
<b>Capital and reserves attributable to equity holders of the Company:</b>			
Called up share capital	1,083	1,108	1,083
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,791	1,767	1,791
ESOP share reserve	(113)	(113)	(113)
Foreign exchange reserve	987	1,137	1,062
Cash flow hedge reserve	12	(29)	46
Retained earnings	10,818	8,377	8,740
<b>Total equity</b>	<b>25,726</b>	23,395	23,757

**COLEFAX GROUP PLC**

**INTERIM GROUP STATEMENT OF CASH FLOWS**

	<b>Unaudited Six months to 31 Oct 2015 £'000</b>	Unaudited Six months to 31 Oct 2014 £'000	Audited Year to 30 April 2015 £'000
<b>Operating activities</b>			
Profit before taxation	3,276	2,884	5,029
Finance income	(3)	(2)	(4)
Finance expense	-	4	12
Depreciation	<b>1,040</b>	988	2,028
<b>Cash flows from operations before changes in working capital</b>	<b>4,313</b>	3,874	7,065
(Increase) / decrease in inventories and work in progress	<b>(1,047)</b>	227	1,409
(Increase) / decrease in trade and other receivables	<b>(21)</b>	560	655
Decrease in trade and other payables	<b>(191)</b>	(1,143)	(388)
<b>Cash generated from operations</b>	<b>3,054</b>	3,518	8,741
<b>Taxation paid</b>			
UK corporation tax paid	<b>(232)</b>	(382)	(765)
Overseas tax paid	<b>(525)</b>	(341)	(894)
	<b>(757)</b>	(723)	(1,659)
<b>Net cash inflow from operating activities</b>	<b>2,297</b>	2,795	7,082
<b>Investing activities</b>			
Payments to acquire property, plant and equipment	<b>(1,090)</b>	(1,213)	(2,213)
Receipts from sales of property, plant and equipment	<b>23</b>	-	32
Interest received	<b>3</b>	2	4
<b>Net cash outflow from investing</b>	<b>(1,064)</b>	(1,211)	(2,177)
<b>Financing activities</b>			
Purchase of own shares	-	(626)	(1,567)
Interest paid	-	(4)	(10)
Equity dividends paid	<b>(248)</b>	(246)	(472)
<b>Net cash outflow from financing</b>	<b>(248)</b>	(876)	(2,049)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>985</b>	708	2,856
Cash and cash equivalents at beginning of period	<b>6,861</b>	4,057	4,057
Exchange (losses) / gains on cash and cash equivalents	<b>(69)</b>	(48)	(52)
<b>Cash and cash equivalents at end of period</b>	<b>7,777</b>	4,717	6,861

## 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 2016.

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 2015, the Company paid a final dividend for the year ended 30 April 2015 of 2.30p per ordinary share amounting to £248,000.

The proposed interim dividend of 2.20p (2014: 2.10p) per share is payable on 11 April 2016 to qualifying shareholders on the register at the close of business on 4 March 2016.

3. Basic earnings per share have been calculated on the basis of earnings of £2,327,000 (2014: £2,014,000) and on 10,767,500 (2014: 11,148,571) 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 £2,327,000 (2014: £2,014,000) and on 10,767,500 (2014: 11,148,571) 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 (2014: nil).

5. The financial information for the year ended 30 April 2015 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 30 April 2015 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 2015 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.