

COLEFAX GROUP PLC



INTERIM RESULTS
FOR THE SIX MONTHS TO 31 OCTOBER 2010

CHAIRMAN'S STATEMENT

Financial Results

The Group's pre-tax profit from continuing operations for the six months to 31 October 2010 increased by 63% to £2.98 million (2009: £1.83 million) on sales up by 16% to £35.68 million (2009: £30.76 million). Earnings per share increased by 130% to 12.4p (2009: 5.4p). The Group ended the six months with net cash of £7.26 million (2009: £4.43 million).

The improvement in our first half profits is primarily due to sales growth in all our major markets, especially the UK, where trading has been particularly strong. Sales in the US have not increased as much as we would have liked against weak prior year comparatives but we have benefited from an improvement in the strength of the US dollar.

During the period, the Group purchased for cancellation 70,000 shares at an average price of £1.69 per share, representing 0.48% of the Group's issued share capital at the start of the year.

The Board has decided to increase the interim dividend by 19% to 1.85p per share (2009: 1.55p per share). The interim dividend will be paid on 4 April 2011 to shareholders on the register at the close of business on 4 March 2011.

On 17 September 2010 we completed the sale of the Manuel Canovas Beachwear Division to management. The loss on this discontinued activity during the period amounted to £240,000 after tax.

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 83% of the Group's sales, increased by 15% to £29.68 million (2009: £25.82 million) and by 12% on a constant currency basis.

Sales in the US, which represent 50% of the Fabric Division's turnover, increased by 10% on a constant currency basis. This improvement is against weak prior year comparatives and we remain concerned about the pace of the recovery in our most significant market. In New York, our largest US territory, we are currently expanding and refurbishing our trade showroom which should help to stimulate sales growth.

Sales in the UK, which represent 21% of the Fabric Division's turnover, were up by 16% during the period. This strong performance exceeded our own expectations and reflects the strength of the high end property market in the UK as well as an increase in refurbishment activity. It is very difficult to forecast how the economy will be affected by government spending cuts and tax increases but sales have remained strong for the remainder of 2010 and we are hopeful that this market will continue to perform well.

Sales in Continental Europe, which represent 26% of the Fabric Division's turnover, increased by 12% on a constant currency basis. Our three principal markets, France, Germany and Italy, all performed well, offsetting weaker trading in some of the smaller European markets. The fact that trading conditions vary so significantly from country to country means that we are cautious about overall prospects in Europe.

Sales in the rest of the world, which represent just 3% of the Fabric Division's turnover, increased by 11% during the period and we are now starting to focus on developing the more important markets in this area.

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2010 were flat, which we believe reflects the market's reluctance to spend money on significant items. The majority of our furniture sales are in the UK and are likely to be affected by recent tax increases. The current order book is similar to where it was at the same point last year and we will continue to monitor this activity closely.

Interior Decorating Division

Decorating sales increased by 28% in the six months to 31 October 2010. We are currently working on a couple of very significant contracts which will result in an exceptional full year performance from this Division. Sales of antiques have continued to show a steady improvement and increased by 17% during the period.

Prospects

Current trading continues to show improvements over last year but to varying degrees in our different markets. The US, which is our largest and most important market, has seen growth compared to last year but it is the weakest in terms of recovery and we are not optimistic that there will be any significant improvement in the short-term. The UK market remains strong but Europe is starting to weaken and we are concerned that trading will get tougher during the next year. We expect our Decorating Division to produce an outstanding performance this year and make a significant contribution to Group profits but this must be seen as exceptional rather than the norm. Overall, I am confident of a successful outcome for the full year.

David Green
Chairman
27 January 2011

Registered Office: 39 Brook Street, London W1K 4JE

INTERIM GROUP INCOME STATEMENT

	Unaudited Six Months to 31 Oct 2010 £'000	Unaudited Six Months to 31 Oct 2009 £'000	Audited Year to 30 April 2010 £'000
Continuing operations:			
Revenue	35,684	30,765	67,380
Profit from operations	2,908	1,825	4,387
Finance income	72	8	11
Finance expense	–	(6)	(10)
	72	2	1
Profit before taxation	2,980	1,827	4,388
Tax expense	(956)	(587)	(1,255)
Profit from continuing operations	2,024	1,240	3,133
Trading loss on discontinued operations, net of tax	(136)	(454)	(357)
Loss on disposal, net of tax	(104)	–	(400)
Loss on discontinued operations, net of tax	(240)	(454)	(757)
Profit for the period attributable to the equity holders of the parent	1,784	786	2,376
Basic earnings per share	12.4p	5.4p	16.4p
Diluted earnings per share	12.2p	5.3p	16.1p
Continuing operations:			
Basic earnings per share	14.0p	8.6p	21.6p
Diluted earnings per share	13.8p	8.4p	21.2p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six Months to 31 Oct 2010 £'000	Unaudited Six Months to 31 Oct 2009 £'000	Audited Year to 30 April 2010 £'000
Profit for the period	1,784	786	2,376
Other comprehensive income:			
Currency translation differences on foreign currency net investments	(399)	(861)	(412)
Cash flow hedges:			
Gains recognised directly in equity	664	1,087	596
Transferred to profit and loss for the period	(65)	(72)	(71)
Tax on components of other comprehensive income	(37)	25	(49)
Total other comprehensive income	163	179	64
Total comprehensive income for the period attributable to the equity holders of the parent	1,947	965	2,440

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 Oct 2010 £'000	Unaudited At 31 Oct 2009 £'000	Audited At 30 April 2010 £'000
Non-current assets:			
Property, plant and equipment	5,395	5,433	5,309
Deferred tax asset	1,349	1,505	1,639
	<u>6,744</u>	<u>6,938</u>	<u>6,948</u>
Current assets:			
Inventories and work in progress	11,300	12,133	11,886
Trade and other receivables	12,561	10,394	12,380
Cash and cash equivalents	7,260	4,490	5,897
	<u>31,121</u>	<u>27,017</u>	<u>30,163</u>
Current liabilities:			
Trade and other payables	12,423	11,180	12,598
Current corporation tax	476	448	532
Provisions	–	–	606
	<u>12,899</u>	<u>11,628</u>	<u>13,736</u>
Net current assets	<u>18,222</u>	<u>15,389</u>	<u>16,427</u>
Total assets less current liabilities	<u>24,966</u>	<u>22,327</u>	<u>23,375</u>
Non-current liabilities:			
Pension liability	306	436	320
Net assets	<u>24,660</u>	<u>21,891</u>	<u>23,055</u>
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	1,464	1,479	1,470
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,411	1,395	1,404
ESOP share reserve	(18)	(30)	(18)
Share based payment reserve	126	208	196
Foreign exchange reserve	1,472	1,503	1,741
Cash flow hedge reserve	439	361	8
Retained earnings	8,618	5,827	7,106
Total equity	<u>24,660</u>	<u>21,891</u>	<u>23,055</u>

INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2010 £'000	Unaudited Six months to 31 Oct 2009 £'000	Audited Year to 30 April 2010 £'000
Operating activities			
Profit before taxation – continuing operations	2,980	1,827	4,388
Loss before taxation – discontinued operations	(363)	(688)	(1,147)
Finance income	(72)	(8)	(11)
Finance expense	–	6	10
Depreciation	922	875	1,883
Cash flows from operations before changes in working capital	3,467	2,012	5,123
Decrease in inventories and work in progress	484	806	1,193
Decrease/(increase) in trade and other receivables	307	1,559	(848)
Decrease in trade and other payables	(219)	(1,458)	(39)
Cash generated from operations	4,039	2,919	5,429
Taxation paid			
UK corporation tax paid	(426)	(11)	(530)
Overseas tax paid	(249)	(237)	(106)
	(675)	(248)	(636)
Net cash inflow from operating activities	3,364	2,671	4,793
Investing activities			
Payments to acquire property, plant and equipment	(1,118)	(896)	(1,716)
Receipts from sales of property, plant and equipment	14	–	106
Interest received	72	8	11
Net cash outflow from investing	(1,032)	(888)	(1,599)
Financing activities			
Purchase of own shares	(119)	(19)	(137)
Interest paid	–	(7)	(10)
Equity dividends paid	(224)	(188)	(412)
Net cash outflow from financing	(343)	(214)	(559)
Net increase in cash and cash equivalents	1,989	1,569	2,635
Cash and cash equivalents at beginning of period	5,472	3,078	3,078
Exchange losses on cash and cash equivalents	(201)	(220)	(241)
Cash and cash equivalents at end of period	7,260	4,427	5,472