

COLEFAX GROUP PLC



INTERIM RESULTS
FOR THE SIX MONTHS TO 31 OCTOBER 2012

CHAIRMAN'S STATEMENT

Financial Results

The Group's pre-tax profit for the six months to 31 October 2012 decreased by 10% to £1.79 million (2011: £1.98 million) on sales down by 3% at £34.04 million (2011: £35.14 million). Earnings per share decreased by 11% to 8.8p (2011: 9.9p). The Group ended the half year with net cash of £5.59 million (2011: £5.30 million).

On 13 September 2012 the Group returned £4 million of surplus cash to shareholders through a Tender Offer to purchase and cancel 1.6 million shares at a price of £2.50 per share. The shares purchased represented 11.5% of the Group's issued share capital.

The Board has decided to increase the interim dividend by 3% to 1.90p per share (2011: 1.85p). The interim dividend will be paid on 10 April 2013 to shareholders on the register at the close of business on 8 March 2013.

The Group's results for the six months to 31 October 2012 were broadly in line with expectations and reflect challenging market conditions in most of our major markets, especially the UK and Europe. Profits in the core Fabric Division were up by 4% compared to the prior year and the decline in the Group's interim profits was due to a weaker first half performance by the Decorating Division and expenses of £130,000 relating to the Tender Offer.

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 89% of the Group's sales, decreased by 2% to £30.21 million (2011: £30.95 million). On a constant currency basis sales were also down by 2% with the impact of a weaker euro offset by a slightly stronger US dollar.

Sales in the US, which represent 55% of the Fabric Division's sales, increased by 3% on a constant currency basis. Sales are still more than 20% below the peak sales we achieved in 2008 and the pace of recovery remains slow. There are some encouraging signs of an improvement in the US housing market but continued recovery will depend on the performance of the wider economy.

Sales in the UK, which represent 19% of the Fabric Division's sales, were down by 9% compared to last year. London performed slightly better than the rest of the country but overall market conditions were more challenging than we expected. We believe that any recovery will be closely tied to an improvement in the housing market where the number of transactions remains at historically low levels.

Sales in Continental Europe, which represent 23% of the Fabric Division's sales, were down 4% on a constant currency basis. This is slightly better than we expected at the start of the financial year and reflects more stable economic conditions in the Eurozone. The performance by country has been very mixed. In France, which is our largest European market, sales were down by just 1% but we are concerned about the impact of recent tax rises on the luxury fabric market. In Italy, our second largest market, sales were down 11% reflecting increasingly challenging trading conditions. In Germany, sales increased by 3% helped by our new showroom in Munich which opened in September.

Sales in the rest of the world, which represent just 3% of the Fabric Division's sales, decreased by 16% mainly due to a significant contract order in the prior year. Our focus in the rest of the world is to grow sales from a low base in Russia and the Middle East.

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2012 were flat at £1.12 million and the company made a small profit during the period. Most furniture sales are in the UK and we consider this a reasonable performance given the difficult market for high end furniture. The order book is currently slightly below the level at the same time last year.

Interior Decorating Division

Decorating sales decreased by 12% to £2.71 million (2011: £3.07 million) and the Division made a first half loss of £393,000 compared to a loss of £248,000 last year. Sales and profits vary significantly according to the timing of major projects and this year a high proportion of sales are expected to take place in the second half of the year.

Prospects

Current trading conditions are still extremely challenging but we are cautiously optimistic about growth in our major market, the USA. Our other principal markets remain weak and I think this situation will continue for at least another year. Our business tends to be the last in and the last out of a recession so we will continue to focus on cash generation and run the business in a conservative manner until there is a clear sign of an improvement in market conditions.

David Green
Chairman
29 January 2013

Registered Office: 39 Brook Street, London W1K 4JE

INTERIM GROUP INCOME STATEMENT

	Unaudited Six months to 31 Oct 2012 £'000	Unaudited Six months to 31 Oct 2011 £'000	Audited Year to 30 April 2012 £'000
Revenue	34,038	35,140	70,399
Profit from operations	1,790	1,978	3,151
Finance income	–	4	–
Finance expense	–	(1)	(3)
	–	3	(3)
Profit before taxation	1,790	1,981	3,148
Tax expense	(609)	(595)	(953)
Profit for the period attributable to equity holders of the parent	1,181	1,386	2,195
Basic earnings per share	8.8p	9.9p	15.8p
Diluted earnings per share	8.8p	9.9p	15.8p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 Oct 2012 £'000	Unaudited Six months to 31 Oct 2011 £'000	Audited Year to 30 April 2012 £'000
Profit for the period	1,181	1,386	2,195
Other comprehensive income/(expense):			
Currency translation differences on foreign currency net investments	40	202	(62)
Cash flow hedges:			
Gains/(losses) recognised directly in equity	70	(198)	(120)
Transferred to profit and loss for the period	(155)	(156)	(400)
Tax on components of other comprehensive income	(4)	(10)	57
Total other comprehensive expense	(49)	(162)	(525)
Total comprehensive income for the period attributable to equity holders of the parent	1,132	1,224	1,670

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 Oct 2012 £'000	Unaudited At 31 Oct 2011 £'000	Audited At 30 April 2012 £'000
Non-current assets:			
Property, plant and equipment	7,561	7,506	7,319
Deferred tax asset	<u>1,064</u>	<u>1,343</u>	<u>1,062</u>
	8,625	8,849	8,381
Current assets:			
Inventories and work in progress	12,777	13,481	12,215
Trade and other receivables	8,510	11,886	8,894
Cash and cash equivalents	<u>5,592</u>	<u>5,661</u>	<u>8,519</u>
	26,879	31,028	29,628
Current liabilities:			
Trade and other payables	11,446	13,013	11,064
Current corporation tax	<u>729</u>	<u>502</u>	<u>438</u>
	12,175	13,515	11,502
Net current assets	14,704	17,513	18,126
Total assets less current liabilities	23,329	26,362	26,507
Non-current liabilities:			
Pension liability	224	228	253
Net assets	23,105	26,134	26,254
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	1,231	1,394	1,391
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,643	1,480	1,483
ESOP share reserve	(113)	(96)	(96)
Share based payment reserve	–	19	19
Foreign exchange reserve	1,254	1,483	1,238
Cash flow hedge reserve	138	320	203
Retained earnings	<u>7,804</u>	<u>10,386</u>	<u>10,868</u>
Total equity	23,105	26,134	26,254

INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2012 £'000	Unaudited Six months to 31 Oct 2011 £'000	Audited Year to 30 April 2012 £'000
Operating activities			
Profit before taxation	1,790	1,981	3,148
Finance income	–	(4)	–
Finance expense	–	1	3
Depreciation	992	1,026	1,991
Cash flows from operations before changes in working capital	2,782	3,004	5,142
(Increase)/decrease in inventories and work in progress	(549)	(1,139)	115
Decrease in trade and other receivables	306	447	3,213
Increase/(decrease) in trade and other payables	330	127	(1,355)
Cash generated from operations	2,869	2,439	7,115
Taxation paid			
UK corporation tax paid	(311)	(649)	(919)
Overseas tax (paid)/received	(2)	208	383
	(313)	(441)	(536)
Net cash inflow from operating activities	2,556	1,998	6,579
Investing activities			
Payments to acquire property, plant and equipment	(1,205)	(2,571)	(3,460)
Receipts from sales of property, plant and equipment	34	17	20
Interest received	–	4	–
Net cash outflow from investing	(1,171)	(2,550)	(3,440)
Financing activities			
Purchase of own shares	(4,000)	(270)	(342)
Interest paid	–	(1)	(3)
Equity dividends paid	(245)	(277)	(534)
Net cash outflow from financing	(4,245)	(548)	(879)
Net (decrease)/increase in cash and cash equivalents	(2,860)	(1,100)	2,260
Cash and cash equivalents at beginning of period	8,519	6,298	6,298
Exchange (losses)/gains on cash and cash equivalents	(67)	97	(39)
Cash and cash equivalents at end of period	5,592	5,295	8,519