

COLEFAX GROUP PLC



INTERIM RESULTS
FOR THE SIX MONTHS TO 31 OCTOBER 2015

CHAIRMAN'S STATEMENT

Financial Results

The Group's pre-tax profit for the six months to 31 October 2015 increased by 13% to £3.27 million (2014: £2.89 million) on sales up by 1.5% at £37.98 million (2014: £37.44 million). Earnings per share increased by 19% to 21.6p (2014: 18.1p). The Group ended the half year with net cash of £7.8 million (2014: £4.7 million).

The Board has decided to increase the interim dividend by 5% to 2.20p per share (2014: 2.10p). The interim dividend will be paid on 11 April 2016 to shareholders on the register at the close of business on 4 March 2016.

Trading conditions in the Group's core Fabric Division became progressively more challenging during the first six months. Overall Fabric Division sales increased by 0.8% but decreased by 1.5% on a constant currency basis. The 13% improvement in the Group's operating profits was partly due to lower first half losses in the Decorating Division which reduced from £365,000 to £148,000 and partly due to the strength of the US Dollar which averaged \$1.54 compared to \$1.66 for the prior year.

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 0.8% to £33.33 million (2014: £33.05 million) but decreased by 1.5% on a constant currency basis. Operating profits increased by 5% to £3.35 million (2014: £3.19 million) helped by a stronger dollar which benefits margins in the US market. The major market trends during the period have been a levelling off in US sales against strong prior year comparatives, a larger than expected decline in UK sales and the first tentative signs of a recovery in Europe.

Sales in the US, which represent 59% of the Fabric Division's turnover, increased by 7% in reported terms but decreased by 1% on a constant currency basis. The decline in sales follows strong growth of 8% in the same period last year and whilst the general economy remains healthy it is not yet clear how higher interest rates will affect housing market activity. We are continuing to invest in the US market and over the next 18 months we will be opening our own showrooms in Atlanta and Boston. These are the last two major US territories where we have historically sold through agents rather than direct to customers.

Sales in the UK, which represent 19% of the Fabric Division's turnover, were down by 4% compared to last year. Trading has been more challenging than we expected at the start of the year and we believe that the high end housing market is being affected by the substantial increase in stamp duty in December 2014 with a rate of 12% on values in excess of £1.5 million. This has substantially reduced the number of high end housing transactions which we have always regarded as a key driver of sales.

Sales in Continental Europe, which represent 19% of the Fabric Division's turnover, were down by 11% on a reported basis but 3% on a constant currency basis. Trading improved slightly during the period and there are signs of recovery in a number of markets suggesting that the weak Euro coupled with quantitative easing is starting to have a positive impact on the economy. The performance by country remains very mixed. France is our largest market in Europe and sales were down by 1% which was better than we expected in a challenging trading environment.

Sales in the rest of the world, which represent just 3% of the Fabric Division's turnover, increased by 7%. Weak sales in Russia and China were offset by a strong performance in the Middle East but overall these markets remain a small part of total sales.

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2015 increased by 4% to £1.26 million (2014: £1.21 million). Operating profit increased by 16% to £74,000 (2014: £64,000). Although market conditions are competitive we believe that there are opportunities to grow sales and profits from a relatively low base. At the half year end the forward order book was 8% ahead of last year.

Interior Decorating Division

Decorating sales increased by 7% to £3.40 million (2014: £3.18 million) and the division made a reduced first half loss of £148,000 (2014: loss of £365,000). Decorating profits have been impacted by an increasingly difficult market for antiques which form part of this division. Antique sales during the first six months were down by 29% at £458,000 compared to £643,000 last year.

For over 80 years our Decorating Division has been based at our flagship showroom at 39 Brook Street, Mayfair. The long lease of these premises is coming to the end in December 2016 and our landlord has indicated that it will not be renewed. We have identified suitable new premises in Pimlico and intend to relocate the Decorating Division in the latter part of 2016. The premises are smaller than 39 Brook Street and we will use the move to significantly reduce the scale of our unprofitable antiques operation.

Prospects

The recent trends in our two major markets the US and the UK suggest that we are entering a period of more challenging trading conditions. Together with the turbulence in global markets that has marked the start of 2016 we are cautious about prospects for the remainder of the current financial year and next financial year. We are seeing the first signs of a recovery in Europe but it is unlikely to have a significant positive impact on our overall results. Although the recent strengthening of the US Dollar is positive for our Fabric Division, this has to be balanced against the impact of rising interest rates on the US housing market and wider economy. The Group has a strong balance sheet with cash of £7.8 million and we will continue to invest with confidence in our diverse portfolio of brands.

David Green
Chairman
26 January 2016

Registered Office: 39 Brook Street, London W1K 4JE

INTERIM GROUP INCOME STATEMENT

	Unaudited Six months to 31 Oct 2015 £'000	Unaudited Six months to 31 Oct 2014 £'000	Audited Year to 30 April 2015 £'000
Revenue	37,985	37,440	76,796
Profit from operations	3,273	2,886	5,037
Finance income	3	2	4
Finance expense	—	(4)	(12)
	3	(2)	(8)
Profit before taxation	3,276	2,884	5,029
Tax expense	(949)	(870)	(1,487)
Profit for the period attributable to equity holders of the parent	2,327	2,014	3,542
Basic earnings per share	21.6p	18.1p	32.2p
Diluted earnings per share	21.6p	18.1p	32.2p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 Oct 2015 £'000	Unaudited Six months to 31 Oct 2014 £'000	Audited Year to 30 April 2015 £'000
Profit for the period	2,327	2,014	3,542
Other comprehensive income/(expense):			
Currency translation differences on foreign currency net investments	(61)	240	299
Cash flow hedges:			
Gains/(losses) recognised directly in equity	78	(51)	(103)
Transferred to profit and loss for the period	(120)	14	160
Tax on components of other comprehensive income	(7)	(162)	(313)
Total other comprehensive income/(expense)	(110)	41	43
Total comprehensive income for the period attributable to equity holders of the parent	2,217	2,055	3,585

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 Oct 2015 £'000	Unaudited At 31 Oct 2014 £'000	Audited At 30 April 2015 £'000
Non-current assets:			
Property, plant and equipment	7,264	7,215	7,257
Deferred tax asset	307	442	285
	<u>7,571</u>	<u>7,657</u>	<u>7,542</u>
Current assets:			
Inventories and work in progress	13,333	13,406	12,296
Trade and other receivables	9,630	9,625	9,681
Cash and cash equivalents	7,777	5,337	6,861
	<u>30,740</u>	<u>28,368</u>	<u>28,838</u>
Current liabilities:			
Trade and other payables	10,631	10,708	10,812
Current corporation tax	424	575	230
	<u>11,055</u>	<u>11,283</u>	<u>11,042</u>
Net current assets	<u>19,685</u>	<u>17,085</u>	<u>17,796</u>
Total assets less current liabilities	<u>27,256</u>	<u>24,742</u>	<u>25,338</u>
Non-current liabilities:			
Deferred rent	1,426	1,268	1,433
Pension liability	104	79	148
Net assets	<u>25,726</u>	<u>23,395</u>	<u>23,757</u>
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	1,083	1,108	1,083
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,791	1,767	1,791
ESOP share reserve	(113)	(113)	(113)
Foreign exchange reserve	987	1,137	1,062
Cash flow hedge reserve	12	(29)	46
Retained earnings	10,818	8,377	8,740
Total equity	<u>25,726</u>	<u>23,395</u>	<u>23,757</u>

INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2015 £'000	Unaudited Six months to 31 Oct 2014 £'000	Audited Year to 30 April 2015 £'000
Operating activities			
Profit before taxation	3,276	2,884	5,029
Finance income	(3)	(2)	(4)
Finance expense	–	4	12
Depreciation	1,040	988	2,028
Cash flows from operations before changes in working capital	4,313	3,874	7,065
(Increase)/decrease in inventories and work in progress	(1,047)	227	1,409
(Increase)/decrease in trade and other receivables	(21)	560	655
Decrease in trade and other payables	(191)	(1,143)	(388)
Cash generated from operations	3,054	3,518	8,741
Taxation paid			
UK corporation tax paid	(232)	(382)	(765)
Overseas tax paid	(525)	(341)	(894)
	(757)	(723)	(1,659)
Net cash inflow from operating activities	2,297	2,795	7,082
Investing activities			
Payments to acquire property, plant and equipment	(1,090)	(1,213)	(2,213)
Receipts from sales of property, plant and equipment	23	–	32
Interest received	3	2	4
Net cash outflow from investing	(1,064)	(1,211)	(2,177)
Financing activities			
Purchase of own shares	–	(626)	(1,567)
Interest paid	–	(4)	(10)
Equity dividends paid	(248)	(246)	(472)
Net cash outflow from financing	(248)	(876)	(2,049)
Net increase/(decrease) in cash and cash equivalents	985	708	2,856
Cash and cash equivalents at beginning of period	6,861	4,057	4,057
Exchange (losses)/gains on cash and cash equivalents	(69)	(48)	(52)
Cash and cash equivalents at end of period	7,777	4,717	6,861