



COLEFAX GROUP PLC

INTERIM RESULTS
FOR THE SIX MONTHS TO 31 OCTOBER 2018

CHAIRMAN'S STATEMENT

Financial Results

Group sales for the six months to 31 October 2018 increased by 7.8% to £45.38 million (2017: £42.08 million) and increased by 7.7% on a constant currency basis. Pre-tax profits increased by 41% to £3.62 million (2017: £2.56 million). Earnings per share increased by 55% to 27.9p (2017: 18.0p). The Group ended the first half of the year with net cash of £11.1 million (2017: £9.5 million).

The main reason for the increase in profits in the first six months was a strong first half performance from our Decorating Division which made profits of £738,000 compared to £213,000 last year. In addition US Dollar hedging losses reduced by £522,000 due to the absence of contracts put in place prior to the Brexit referendum. In our core US market Fabric Division sales increased by 2.1% on a constant currency basis. In the UK sales were flat and in Europe sales decreased by 0.8% on a constant currency basis reflecting challenging trading conditions in both these markets.

In line with our progressive dividend policy the Board has decided to increase the interim dividend by 4% to 2.50p per share (2017: 2.40p). The interim dividend will be paid on 10 April 2019 to shareholders on the register at the close of business on 15 March 2019.

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 81% of the Group's sales, increased by 1.2% to £36.89 million (2017: £36.47 million) and by 1.1% on a constant currency basis. Excluding hedging losses of £73,000 (2017: £595,000) operating profits decreased by 2% to £2.86 million (2017: £2.92 million) reflecting relatively challenging market conditions especially in the UK and Europe.

Sales in the US, which represent 61% of the Fabric Division's turnover, increased by 2.4% in reported terms and by 2.1% on a constant currency basis. Trading became more difficult towards the end of the period with sales up by 4.4% in the first three months and down by 0.3% in the second three months despite relatively strong general economic conditions. We believe that confidence in our sector has recently been impacted by a number of factors including rising interest rates and stock market volatility.

We are about to start the refurbishment of our Los Angeles showroom and expect this project to be completed by July 2019. Currently we lease and operate eight company owned showrooms in the US covering our most important territories and these now account for over 75% of total US sales.

Sales in the UK, which represent 17% of the Fabric Division's turnover, were flat during the period. The high end housing market remains very weak and historically this has been an important driver of our business. We believe that market conditions in the UK will remain difficult until the uncertainty and potential adverse impact of Brexit is resolved. In August we completed the refurbishment of our showroom in the Chelsea Harbour Design Centre and we are pleased with the positive reaction from our customers.

Sales in Continental Europe, which represent 19% of the Fabric Division's turnover, decreased by 1.1% on a reported basis and by 0.8% on a constant currency basis. Trading in most of our major European markets has been weak despite significant monetary stimulus by the European Central Bank over the past four years which is now coming to an end. In France, which is our largest European market, sales were flat during the period but helped by a significant contract order. In Germany sales were down by 8%. In Italy sales were down by 15% reflecting very challenging economic conditions. We do not anticipate any short term improvement in trading conditions in most of our major European markets. Europe encompasses a wide range of tastes and we will continue to focus our sales efforts on the markets best suited to our brands and with the most growth potential.

Sales in the Rest of the World, which represent approximately 3% of the Fabric Division's turnover, decreased by 2% on a constant currency basis. Our major markets comprise the Middle East, Russia, China and Australia. In Russia we have changed our method of distribution from a distributor to an agent and are optimistic about growth prospects in this market. Overall we expect the Rest of the World to remain a relatively small proportion of Fabric Division sales.

- ***Furniture – Kingcome Sofas***

Sales for the six months to October 2018 increased by 14% to £1.36 million (2017: £1.19 million) and the Company made an operating profit of £102,000 compared to £22,000 in 2017. The increase in sales reflected a strong order book at the start of the year. The majority of sales are made in the UK, especially London and so this was a good performance in difficult market conditions. Currently the order book is in line with last year.

Interior Decorating Division

Decorating sales, which account for just over 16% of Group turnover, increased by 61% in the period to £7.1 million (2017: £4.4 million). This was a strong performance reflecting the completion of a number of major projects during the period. As a result the Decorating Division made a first half profit of £738,000 compared to a profit of £213,000 for the same period last year.

Decorating Division sales can vary significantly between periods according to the timing of contract completions. For the current financial year sales will be weighted to the first half of the year and we expect sales for the full year to be below the exceptional performance last year. Customer deposits remain at a healthy level and we remain optimistic about trading from our new Pimlico Road showroom which is performing well in its second full year of operation.

Prospects

The Group has delivered a positive first half performance against a weakening trading environment in most of our major markets. In our core US market we continue to benefit from the strength of the US Dollar but the confidence that we saw at the start of the year has slowed recently and we are therefore more cautious about growth prospects. In the UK trading remains challenging but could improve quickly if there is a satisfactory resolution to the current high level of Brexit uncertainty. In Europe we expect trading to remain difficult but there are opportunities for growth and we will focus our efforts on countries with the most potential.

The Group has a strong balance sheet with net cash of £11.1 million and we are well-placed to take advantage of any improvements in market conditions. We will continue to invest with confidence in our portfolio of luxury brands and our worldwide distribution network.

David Green
Chairman
29 January 2019

Registered Office: 19-23 Grosvenor Hill, London, W1K 3QD

INTERIM GROUP INCOME STATEMENT

	Unaudited Six months to 31 Oct 2018 £'000	Unaudited Six months to 31 Oct 2017 £'000	Audited Year to 30 April 2018 £'000
Revenue	45,384	42,083	86,052
Profit from operations	3,623	2,559	4,721
Finance income	3	–	1
Finance expense	(1)	(2)	(3)
	2	(2)	(2)
Profit before taxation	3,625	2,557	4,719
Tax expense	(906)	(729)	(887)
Profit for the period attributable to equity holders of the parent	2,719	1,828	3,832
Basic earnings per share	27.9p	18.0p	38.1p
Diluted earnings per share	27.9p	18.0p	38.1p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 Oct 2018 £'000	Unaudited Six months to 31 Oct 2017 £'000	Audited Year to 30 April 2018 £'000
Profit for the period	2,719	1,828	3,832
Other comprehensive income/(expense):			
Items that will not be reclassified to profit and loss:			
Exchange differences on translation of foreign operations	838	335	(743)
Remeasurement of defined benefit pension scheme	–	–	31
Tax relating to items that will not be reclassified to profit and loss	(139)	(411)	76
	699	(76)	(636)
Items that will or may be reclassified to profit and loss:			
Cash flow hedges:			
(Losses)/gains recognised directly in equity	(145)	108	210
Transferred to profit and loss for the period	73	595	959
Tax relating to items that will or may be reclassified to profit and loss	14	(133)	(222)
	(58)	570	947
Total other comprehensive income/(expense)	641	494	311
Total comprehensive income for the period attributable to equity holders of the parent	3,360	2,322	4,143

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited At 31 Oct 2018 £'000	Unaudited At 31 Oct 2017 £'000	Audited At 30 April 2018 £'000
Non-current assets:			
Property, plant and equipment	8,980	9,771	8,692
Deferred tax asset	188	257	173
Pension asset	37	–	34
	9,205	10,028	8,899
Current assets:			
Inventories and work in progress	14,663	14,203	14,086
Trade and other receivables	11,692	12,056	11,130
Cash and cash equivalents	11,078	9,499	9,177
	37,433	35,758	34,393
Current liabilities:			
Trade and other payables	13,276	15,054	13,678
Current corporation tax	708	184	306
	13,984	15,238	13,984
Net current assets	23,449	20,520	20,409
Total assets less current liabilities	32,654	30,548	29,308
Non-current liabilities:			
Deferred rent	1,977	1,905	1,878
Pension liability	–	3	–
Deferred tax liability	151	636	11
Net assets	30,526	28,004	27,419
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	981	1,022	981
Share premium account	11,148	11,148	11,148
Capital redemption reserve	1,893	1,852	1,893
ESOP share reserve	(113)	(113)	(113)
Foreign exchange reserve	2,857	2,703	2,158
Cash flow hedge reserve	(90)	(409)	(32)
Retained earnings	13,850	11,801	11,384
Total equity	30,526	28,004	27,419

INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2018 £'000	Unaudited Six months to 31 Oct 2017 £'000	Audited Year to 30 April 2018 £'000
Operating activities			
Profit before taxation	3,625	2,557	4,719
Finance income	(3)	–	(1)
Finance expense	1	2	3
(Profit)/loss on disposal of property, plant and equipment	(7)	–	235
Depreciation	1,406	1,382	2,735
Cash flows from operations before changes in working capital	5,022	3,941	7,691
Increase in inventories and work in progress	(387)	(330)	(301)
(Increase)/decrease in trade and other receivables	(280)	(322)	463
(Decrease)/increase in trade and other payables	(765)	1,880	1,056
Cash generated from operations	3,590	5,169	8,909
Taxation paid			
UK corporation tax paid	(20)	(14)	(350)
Overseas tax paid	(503)	(358)	(679)
	(523)	(372)	(1,029)
Net cash inflow from operating activities	3,067	4,797	7,880
Investing activities			
Payments to acquire property, plant and equipment	(1,271)	(1,614)	(2,382)
Receipts from sales of property, plant and equipment	7	–	49
Interest received	3	–	–
Net cash outflow from investing	(1,261)	(1,614)	(2,333)
Financing activities			
Purchase of own shares	–	–	(2,172)
Interest paid	(1)	(2)	(3)
Equity dividends paid	(253)	(254)	(488)
Net cash outflow from financing	(254)	(256)	(2,663)
Net increase in cash and cash equivalents	1,552	2,927	2,884
Cash and cash equivalents at beginning of period	9,177	6,710	6,710
Exchange gains /(losses) on cash and cash equivalents	349	(138)	(417)
Cash and cash equivalents at end of period	11,078	9,499	9,177

NOTES

1. The Group prepares its annual financial statements in accordance with International Financial Reporting Standards (IFRS). These interim results have been prepared in accordance with the accounting policies expected to be applied in the next annual financial statements for the year ending 30 April 2019.

These standards and interpretations are subject to ongoing review and endorsement by the EU or possible amendment by interpretive guidance from the International Financial Reporting Interpretations Committee ('IFRIC') and are therefore still subject to change.

2. During the financial period ended 31 October 2018, the Company paid a final dividend for the year ended 30 April 2018 of 2.60p per ordinary share amounting to £253,000.

The proposed interim dividend of 2.5p (2017: 2.4p) per share is payable on 10 April 2019 to qualifying shareholders on the register at the close of business on 15 March 2019.

3. Basic earnings per share have been calculated on the basis of earnings of £2,719,000 (2017: £1,828,000) and on 9,747,000 (2017: 10,160,000) ordinary shares being the weighted average number of ordinary shares in issue during the period.
4. Diluted earnings per share have been calculated on the basis of earnings of £2,719,000 (2017: £1,828,000) and on 9,747,000 (2017: 10,160,000) ordinary shares being the weighted average number of ordinary shares in the period adjusted to assume conversion of all dilutive potential ordinary shares of nil (2017: nil).
5. The financial information for the year ended 30 April 2018 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 30 April 2018 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 30 April 2018 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.
6. Copies of the interim report are being sent to shareholders and will be available from the Group's website on www.colefaxgroupplc.com. Copies will also be made available on request to members of the public at the Company's registered office at 19-23 Grosvenor Hill, London W1K 3QD.