

COLEFAX GROUP PLC
(“Colefax” or the “Group”)

Preliminary Results for the year ended 30th April 2015

Colefax is an international designer and distributor of luxury furnishing fabrics & wallpapers and owns a leading interior decorating business. The Group trades under five brand names, which serve different segments of the soft furnishings marketplace. These are Colefax and Fowler, Cowtan and Tout, Jane Churchill, Manuel Canovas and Larsen.

Highlights

- Results reflect a good performance from the Fabric Division which offset a challenging year in the Decorating Division
- Sales down by 2% to £76.80 million (2014: £78.04 million)
- Pre-tax profit up 3% to £5.03m (2014: £4.89m)
- Earnings per share up 15% to 32.2p (2014: 27.9p)
- Strong operating cash flow of £8.74 million (2014: £4.87 million)
- £1.6m of cash returned to shareholders via share buybacks
- Net cash of £6.86m (2014: £4.06m)
- Proposed increase in final dividend to 2.30p per share, taking total for the year to 4.40p, an increase of 5% (2014: 4.20p)
- Fabric Division – good performance with profits up 28% to £5.01 million on sales up 3% to £66.31m:
 - Sales in core US market up 7%, UK sales up 1% and Europe flat (on a constant currency basis)
- Positive trading outlook for the Fabric Division with continued improvement in the US and UK although Continental Europe remains difficult

David Green, Chairman of Colefax, commented,

“This year’s results reflect a good performance from the Fabric Division with an increase in operating profits of 28% to £5.0 million mainly due to the continued recovery of the US market and a significant strengthening of the US Dollar in the second half of the year. In contrast the Decorating Division had a challenging year reporting a loss of £139,000 on sales down 28% at £8.0 million

Trading conditions in our two principal markets, the US and UK, continue to improve and we are optimistic about further growth in our core Fabric Division. Although we are cautious about prospects for our Decorating Division we expect to see increased activity in all the other areas of our business and as a result we are optimistic about our overall performance.”

Enquiries:

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COLEFAX GROUP PLC

CHAIRMAN'S STATEMENT

Financial Results

The Group's pre-tax profit for the year to 30th April 2015 increased by 3% to £5.03 million (2014: £4.89 million) on sales down by 2% to £76.80 million (2014: £78.04 million). Earnings per share increased by 15% to 32.2p (2014: 27.9p). The Group ended the year with net cash of £6.86 million (2014: £4.06 million).

The Board is proposing to raise the final dividend by 5% to 2.30p per share (2014: 2.20p) making a total for the year of 4.40p, an increase of 5%. The final dividend will be paid on 9th October 2015 to shareholders on the register at the close of business on 11th September 2015.

During the year the Group returned £1.6 million of surplus cash to shareholders by purchasing 418,982 shares at an average price of 372.5p representing 3.7% of the Group's issued share capital.

This year's results reflect a good performance from the Fabric Division with an increase in operating profits of 28% to £5.0 million mainly due to the continued recovery of the US market and a significant strengthening of the US Dollar in the second half of the year. In contrast the Decorating Division had a challenging year reporting a loss of £139,000 on sales down 28% at £8.0 million. This compares to a profit of £985,000 last year and mainly reflects fluctuations in the timing of major projects but also a weak trading environment for antiques.

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 86% of Group turnover, increased by 3% to £66.31 million (2014: £64.52 million) and by 4% on a constant currency basis. Operating profit increased by 28% to £5.01 million (2014: £3.91 million) mainly due to increased sales in our two major markets, the US and the UK, and the benefit of a strong US Dollar in the second half of the year.

Sales in the US, which represent 56% of the Fabric Division's turnover, increased by 8% and by 7% on a constant currency basis. The US market continues to improve and we are confident that market conditions will remain positive for the remainder of this year. We have taken over the distribution of our product from our agent in Boston and will be opening a new showroom within the next 12 months. We now operate our own showrooms in seven of the major US territories which now account for approximately 65% of sales in this market.

Sales in the UK, which represent 19% of the Fabric Division's turnover, increased by 1% during the year. During the second half of the year the high end housing market was adversely affected by the threat of the mansion tax and a significant increase in stamp duty. Whilst the mansion tax threat has been removed by the election result, the rise in stamp duty is still having a negative effect on high end housing transactions. Overall we are optimistic that this market will perform well in the current year due to the underlying strength of the economy.

Sales in Continental Europe, which represent 22% of the Fabric Division's turnover, were down by 7% but flat on a constant currency basis. There has been little improvement in any of the major markets in Continental Europe and trading in France, our largest European market, remains challenging. However, we believe that the dual benefits of quantitative easing and a much weaker exchange rate will provide a boost to eurozone economies and help to improve trading conditions for us in the second half of the year. We are seeing some positive benefit from our new showroom in Milan and there are encouraging signs of an improvement in some of our smaller European markets although they will not have a material impact on our overall results.

Sales in the Rest of the World increased by 3% to £1.95 million (2014 £1.9 million). In Australia, China and the Middle East, we are continuing to see reasonable growth but this has been partially offset by a significant decline in sales in Russia.

Furniture – Kingcome Sofas

Sales of Kingcome furniture, which are included within the Product Division and account for 3% of Group turnover, increased by 8% to £2.45 million (2014: £2.27 million). Operating profit was £171,000 compared to £24,000 last year reflecting the high level of operational gearing in this business. Market conditions for high end furniture have continued to improve and we are continuing to explore opportunities for this division to make a more significant contribution to the Group's results.

Interior Decorating Division

Decorating sales, which account for 10% of Group turnover, decreased by 29% to £8.03 million (2014: £11.24 million) following an exceptional performance last year. The division made a loss of £139,000 compared to a profit of £985,000 last year. This is a disappointing result which mainly reflects the uneven timing of major projects. In addition we experienced a decline in antique sales and with demand for antiques remaining weak we do not envisage a significant improvement in this part of the business. As a result we are cautious about prospects for the year ahead despite a reasonable level of decorating deposits.

Prospects

Trading conditions in our two principal markets, the US and UK, continue to improve and we are optimistic about further growth in our core Fabric Division. Continental Europe remains difficult but we are hopeful that trading conditions will start to improve in the second half of the year. Our strategy is to continue to invest in our portfolio of brands and in our distribution network with particular emphasis on markets which offer the most growth potential. We will maintain our focus on cash generation through tight control of working capital.

Although we are cautious about prospects for our Decorating Division we expect to see increased activity in all the other areas of our business and as a result we are optimistic about our overall performance.

David Green
Chairman

28th July 2015

COLEFAX GROUP PLC
GROUP INCOME STATEMENT
For the year ended 30th April 2015

	2015	2014
	£'000	£'000
Revenue	76,796	78,035
Cost of sales	34,760	36,418
Gross profit	42,036	41,617
Operating expenses	36,999	36,695
Profit from operations	5,037	4,922
Finance income	4	4
Finance expense	(12)	(41)
	(8)	(37)
Profit before taxation	5,029	4,885
Tax expense		
- UK	(651)	(875)
- Overseas	(836)	(657)
	(1,487)	(1,532)
Profit for the year attributable to equity holders of the parent	3,542	3,353
Basic earnings per share	32.2 p	27.9 p
Diluted earnings per share	32.2 p	27.9 p

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30th April 2015

	2015	2014
	£'000	£'000
Profit for the year	3,542	3,353
Other comprehensive income / (expense):		
Exchange differences on translation of foreign operations	299	(797)
Cash flow hedges:		
(Losses) / gains recognised directly in equity	(103)	135
Transferred to profit and loss for the year	160	(171)
Tax on components of other comprehensive income	(313)	248
Total other comprehensive income / (expense)	43	(585)
Total comprehensive income for the year attributable to equity holders of the parent	3,585	2,768

COLEFAX GROUP PLC
GROUP STATEMENT OF FINANCIAL POSITION
At 30th April 2015

	2015	2014
	£'000	£'000
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Non-current assets:		
Property, plant and equipment	7,257	6,810
Deferred tax asset	285	590
	<u>7,542</u>	<u>7,400</u>
Current assets:		
Inventories and work in progress	12,296	13,526
Trade and other receivables	9,681	10,055
Cash and cash equivalents	6,861	4,298
	<u>28,838</u>	<u>27,879</u>
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Current liabilities:		
Trade and other payables	10,812	11,386
Current corporation tax	230	425
	<u>11,042</u>	<u>11,811</u>
Net current assets	<u>17,796</u>	16,068
Total assets less current liabilities	<u>25,338</u>	23,468
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Non-current liabilities:		
Deferred rent	1,433	1,140
Pension liability	148	117
	<u>1,581</u>	<u>1,257</u>
Net assets	<u>23,757</u>	<u>22,211</u>
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Capital and reserves attributable to equity holders of the Company:		
Called up share capital	1,083	1,125
Share premium account	11,148	11,148
Capital redemption reserve	1,791	1,749
ESOP share reserve	(113)	(113)
Foreign exchange reserve	1,062	1,065
Cash flow hedge reserve	46	-
Retained earnings	8,740	7,237
Total equity	<u>23,757</u>	<u>22,211</u>

The financial statements were approved by the board of directors and authorised for issue on 27th July 2015.

D. B. Green Director
R. M. Barker Director

COLEFAX GROUP PLC
GROUP STATEMENT OF CASH FLOWS
For the year ended 30th April 2015

	2015 £'000	2014 £'000
Operating activities		
Profit before taxation	5,029	4,885
Finance income	(4)	(4)
Finance expense	12	41
Depreciation	2,028	2,078
Cash flows from operations before changes in working capital	7,065	7,000
Decrease/(increase) in inventories and work in progress	1,409	(503)
Decrease/(increase) in trade and other receivables	655	(380)
Decrease in trade and other payables	(388)	(1,250)
Cash generated from operations	8,741	4,867
Taxation paid		
UK corporation tax paid	(765)	(660)
Overseas tax paid	(894)	(967)
	(1,659)	(1,627)
Net cash inflow from operating activities	7,082	3,240
Investing activities		
Payments to acquire property, plant and equipment	(2,213)	(1,583)
Receipts from sales of property, plant and equipment	32	17
Interest received	4	4
Net cash outflow from investing	(2,177)	(1,562)
Financing activities		
Purchase of own shares	(1,567)	(4,362)
Interest paid	(10)	(29)
Equity dividends paid	(472)	(478)
Net cash outflow from financing	(2,049)	(4,869)
Net increase / (decrease) in cash and cash equivalents	2,856	(3,191)
Cash and cash equivalents at beginning of year	4,057	7,630
Exchange losses on cash and cash equivalents	(52)	(382)
Cash and cash equivalents at end of year	6,861	4,057

COLEFAX GROUP PLC

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30th April 2015

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	ESOP share reserve £'000	Foreign exchange reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2014	1,125	11,148	1,749	(113)	1,065	-	7,237	22,211
Profit for the year	-	-	-	-	-	-	3,542	3,542
Foreign exchange	-	-	-	-	299	-	-	299
Cash flow hedges:								
Losses	-	-	-	-	-	(103)	-	(103)
Transfers	-	-	-	-	-	160	-	160
Tax on other comprehensive income	-	-	-	-	(302)	(11)	-	(313)
Share buybacks	(42)	-	42	-	-	-	(1,567)	(1,567)
Dividends paid	-	-	-	-	-	-	(472)	(472)
At 30 April 2015	1,083	11,148	1,791	(113)	1,062	46	8,740	23,757
At 1 May 2013	1,231	11,148	1,643	(113)	1,622	28	8,724	24,283
Profit for the year	-	-	-	-	-	-	3,353	3,353
Foreign exchange	-	-	-	-	(797)	-	-	(797)
Cash flow hedges:								
Gains	-	-	-	-	-	135	-	135
Transfers	-	-	-	-	-	(171)	-	(171)
Tax on other comprehensive income	-	-	-	-	240	8	-	248
Share buybacks	(106)	-	106	-	-	-	(4,362)	(4,362)
Dividends paid	-	-	-	-	-	-	(478)	(478)
At 30 April 2014	1,125	11,148	1,749	(113)	1,065	-	7,237	22,211

COLEFAX GROUP PLC
NOTES TO THE FINANCIAL INFORMATION
At 30th April 2015

1. Earnings per share

Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £3,542,000 (2014: £3,353,000) and on 10,984,807 (2014: 12,025,641) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Shares owned by the Colefax Group Plc Employees' Share Ownership Plan (ESOP) Trust are excluded from the basic earnings per share calculation.

Diluted earnings per share have been calculated on the basis of profit on ordinary activities after tax of £3,542,000 (2014: £3,353,000) and on 10,984,807 (2014: 12,025,641) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

2. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2015	2014
	£'000	£'000
Cash at bank and in hand	6,861	4,298
Bank overdrafts	-	(241)
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	6,861	4,057

The fair value of cash and cash equivalents are considered to be their book value.

3. The above financial information, which has been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

The financial information for the year ended 30th April 2015 has been extracted from the statutory accounts which will be delivered to the Registrar of Companies following the company's annual general meeting. The comparative financial information is based on the statutory accounts for the financial year ended 30th April 2014 which have been delivered to the Registrar of Companies. The Independent Auditors' Report on both of those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) and Section 498(3) of the Companies Act 2006.

4. Annual general meeting

The Annual General Meeting of Colefax Group plc will be held at 19-23 Grosvenor Hill, London W1K 3QD on 17th September 2015 at 11.00 a.m.