COLEFAX GROUP PLC

INTERIM RESULTS

FOR THE SIX MONTHS TO 31 OCTOBER 2011

CHAIRMAN'S STATEMENT

Financial Results

The Group's pre-tax profit for the six months to 31 October 2011 was £1.98 million (2010: £2.98 million) on sales down by 4% at £35.14 million (2010: £36.69 million). Earnings per share decreased to 9.9p (2010: 12.4p). The Group ended the six months with net cash of £5.30 million (2010: £7.26 million).

During the period, the Group purchased for cancellation 110,000 shares at an average price of £2.46 per share, representing 0.78% of the Group's issued share capital at the start of the year.

The Board has decided to maintain the interim dividend at 1.85p per share. The interim dividend will be paid on 10 April 2012 to shareholders on the register at the close of business on 9 March 2012.

The principal reason for the decline in our pre-tax profit for the six months to 31 October 2011 was a weak performance from the Decorating Division which made a loss of £248,000 for the first half compared to an exceptional profit of £625,000 in the same period last year. In addition, sales in the Product Division's principal markets were weaker than we expected.

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 1% to £30.95 million (2010: £30.69 million) and by 2% on a constant currency basis.

Sales in the US, which represent 50% of the Fabric Division's turnover, increased by 7% on a constant currency basis. The improvement has been slower than we expected and sales are still 26% below the peak sales we achieved in 2007. Although there are encouraging signs of a pick up in the wider US economy we believe the pace of recovery will remain slow. During the period we successfully moved our US operations to new premises in Manhattan resulting in significant capital expenditure during the period.

Sales in the UK, which represent 21% of the Fabric Division's turnover, were flat during the period. This compares to an increase of 16% for the same period last year. The UK market has been more resilient than we expected, especially in London, but there are signs that demand is weakening and we do not anticipate growth over the remainder of the year.

Sales in Continental Europe, which represent 26% of the Fabric Division's turnover, were down 6% on a constant currency basis with some significant variations between countries. Sales in France, our largest European market, were flat during the period whereas in Italy, our second largest market, sales were down by 14%. The performance in Europe clearly reflects the impact of the ongoing Eurozone crisis and current trends suggest that market conditions are likely to deteriorate further.

Sales in the rest of the world, which represent just 3% of the Fabric Division's turnover, increased by 4% during the period. We have continued to invest in particular markets, especially Russia, the Middle East and China but they are still a relatively small proportion of overall sales.

- **Furniture – Kingcome Sofas**

Sales for the six months to 31 October 2011 were down by 8% to £1.12 million (2010: £1.22 million). The majority of furniture sales are made in the UK and the decline in sales reflects difficult trading conditions in this market. The forward order book is currently at a similar level to last year.

Interior Decorating Division

Decorating sales in the first six months decreased by 36% to £3.06 million (2010: £4.77 million). These sales reflect a more normal level of activity following an exceptional performance last year. Decorating Division sales can fluctuate significantly from year to year according to the size and timing of projects. A number of major decorating projects have been delayed until next year and as a result we do not expect this division to make a profit for the current year.

Prospects

Since the half year end, trading conditions in the UK and Europe have deteriorated and we expect trading to become more difficult. In the US, which is our major market, we expect the recovery to continue but at a slower pace than we previously anticipated. There are still three important sales months left in this financial year but, as a result of current trading conditions, the Board now believes that this year's pre-tax profits will be significantly below current market expectations. The Group has a strong balance sheet and we continue to invest in our portfolio of brands but until we have evidence of a return to growth our focus will remain on managing cash flow and controlling costs.

David Green

Chairman

25 January 2012

Registered Office: 39 Brook Street, London W1K 4JE

INTERIM GROUP INCOME STATEMENT

	Unaudited Six months to 31 Oct 2011 £'000	Restated Unaudited Six months to 31 Oct 2010 £'000	Audited Year to 30 April 2011 £'000
Continuing operations:			
Revenue	**35,140**	36,685	77,722
Profit from operations	**1,978**	2,908	6,448
Finance income	**4**	72	74
Finance expense	**(1)**	–	(1)
	3	72	73
Profit before taxation	**1,981**	2,980	6,521
Tax expense	**(595)**	(956)	(1,765)
Profit from continuing operations	**1,386**	2,024	4,756
Trading loss on discontinued operations, net of tax	–	(136)	(111)
Loss on disposal, net of tax	–	(104)	(72)
Loss on discontinued operations, net of tax	–	(240)	(183)
Profit for the period attributable to equity holders of the parent	**1,386**	1,784	4,573
Basic earnings per share	**9.9p**	12.4p	31.8p
Diluted earnings per share	**9.9p**	12.2p	31.5p
Continuing operations:			
Basic earnings per share	**9.9p**	14.0p	33.0p
Diluted earnings per share	**9.9p**	13.8p	32.8p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 Oct 2011 £'000	Unaudited Six months to 31 Oct 2010 £'000	Audited Year to 30 April 2011 £'000
Profit for the period	**1,386**	1,784	4,573
Other comprehensive income:			
Currency translation differences on foreign currency net investments	**202**	(399)	(610)
Cash flow hedges:			
(Losses)/gains recognised directly in equity	**(198)**	664	1,012
Transferred to profit and loss for the period	**(156)**	(65)	(235)
Tax on components of other comprehensive income	**(10)**	(37)	50
Total other comprehensive income	**(162)**	163	217
Total comprehensive income for the period attributable to equity holders of the parent	**1,224**	1,947	4,790

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 Oct 2011 £'000	Unaudited At 31 Oct 2010 £'000	Audited At 30 April 2011 £'000
Non-current assets:			
Property, plant and equipment	**7,506**	5,395	5,909
Deferred tax asset	**1,343**	1,349	1,372
	8,849	6,744	7,281
Current assets:			
Inventories and work in progress	**13,481**	11,300	12,283
Trade and other receivables	**11,886**	12,561	12,640
Cash and cash equivalents	**5,661**	7,260	7,132
	31,028	31,121	32,055
Current liabilities:			
Trade and other payables	**13,013**	12,423	13,042
Current corporation tax	**502**	476	388
Provisions	**–**	–	205
	13,515	12,899	13,635
Net current assets	**17,513**	18,222	18,420
Total assets less current liabilities	**26,362**	24,966	25,701
Non-current liabilities:			
Pension liability	**228**	306	241
Net assets	**26,134**	24,660	25,460
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	**1,394**	1,464	1,405
Share premium account	**11,148**	11,148	11,148
Capital redemption reserve	**1,480**	1,411	1,469
ESOP share reserve	**(96)**	(18)	(96)
Share based payment reserve	**19**	126	94
Foreign exchange reserve	**1,483**	1,472	1,383
Cash flow hedge reserve	**320**	439	583
Retained earnings	**10,386**	8,618	9,474
Total equity	**26,134**	24,660	25,460

INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2011 £'000	Unaudited Six months to 31 Oct 2010 £'000	Audited Year to 30 April 2011 £'000
Operating activities			
Profit before taxation – continuing operations	**1,981**	2,980	6,521
Loss before taxation – discontinued operations	**–**	(363)	(278)
Finance income	**(4)**	(72)	(74)
Finance expense	**1**	–	1
Depreciation	**1,026**	922	2,044
Cash flows from operations before changes in working capital	**3,004**	3,467	8,214
(Increase)/decrease in inventories and work in progress	**(1,139)**	484	(566)
Decrease in trade and other receivables	**447**	307	316
Increase/(decrease) in trade and other payables	**127**	(219)	(205)
Cash generated from operations	**2,439**	4,039	7,759
Taxation paid			
UK corporation tax paid	**(649)**	(426)	(1,280)
Overseas tax received/(paid)	**208**	(249)	(279)
	(441)	(675)	(1,559)
Net cash inflow from operating activities	**1,998**	3,364	6,200
Investing activities			
Payments to acquire property, plant and equipment	**(2,571)**	(1,118)	(2,885)
Receipts from sales of property, plant and equipment	**17**	14	29
Interest received	**4**	72	74
Purchase of ESOP shares	**–**	–	(95)
Net cash outflow from investing	**(2,550)**	(1,032)	(2,877)
Financing activities			
Purchase of own shares	**(270)**	(119)	(1,840)
Interest paid	**(1)**	–	(1)
Equity dividends paid	**(277)**	(224)	(486)
Net cash outflow from financing	**(548)**	(343)	(2,327)
Net (decrease)/increase in cash and cash equivalents	**(1,100)**	1,989	996
Cash and cash equivalents at beginning of period	**6,298**	5,472	5,472
Exchange gains/(losses) on cash and cash equivalents	**97**	(201)	(170)
Cash and cash equivalents at end of period	**5,295**	7,260	6,298