



COLEFAX GROUP PLC

INTERIM RESULTS
FOR THE SIX MONTHS TO 31 OCTOBER 2021

CHAIRMAN'S STATEMENT

Financial Results

Group sales for the six months to 31 October 2021 increased by 24.8% to £46.12 million (2020: £37.0 million) and increased by 30.9% on a constant currency basis. Pre-tax profits increased by 33% to £4.49 million (2020: £3.37 million). Earnings per share increased by 40% to 39.6p (2020: 28.2p). The Group ended the half year with cash of £17.5 million (2021: £19.9 million).

In September 2021 the Group returned £6.7 million of surplus capital to shareholders by way of a Tender Offer and share buyback. The Group purchased and cancelled 1,084,905 shares, representing 12% of the issued ordinary share capital at a price of 615p per share.

Trading conditions during the first half of the year remained favourable in most of our major markets and continued the positive trend seen in the second half of last year. We attribute these favourable conditions to a strong housing market and significant pent up demand for home related products. The increase in constant currency sales of 30.9% is partly explained by the adverse impact of the initial lockdowns on the prior year when first half sales were down by 14%. Our strongest markets have been the US and the UK both of which started to recover from the initial impact of the pandemic in September 2020 and have been relatively unaffected by subsequent lockdowns.

Given the recovery in sales and reduced uncertainty about future trading conditions the Board has decided to restart dividend payments and propose an interim dividend of 2.5p. This will be paid on 14 April 2022 to shareholders on the register at 18 March 2022. In line with the Group's policy prior to the start of the pandemic the Board intends to follow a progressive dividend policy.

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 89% of the Group's sales, increased by 23% to £41.25 million (2020: £33.60 million) and by 29% on a constant currency basis. Profits increased by 25% to £4.88 million (2020: £3.89 million). Prior year operating expenses were significantly reduced during the initial phase of the pandemic and the current half year reflects a return to more normal levels of expenditure. In addition the current year results include approximately £0.5 million of additional duty and transport costs resulting from Brexit.

Sales in the US, which represent 62% of the Fabric Division's turnover, increased by 24% in reported terms and by 33% on a constant currency basis. This compares to a constant currency decline of 5.9% in the prior half year. The US has been our strongest market throughout the pandemic. Compared to the UK and Europe the US experienced a much lower decline in sales at the start of the pandemic in 2020 and a faster and stronger recovery which has continued throughout the current year. Towards the end of our last financial year we consolidated the majority of our US warehouse operations into our much larger UK facilities and moved from Manhattan to smaller premises in Brooklyn. This has simplified the US business, reduced costs and improved efficiency and this year we are starting to see the benefits of this reorganisation.

Sales in the UK, which represent 18% of the Fabric Division's turnover, increased by 39% during the period. The increase partly reflects the significant impact of the pandemic on prior year sales. The UK market recovered quickly after the first lockdown in 2020 and demand has remained strong throughout the second half of last year and the first half of this year. The main driver has been high levels of housing market transactions which we consider to be the key external driver of our business. Historically we tend to lag changes in housing market activity. Unlike trading in Europe we have not suffered any additional costs in the UK as a result of Brexit and operationally the main challenges have been due to the impact of the pandemic on supplier lead times.

Sales in Continental Europe, which represent 18% of the Fabric Division's turnover, increased by 7% on a reported basis and by 11% on a constant currency basis. Overall the recovery in Europe has been much weaker than in the US and the UK although we do not believe this is a direct consequence of Brexit. Despite unwelcome extra costs and complexity we have largely maintained our service levels in Europe and attribute the slower recovery to tighter lockdowns and a weaker housing market. Compared to last year Brexit added approximately £0.5 million to our first half operating costs primarily in the form of EU import duty on the sale of goods of non-UK origin. Our largest markets in Europe are France, Germany and Italy and together these three countries account for 53% of EU sales.

Sales in the Rest of the World, which represent just 2% of the Fabric Division's turnover, increased by 14% on a constant currency basis. Our major markets comprise the Middle East, China and Australia and whilst trading in these markets is starting to recover from the pandemic we expect them to remain a small part of overall sales.

CHAIRMAN'S STATEMENT CONTINUED

- ***Furniture – Kingcome Sofas***

Sales for the six months to October 2021 increased by 4% to £1.30 million (2020: £1.25 million) and the Company made an operating loss of £11,000 compared to an operating profit of £166,000 in 2020. The majority of Kingcome sales are made in the UK and trading during the period remained strong reflecting the favourable UK market conditions that we have seen in the Fabric Division. Last year's profit performance was exceptional mainly due to very low factory costs during the first UK lockdown and the timing of sales invoicing where the pandemic delayed deliveries due in the prior period. In addition the current year performance has been affected by significant increases in raw materials and energy costs. At the start of the current financial year the Kingcome showroom had only just reopened after the post Christmas lockdown and the order book was down by 25%. This situation quickly recovered and at the half year end the order book was up by 9%.

Interior Decorating Division

Decorating sales, which account for just under 8% of Group turnover, increased by 72% in the period to £3.57 million (2020: £2.08 million) resulting in a reduced first half loss of £378,000 compared to a loss of £687,000 for the same period last year. The profit on decorating projects is recognised on invoicing and the losses incurred mainly reflect delays in the completion of projects caused by the pandemic. Overseas projects have been particularly affected by travel restrictions and typically these account for around 40% of total sales. Although billings have been relatively low customer deposits and related work in progress both increased significantly during the period and one particularly large UK project is expected to be invoiced in the second half of the year.

Prospects

Our performance over the last six months reflects very favourable trading conditions in the US and the UK which together account for 80% of Fabric Division sales. These conditions have continued into the second half of the year and as a result we remain optimistic about prospects although we expect the rate of growth to slow as the economy gradually returns to normal. Our Decorating Division is expected to deliver an exceptional performance this year due to a major project completing in the second half of the year.

Housing market conditions have been very strong and are the main external driver of Group sales. Over the last six months we have started to experience significant cost inflation in many areas of the business and this will offset some of the sales progress we have made. As far as possible we are trying to mitigate the impact of these above average cost increases although in Europe Brexit has added some unavoidable customs duty and transport costs.

We have made good progress over the last six months and our strong balance sheet means we can invest with confidence in our portfolio of luxury brands and our worldwide distribution network. The last six months have been extremely operationally challenging for all our staff, customers and suppliers and I would like to thank them for their hard work, loyalty and support.

David Green

Chairman

27 January 2022

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

INTERIM GROUP INCOME STATEMENT

| | Unaudited Six months to 31 Oct 2021 £'000 | Unaudited Six months to 31 Oct 2020 £'000 | Audited Year to 30 April 2021 £'000 |
|---|---|---|---|
| Revenue | 46,122 | 36,968 | 77,908 |
| Cost of sales | (21,302) | (15,777) | (33,971) |
| Gross profit | 24,820 | 21,191 | 43,937 |
| Operating expenses | (19,784) | (17,816) | (38,910) |
| Other income | – | 539 | 1,462 |
| Profit from operations | 5,036 | 3,914 | 6,489 |
| Finance expense | (545) | (544) | (1,067) |
| Profit before taxation | 4,491 | 3,370 | 5,422 |
| Tax expense | (1,056) | (842) | (1,376) |
| Profit for the period attributable to equity holders of the parent | 3,435 | 2,528 | 4,046 |
| Basic earnings per share | 39.6p | 28.2p | 45.1p |
| Diluted earnings per share | 39.6p | 28.2p | 45.1p |

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited Six months to 31 Oct 2021 £'000 | Unaudited Six months to 31 Oct 2020 £'000 | Audited Year to 30 April 2021 £'000 |
|---|---|---|---|
| Profit for the period | 3,435 | 2,528 | 4,046 |
| Other comprehensive income/(expense): | | | |
| Items that will or may be reclassified to profit and loss: | | | |
| Exchange differences on translation of foreign operations | (167) | (535) | (1,251) |
| (Losses) / gains recognised directly in equity | – | – | – |
| Transferred to profit and loss for the period | – | – | – |
| Tax relating to items that will or may be reclassified to profit and loss | (12) | 38 | 103 |
| Total other comprehensive income/(expense) | (179) | (497) | (1,148) |
| Total comprehensive income for the period attributable to equity holders of the parent | 3,256 | 2,031 | 2,898 |

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

| | | Unaudited At 31 Oct 2021 £'000 | Unaudited At 31 Oct 2020 £'000 | Audited At 30 April 2021 £'000 |
|--|-------|---|---|---|
| | Notes | | | |
| Non-current assets: | | | | |
| Right of use assets | | 26,276 | 24,170 | 28,506 |
| Property, plant and equipment | | 6,762 | 7,334 | 7,029 |
| Deferred tax asset | | 34 | 165 | 35 |
| | | <u>33,072</u> | <u>31,669</u> | <u>35,570</u> |
| Current assets: | | | | |
| Inventories and work in progress | | 17,766 | 12,527 | 16,025 |
| Trade and other receivables | 4 | 8,123 | 7,560 | 8,631 |
| Current corporation tax | | 427 | – | 513 |
| Cash and cash equivalents | | 17,539 | 19,940 | 19,344 |
| | | <u>43,855</u> | <u>40,027</u> | <u>44,513</u> |
| Current liabilities: | | | | |
| Trade and other payables | 5 | 20,568 | 14,309 | 18,343 |
| Lease liabilities | | 4,760 | 3,896 | 3,992 |
| Other loans | | – | 947 | – |
| Current corporation tax | | – | 459 | – |
| | | <u>25,328</u> | <u>19,611</u> | <u>22,335</u> |
| Net current assets | | <u>18,527</u> | <u>20,416</u> | <u>22,178</u> |
| Total assets less current liabilities | | <u>51,599</u> | <u>52,085</u> | <u>57,748</u> |
| Non-current liabilities: | | | | |
| Lease liabilities | | 23,681 | 21,834 | 26,323 |
| Deferred tax liability | | 333 | 11 | 317 |
| Net assets | | <u>27,585</u> | <u>30,240</u> | <u>31,108</u> |
| Capital and reserves attributable to equity holders of the Company: | | | | |
| Called up share capital | | 794 | 902 | 902 |
| Share premium account | | 11,148 | 11,148 | 11,148 |
| Capital redemption reserve | | 2,081 | 1,972 | 1,972 |
| ESOP share reserve | | (113) | (114) | (113) |
| Foreign exchange reserve | | 1,010 | 1,841 | 1,190 |
| Retained earnings | | 12,665 | 14,491 | 16,009 |
| Total equity | | <u>27,585</u> | <u>30,240</u> | <u>31,108</u> |

INTERIM GROUP STATEMENT OF CASH FLOWS

| | Unaudited Six months to 31 Oct 2021 £'000 | Unaudited Six months to 31 Oct 2020 £'000 | Audited Year to 30 April 2021 £'000 |
|---|---|---|---|
| Operating activities | | | |
| Profit before taxation | 4,491 | 3,370 | 5,422 |
| Finance expense | 545 | 544 | 1,067 |
| (Profit)/loss on disposal of property, plant and equipment | (12) | (13) | (30) |
| Non-cash movement arising from loan waiver | – | – | (922) |
| Depreciation on right of use assets | 2,293 | 2,153 | 2,912 |
| Rent concessions | – | – | (77) |
| Impairment of right of use asset | – | – | 312 |
| Depreciation | 1,121 | 1,557 | 4,329 |
| Cash flows from operations before changes in working capital | 8,438 | 7,611 | 13,013 |
| Decrease/(increase) in inventories and work in progress | (1,654) | 2,927 | (678) |
| (Increase)/decrease in trade and other receivables | 475 | (1,105) | (2,366) |
| Increase/(decrease) in trade and other payables | 1,790 | 2,998 | 7,378 |
| Cash generated from operations | 9,049 | 12,431 | 17,347 |
| Taxation paid | | | |
| UK corporation tax paid | (902) | 24 | (224) |
| Overseas tax paid | (60) | (83) | (877) |
| | (962) | (59) | (1,101) |
| Net cash inflow from operating activities | 8,087 | 12,372 | 16,246 |
| Investing activities | | | |
| Payments to acquire property, plant and equipment | (812) | (514) | (1,888) |
| Receipts from sales of property, plant and equipment | 13 | 13 | 34 |
| Net cash outflow from investing | (799) | (501) | (1,854) |
| Financing activities | | | |
| Purchase of own shares | (6,779) | – | – |
| Principal paid on lease liabilities | (1,873) | (2,749) | (4,853) |
| Interest paid on lease liabilities | (545) | (538) | (1,061) |
| Other interest paid | (1) | (6) | (6) |
| Net cash outflow from financing | (9,198) | (3,293) | (5,920) |
| Net increase in cash and cash equivalents | (1,910) | 8,578 | 8,472 |
| Cash and cash equivalents at beginning of period | 19,344 | 11,538 | 11,538 |
| Exchange (losses)/gains on cash and cash equivalents | 105 | (176) | (666) |
| Cash and cash equivalents at end of period | 17,539 | 19,940 | 19,344 |

NOTES

1. The Group prepares its annual financial statements in accordance with International Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006. 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 2022.
2. Basic earnings per share have been calculated on the basis of earnings of £3,435,000 (2020: £2,528,000) and on 8,685,000 (2020: 8,962,000) ordinary shares being the weighted average number of ordinary shares in issue during the period.
3. Diluted earnings per share have been calculated on the basis of earnings of £3,435,000 (2020: £2,528,000) and on 8,685,000 (2020: 8,962,000) 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 (2020: nil).

4. **Trade and other receivables**

| | As at 31 Oct 2021 | As at 31 Oct 2020 | As at 30 Apr 2021 |
|--------------------------------|----------------------|----------------------|----------------------|
| | £'000 | £'000 | £'000 |
| Trade debtors | 5,198 | 5,144 | 4,868 |
| Other debtors | 1,559 | 994 | 2,558 |
| Prepayments and accrued income | 1,366 | 1,422 | 1,205 |
| | <u>8,123</u> | <u>7,560</u> | <u>8,631</u> |

5. **Trade and other payables**

| | As at 31 Oct 2021 | As at 31 Oct 2020 | As at 30 Apr 2021 |
|---------------------------------------|----------------------|----------------------|----------------------|
| | £'000 | £'000 | £'000 |
| Trade creditors | 5,773 | 4,102 | 4,718 |
| Payments received on account | 8,604 | 4,263 | 6,004 |
| Other taxes and social security costs | 322 | 720 | 559 |
| Other creditors | 1,266 | 1,207 | 1,172 |
| Accruals | 4,603 | 4,017 | 5,890 |
| | <u>20,568</u> | <u>14,309</u> | <u>18,343</u> |

6. The financial information for the year ended 30 April 2021 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 30 April 2021 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 2021 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.
7. 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.

