

COLEFAX GROUP PLC



INTERIM RESULTS
FOR THE SIX MONTHS TO 31 OCTOBER 2013

CHAIRMAN'S STATEMENT

Financial Results

The Group's pre-tax profit for the six months to 31 October 2013 increased by 72% to £3.07 million (2012: £1.79 million) on sales up by 15% at £39.17 million (2012: £34.04 million). Earnings per share increased by 93% to 17.0p (2012: 8.8p). The Group ended the half year with net cash of £7.58 million (2012: £5.59 million).

A significant factor behind the increase in Group profits for the first six months was an improved performance from the Decorating Division, which made an operating profit of £365,000 compared to an interim loss of £393,000 last year, partly reflecting timing differences in the completion of decorating projects. In the core Fabric Division sales increased by 7% on a constant currency basis mainly due to the ongoing recovery in the US market and a better than expected improvement in the UK market. In contrast trading conditions in Europe remained challenging.

The Board has decided to increase the interim dividend by 5% to 2.00p per share (2012: 1.90p). The interim dividend will be paid on 9 April 2014 to shareholders on the register at the close of business on 7 March 2014.

The Board is committed to a policy of returning surplus cash to shareholders through an annual share buyback program. The Group currently has net cash of £7.58 million and a substantial portion of this is considered to be surplus to the Group's projected requirements and yields only a minimal return. As a result the Board is proposing to return approximately £4.4 million of surplus cash to shareholders in the form of a Tender Offer for 9% of the issued share capital of the Group, to be conducted by Peel Hunt, as principal. A circular is expected to be posted to shareholders today and for further details please refer to the tender offer announcement also released today.

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 84% of the Group's sales, increased by 10% to £33.09 million (2012: £30.21 million) but by 7% on a constant currency basis reflecting a stronger US and Euro exchange rate during the period.

Sales in the US, which represent 55% of the Fabric Division's sales, increased by 10% and by 8% on a constant currency basis. This performance mirrors the strong growth in the US economy and in particular the recovery in the housing market. The improvement in sales has been broad based covering most territories. We are continuing to invest in our US distribution and in May we will be moving to a larger showroom in Washington DC which should benefit sales in this territory.

Sales in the UK, which represent 19% of the Fabric Division's sales, were up by 6% compared to last year. Trading was subdued until the end of August and picked up in September and October in line with improvements in the housing market. This trend has continued into the second half of the year.

Sales in Continental Europe, which represent 23% of the Fabric Division's sales, were up by 10% but by 4% on a constant currency basis due to a stronger Euro during the period. The performance by market has been very mixed. In France, which is our largest market, sales were flat but trading is becoming more difficult and we are concerned about the impact of the recent top rate tax increase on the luxury market. In Germany, our second largest market, sales increased by 9% helped by our new showroom in Munich and in Italy, which is our third largest market, sales declined by 6%.

Sales in the rest of the world, which represent just 3% of the Fabric Division's sales, increased by 12% driven by improvements in China, Russia and the Middle East. These markets remain a relatively small part of overall sales but we are continuing to invest in anticipation of further growth.

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2013 were down 6% at £1.05 million (2012: £1.12 million) reflecting challenging market conditions for high end furniture. The business is highly operationally geared and as a result of the sales decline the company made a small loss during the period. The majority of furniture sales are in the UK, especially London, and we have seen a modest improvement in the order book compared to the prior year.

Interior Decorating Division

Decorating sales increased by 86% to £5.03 million (2012: £2.71 million) and the Division made a first half profit of £365,000 compared to a loss of £393,000 last year. Timing differences can have a significant impact on decorating sales and profits and part of the improvement in first half profits is due to the completion of decorating projects which were delayed in the second half of last year.

Prospects

The trends that we have seen in the first half of the year have continued into the second half. We are optimistic about the ongoing recovery in the US and the UK and future growth is likely to be closely tied to the strength of the high end housing market. In Europe we expect trading to remain challenging for at least the remainder of the year. The Decorating Division is set for a strong performance, partly due to timing reasons, and we expect activity to return to more normal levels next year. We will continue to invest in our brands and distribution network according to market conditions and maintain our focus on tight cost control and cash generation.

David Green
Chairman
27 January 2014

INTERIM GROUP INCOME STATEMENT

	Unaudited Six months to 31 Oct 2013 £'000	Unaudited Six months to 31 Oct 2012 £'000	Audited Year to 30 April 2013 £'000
Revenue	39,172	34,038	70,619
Profit from operations	3,093	1,790	3,547
Finance income	2	–	1
Finance expense	(21)	–	(1)
	(19)	–	–
Profit before taxation	3,074	1,790	3,547
Tax expense	(990)	(609)	(1,213)
Profit for the period attributable to equity holders of the parent	2,084	1,181	2,334
Basic earnings per share	17.0p	8.8p	18.2p
Diluted earnings per share	17.0p	8.8p	18.2p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 Oct 2013 £'000	Unaudited Six months to 31 Oct 2012 £'000	Audited Year to 30 April 2013 £'000
Profit for the period	2,084	1,181	2,334
Other comprehensive income/(expense):			
Currency translation differences on foreign currency net investments	(300)	40	517
Cash flow hedges:			
Gains/(losses) recognised directly in equity	107	70	(50)
Transferred to profit and loss for the period	(84)	(155)	(181)
Tax on components of other comprehensive income	90	(4)	(77)
Total other comprehensive (expense)/income	(187)	(49)	209
Total comprehensive income for the period attributable to equity holders of the parent	1,897	1,132	2,543

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 Oct 2013 £'000	Unaudited At 31 Oct 2012 £'000	Audited At 30 April 2013 £'000
Non-current assets:			
Property, plant and equipment	7,313	7,561	7,699
Deferred tax asset	583	1,064	499
	<u>7,896</u>	<u>8,625</u>	<u>8,198</u>
Current assets:			
Inventories and work in progress	13,479	12,777	13,176
Trade and other receivables	10,319	8,510	9,995
Cash and cash equivalents	7,650	5,592	7,630
	<u>31,448</u>	<u>26,879</u>	<u>30,801</u>
Current liabilities:			
Trade and other payables	12,541	11,446	13,785
Current corporation tax	687	729	666
	<u>13,228</u>	<u>12,175</u>	<u>14,451</u>
Net current assets	<u>18,220</u>	<u>14,704</u>	<u>16,350</u>
Total assets less current liabilities	<u>26,116</u>	<u>23,329</u>	<u>24,548</u>
Non-current liabilities:			
Pension liability	193	224	265
Net assets	<u>25,923</u>	<u>23,105</u>	<u>24,283</u>
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	1,231	1,231	1,231
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,643	1,643	1,643
ESOP share reserve	(113)	(113)	(113)
Foreign exchange reserve	1,417	1,254	1,622
Cash flow hedge reserve	46	138	28
Retained earnings	10,551	7,804	8,724
Total equity	<u>25,923</u>	<u>23,105</u>	<u>24,283</u>

INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2013 £'000	Unaudited Six months to 31 Oct 2012 £'000	Audited Year to 30 April 2013 £'000
Operating activities			
Profit before taxation	3,074	1,790	3,547
Finance income	(2)	–	(1)
Finance expense	21	–	1
Depreciation	1,078	992	2,036
Cash flows from operations before changes in working capital	4,171	2,782	5,583
Increase in inventories and work in progress	(368)	(549)	(880)
(Increase)/decrease in trade and other receivables	(393)	306	(1,189)
(Decrease)/increase in trade and other payables	(1,249)	330	2,521
Cash generated from operations	2,161	2,869	6,035
Taxation paid			
UK corporation tax paid	(241)	(311)	(610)
Overseas tax (paid)/received	(723)	(2)	130
	(964)	(313)	(480)
Net cash inflow from operating activities	1,197	2,556	5,555
Investing activities			
Payments to acquire property, plant and equipment	(837)	(1,205)	(2,178)
Receipts from sales of property, plant and equipment	11	34	56
Interest received	2	–	1
Net cash outflow from investing	(824)	(1,171)	(2,121)
Financing activities			
Purchase of own shares	–	(4,000)	(4,000)
Interest paid	(21)	–	(1)
Equity dividends paid	(257)	(245)	(478)
Net cash outflow from financing	(278)	(4,245)	(4,479)
Net increase/(decrease) in cash and cash equivalents	95	(2,860)	(1,045)
Cash and cash equivalents at beginning of period	7,630	8,519	8,519
Exchange (losses)/gains on cash and cash equivalents	(141)	(67)	156
Cash and cash equivalents at end of period	7,584	5,592	7,630