

# COLEFAX GROUP PLC



INTERIM RESULTS  
FOR THE SIX MONTHS TO 31 OCTOBER 2014

## CHAIRMAN'S STATEMENT

**Financial Results**

The Group's pre-tax profit for the six months to 31 October 2014 decreased by 6% to £2.88 million (2013: £3.07 million) on sales down by 4% at £37.44 million (2013: £39.17 million) and flat on a constant currency basis. Earnings per share increased by 6% to 18.1p (2013: 17.0p) with the increase primarily due to the impact of share buybacks over the last 12 months. The Group ended the half year with net cash of £4.72 million (2013: £7.58 million).

The principal reason for the decline in the Group's pre-tax profit for the first six months was a weak performance from the Decorating Division which produced a first half loss of £365,000 compared to a profit of £365,000 in the prior year. In the core Fabric Division sales increased by 5% on a constant currency basis reflecting a good performance in the US and the UK but challenging trading conditions in Europe.

The Board has decided to increase the interim dividend by 5% to 2.10p per share (2013: 2.00p). The interim dividend will be paid on 10 April 2015 to shareholders on the register at the close of business on 6 March 2015.

During the period the Group continued its policy of returning surplus cash to shareholders through an annual share buyback program by purchasing for cancellation a total of 168,982 shares at a total cost of £626,000 and amounting to 1.5% of the total issued share capital.

**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, were flat at £33.05 million (2013: £33.09 million) reflecting a weaker US and Euro exchange rate during the period but were up by 5% on a constant currency basis.

Sales in the US, which represent 56% of the Fabric Division's sales, increased by 2% and by 9% on a constant currency basis. The US market has continued to grow in line with the wider economy although sales are still 12% below the peak level of sales achieved in 2007. The improvement in trading was apparent across the US with nearly all territories showing positive sales growth. We have continued to invest in our showroom network and in September we moved to our new and larger showroom in Washington DC.

Sales in the UK, which represent 20% of the Fabric Division's sales, were up by 7% compared to last year. We attribute this improvement to a much stronger UK housing market especially in London. Typically our trading performance tends to lag changes in the high end housing market.

Sales in Continental Europe, which represent 21% of the Fabric Division's sales, were down by 10% reflecting a much weaker Euro during the period, but down by 4% on a constant currency basis. Overall trading in Europe has been very challenging although there are significant variations between countries. In France, which is our largest market, sales during the period were down by 9%. In Germany, which is our second largest market, sales were up by 13%. In Italy, which is our third largest market, sales were down by 13%. All these figures are quoted on a constant currency basis. In September we opened our new showroom in Milan and we believe that this will help to stabilise and grow sales in this important market.

Sales in the Rest of the World, which represent just 3% of the Fabric Division's sales, increased by 1%. The main markets in the Rest of the World are the Middle East, China and Hong Kong, Russia and Australia and of these the Middle East was the strongest performer during the period. We will continue to invest in these markets according to their growth potential.

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2014 were up by 14% at £1.20 million (2013: £1.05 million). Operating profit was £64,000 compared to a loss of £29,000 in the prior year. As with the Fabric Division we attribute the improvement in trading to the strengthening of the UK housing market. Approximately 87% of Kingcome sales are in the UK especially London.

**Interior Decorating Division**

Decorating sales decreased by 37% to £3.18 million (2013: £5.03 million) and the Division made a first half loss of £365,000 compared to a profit of £365,000 last year. Sales in the first half of last year were exceptional due to several projects delayed from the prior year and as a result the full year Decorating Division performance was exceptionally strong last year. Decorating sales will be significantly lower this year compared to last year and combined with a difficult trading environment for antiques this Division is currently not expected to make a contribution to the Group's profit this year.

**Prospects**

We are optimistic about the ongoing recovery in the US and believe that trading conditions will remain favourable in this market. In addition, the recent strengthening of the US Dollar is a welcome development. The UK market is performing well but the outlook is more uncertain. The recent change to stamp duty will negatively impact the high end housing market and there is also the potential adverse impact of the mansion tax dependent upon the outcome of the election. Trading conditions in Europe are likely to remain very challenging for the foreseeable future. In the Decorating Division activity levels are well below the exceptional performance of last year and this will offset some of the progress in the core Fabric Division. Our strategy is to continue investing in our brands and our distribution network, particularly in the US market, whilst keeping tight control of costs and working capital.

David Green  
Chairman  
26 January 2015

Registered Office: 39 Brook Street, London W1K 4JE

## INTERIM GROUP INCOME STATEMENT

	<b>Unaudited Six months to 31 Oct 2014 £'000</b>	Unaudited Six months to 31 Oct 2013 £'000	Audited Year to 30 April 2014 £'000
<b>Revenue</b>	<b>37,440</b>	39,172	78,035
<b>Profit from operations</b>	<b>2,886</b>	3,093	4,922
Finance income	2	2	4
Finance expense	(4)	(21)	(41)
	<b>(2)</b>	(19)	(37)
<b>Profit before taxation</b>	<b>2,884</b>	3,074	4,885
Tax expense	(870)	(990)	(1,532)
<b>Profit for the period attributable to equity holders of the parent</b>	<b>2,014</b>	2,084	3,353
Basic earnings per share	<b>18.1p</b>	17.0p	27.9p
Diluted earnings per share	<b>18.1p</b>	17.0p	27.9p

## INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited Six months to 31 Oct 2014 £'000</b>	Unaudited Six months to 31 Oct 2013 £'000	Audited Year to 30 April 2014 £'000
<b>Profit for the period</b>	<b>2,014</b>	2,084	3,353
<b>Other comprehensive income/(expense):</b>			
Currency translation differences on foreign currency net investments	240	(300)	(797)
Cash flow hedges:			
(Losses)/gains recognised directly in equity	(51)	107	135
Transferred to profit and loss for the period	14	(84)	(171)
Tax on components of other comprehensive income	(162)	90	248
<b>Total other comprehensive income/(expense)</b>	<b>41</b>	(187)	(585)
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>	<b>2,055</b>	1,897	2,768

## INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	<b>Unaudited At 31 Oct 2014 £'000</b>	Unaudited At 31 Oct 2013 £'000	Audited At 30 April 2014 £'000
<b>Non-current assets:</b>			
Property, plant and equipment	7,215	7,313	6,810
Deferred tax asset	442	583	590
	<u>7,657</u>	<u>7,896</u>	<u>7,400</u>
<b>Current assets:</b>			
Inventories and work in progress	13,406	13,479	13,526
Trade and other receivables	9,625	10,319	10,055
Cash and cash equivalents	5,337	7,650	4,298
	<u>28,368</u>	<u>31,448</u>	<u>27,879</u>
<b>Current liabilities:</b>			
Trade and other payables	11,976	12,541	12,526
Current corporation tax	575	687	425
	<u>12,551</u>	<u>13,228</u>	<u>12,951</u>
<b>Net current assets</b>	<u>15,817</u>	<u>18,220</u>	<u>14,928</u>
<b>Total assets less current liabilities</b>	<u>23,474</u>	<u>26,116</u>	<u>22,328</u>
<b>Non-current liabilities:</b>			
Pension liability	79	193	117
<b>Net assets</b>	<u>23,395</u>	<u>25,923</u>	<u>22,211</u>
<b>Capital and reserves attributable to equity holders of the Company:</b>			
Called up share capital	1,108	1,231	1,125
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,767	1,643	1,749
ESOP share reserve	(113)	(113)	(113)
Foreign exchange reserve	1,137	1,417	1,065
Cash flow hedge reserve	(29)	46	–
Retained earnings	8,377	10,551	7,237
<b>Total equity</b>	<u>23,395</u>	<u>25,923</u>	<u>22,211</u>



## INTERIM GROUP STATEMENT OF CASH FLOWS

	<b>Unaudited Six months to 31 Oct 2014 £'000</b>	Unaudited Six months to 31 Oct 2013 £'000	Audited Year to 30 April 2014 £'000
<b>Operating activities</b>			
Profit before taxation	2,884	3,074	4,885
Finance income	(2)	(2)	(4)
Finance expense	4	21	41
Depreciation	988	1,078	2,078
<b>Cash flows from operations before changes in working capital</b>			
Decrease/(increase) in inventories and work in progress	227	(368)	(503)
Decrease/(increase) in trade and other receivables	560	(393)	(380)
Decrease in trade and other payables	(1,143)	(1,249)	(1,250)
<b>Cash generated from operations</b>	<b>3,518</b>	<b>2,161</b>	<b>4,867</b>
<b>Taxation paid</b>			
UK corporation tax paid	(382)	(241)	(660)
Overseas tax paid	(341)	(723)	(967)
	(723)	(964)	(1,627)
<b>Net cash inflow from operating activities</b>	<b>2,795</b>	<b>1,197</b>	<b>3,240</b>
<b>Investing activities</b>			
Payments to acquire property, plant and equipment	(1,213)	(837)	(1,583)
Receipts from sales of property, plant and equipment	–	11	17
Interest received	2	2	4
<b>Net cash outflow from investing</b>	<b>(1,211)</b>	<b>(824)</b>	<b>(1,562)</b>
<b>Financing activities</b>			
Purchase of own shares	(626)	–	(4,362)
Interest paid	(4)	(21)	(29)
Equity dividends paid	(246)	(257)	(478)
<b>Net cash outflow from financing</b>	<b>(876)</b>	<b>(278)</b>	<b>(4,869)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>708</b>	<b>95</b>	<b>(3,191)</b>
Cash and cash equivalents at beginning of period	4,057	7,630	7,630
Exchange (losses)/gains on cash and cash equivalents	(48)	(141)	(382)
<b>Cash and cash equivalents at end of period</b>	<b>4,717</b>	<b>7,584</b>	<b>4,057</b>