



# COLEFAX GROUP PLC

INTERIM RESULTS  
FOR THE SIX MONTHS TO 31 OCTOBER 2020

## CHAIRMAN'S STATEMENT

**Financial Results**

Group sales for the six months to 31 October 2020 decreased by 14.0% to £36.97 million (2019: £42.98 million) and decreased by 12.8% on a constant currency basis. Pre-tax profits increased by 17% to £3.37 million (2019: £2.88 million). Earnings per share increased by 13% to 28.2p (2019: 23.9p). The Group ended the first half of the year with cash of £19.9 million (2019: £11.1 million).

The current year started with most of our customers, suppliers and showrooms closed due to worldwide lockdowns. As the lockdowns slowly eased, we experienced a strong recovery in our core Fabric Division sales, which ended the six months down by just 6.3% on a constant currency basis. We attribute this to an increase in housing market activity and renewed interest in home related spending. One consequence of the pandemic has been the delay of our normal autumn product launches to the second half of the year and this timing difference is a major reason for the increase in profit and cash during the period. In addition, the Group received furlough support of £539,000, mostly relating to the months of May and June.

In contrast to the Fabric Division, activity levels in our Decorating Division have been adversely affected by the lockdowns and this has slowed the rate of progress on domestic projects and temporarily curtailed the possibility of overseas work.

The Group has a strong balance sheet and significant cash resources but most of our major markets are currently in varying degrees of lockdown. As a result the Board has decided not to restart dividend payments until there is more certainty about the easing of restrictions and future trading conditions. We anticipate that this will be apparent by our financial year end.

**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 91% of the Group's sales, decreased by 7.8% to £33.6 million (2019: £36.50 million) and by 6.3% on a constant currency basis. Profits increased by 47% to £3.89 million (2019: £2.64 million). The increase in profit is mainly due to timing differences resulting from delays to new product launches caused by the pandemic. These launches and related costs will now take place in the second half of the year.

Sales in the US, which represent 62% of the Fabric Division's turnover, decreased by 8.8% in reported terms and by 5.9% on a constant currency basis. The US market experienced a much lower initial decline in sales than the UK and Europe. During the period we made further progress with the integration of our US warehouse operations into the UK. This process will conclude in March with the move of our US operations out of Manhattan to much smaller premises in Brooklyn and will generate some significant efficiency improvements.

Sales in the UK, which represent 16% of the Fabric Division's turnover, declined by 11.7% during the period. The current lockdown in the UK is starting to have an impact on sales, but as with previous lockdowns, we believe that sales will recover quickly when the lockdowns are eased. Although Brexit has major implications for our European business, the last minute free trade deal means that we expect our UK business to be largely unaffected by the UK's departure from the EU.

Sales in Continental Europe, which represent 20% of the Fabric Division's turnover, decreased by 0.8% on a reported basis and by 2.0% on a constant currency basis. The lower rate of overall decline compared to the US and the UK reflects the fact that our main European markets went into lockdown earlier. Despite the announcement of a free trade deal, the UK's departure from the EU has added an additional layer of cost and complexity when selling to EU customers. Apart from a significant increase in red tape, there are some unavoidable duty costs and custom clearance costs which will reduce the profitability of our European activities.

Sales in the Rest of the World, which represent 2% of the Fabric Division's turnover, decreased by 13% on a constant currency basis. Our major markets comprise the Middle East, China and Australia. Trading in these markets is challenging and we expect them to remain a relatively small proportion of total Fabric Division sales.

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2020 were level with last year at £1.25 million (2019: £1.25 million) and the Company made an operating profit of £166,000 compared to £51,000 in 2019. The Company started the year in lockdown with a skeleton staff but as the UK lockdown eased there was a strong recovery in demand for upholstered furniture. Although the current UK lockdown has closed our showroom and significantly reduced the order intake, the order book is still up by 20% compared to the prior year.

**Interior Decorating Division**

Decorating sales, which account for just under 6% of Group turnover, decreased by 60% in the period to £2.1 million (2019: £5.2 million) resulting in a first half loss of £687,000 compared to a profit of £255,000 for the same period last year. The Decorating Division has been the part of the business most affected by the coronavirus pandemic. Travel restrictions have limited the amount of overseas work and typically this accounts for around 40% of total sales. In addition the rate of progress on existing projects has been slowed or delayed especially where prior construction work is involved. Decorating sales are recognised on completion of projects and this explains the low level of billing during the first half. The current level of lockdown means that this situation is continuing in the second half of the year. During the period, customer deposits increased from £2.1 million to £4.6 million reflecting a healthy level of demand, despite the challenges of the current situation.

**Prospects**

The Group's performance over the last six months has shown resilience in a trading environment where most of our major markets were emerging from varying degrees of lockdown. The easing of lockdowns resulted in renewed interest in home related spending and we believe that this is the reason for a sales recovery that has exceeded our initial expectations.

Our results for the first six months are distorted by minimal new product investment and related launch costs, which have been delayed until the second half of the year. The US continues to perform strongly although the weaker US Dollar will have an impact on profit margins. In the last two months restrictions have been re-imposed to varying degrees in the both the UK and our export markets but, so far the impact on sales is much less than we experienced during the first lockdown. Brexit has added an additional layer of cost and complexity to our European business which we will try to mitigate as far as possible. We are cautiously optimistic about future prospects especially as 62% of our Fabric Division sales are in the US where sales have been very resilient during the pandemic. However, our Decorating Division will take time to return to more normal levels of activity.

The Group has a strong balance sheet and we will continue to invest with confidence in our portfolio of luxury brands and our worldwide distribution network. The last six months have been immensely challenging for all our staff, customers and suppliers and I would like to thank them for their extraordinary contribution during this difficult period.

David Green  
Chairman  
27 January 2021

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

## INTERIM GROUP INCOME STATEMENT

	<b>Unaudited Six months to 31 Oct 2020 £'000</b>	Unaudited Six months to 31 Oct 2019 £'000	Audited Year to 30 April 2020 £'000
<b>Revenue</b>	<b>36,968</b>	42,979	78,364
Cost of sales	<b>(15,777)</b>	(19,129)	(34,602)
<b>Gross Profit</b>	<b>21,191</b>	23,850	43,762
Operating expenses	<b>(17,816)</b>	(20,335)	(40,655)
Other income	<b>539</b>	–	280
<b>Profit from operations</b>	<b>3,914</b>	3,515	3,387
Finance income	–	14	20
Finance expense	<b>(544)</b>	(647)	(1,231)
	<b>(544)</b>	(633)	(1,211)
<b>Profit before taxation</b>	<b>3,370</b>	2,882	2,176
Tax expense	<b>(842)</b>	(740)	(256)
<b>Profit for the period attributable to equity holders of the parent</b>	<b>2,528</b>	2,142	1,920
Basic earnings per share	<b>28.2p</b>	23.9p	21.4p
Diluted earnings per share	<b>28.2p</b>	23.9p	21.4p

## INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited Six months to 31 Oct 2020 £'000</b>	Unaudited Six months to 31 Oct 2019 £'000	Audited Year to 30 April 2020 £'000
<b>Profit for the period</b>	<b>2,528</b>	2,142	1,920
<b>Other comprehensive income/(expense):</b>			
<b>Items that will or may be reclassified to profit and loss:</b>			
Exchange differences on translation of foreign operations	<b>(535)</b>	(269)	121
Cash flow hedges:			
(Losses)/gains recognised directly in equity	–	(84)	(84)
Transferred to profit and loss for the period	–	104	104
Tax relating to items that will or may be reclassified to profit and loss	<b>38</b>	(13)	(54)
<b>Total other comprehensive income/(expense)</b>	<b>(497)</b>	(262)	87
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>	<b>2,031</b>	1,880	2,007

## INTERIM GROUP STATEMENT OF FINANCIAL POSITION

		<b>Unaudited</b>	Unaudited	Audited
		<b>At 31 Oct</b>	At 31 Oct	At 30 April
		<b>2020</b>	2019	2020
	Notes	<b>£'000</b>	£'000	£'000
<b>Non-current assets:</b>				
Right of use assets		<b>24,170</b>	27,665	26,057
Property, plant and equipment		<b>7,334</b>	8,102	8,524
Deferred tax asset		<b>165</b>	110	118
		<b>31,669</b>	35,877	34,699
<b>Current assets:</b>				
Inventories and work in progress		<b>12,527</b>	14,554	15,518
Trade and other receivables	4	<b>7,560</b>	10,378	6,499
Current corporation tax		–	–	332
Cash and cash equivalents		<b>19,940</b>	11,086	11,538
		<b>40,027</b>	36,018	33,887
<b>Current liabilities:</b>				
Trade and other payables	5	<b>14,309</b>	13,405	11,007
Lease liabilities		<b>3,896</b>	4,399	4,612
Other loans		<b>947</b>	–	977
Current corporation tax		<b>459</b>	639	–
		<b>19,611</b>	18,443	16,596
<b>Net current assets</b>		<b>20,416</b>	17,575	17,291
<b>Total assets less current liabilities</b>		<b>52,085</b>	53,452	51,990
<b>Non-current liabilities:</b>				
Lease liabilities		<b>21,834</b>	25,339	23,780
Deferred tax liability		<b>11</b>	35	–
Pension liability		–	1	–
<b>Net assets</b>		<b>30,240</b>	28,077	28,210
<b>Capital and reserves attributable to equity holders of the Company:</b>				
Called up share capital		<b>902</b>	902	902
Share premium account		<b>11,148</b>	11,148	11,148
Capital redemption reserve		<b>1,972</b>	1,972	1,972
ESOP share reserve		<b>(114)</b>	(114)	(113)
Foreign exchange reserve		<b>1,841</b>	1,990	2,338
Retained earnings		<b>14,491</b>	12,179	11,963
<b>Total equity</b>		<b>30,240</b>	28,077	28,210

## INTERIM GROUP STATEMENT OF CASH FLOWS

	<b>Unaudited Six months to 31 Oct 2020 £'000</b>	Unaudited Six months to 31 Oct 2019 £'000	Audited Year to 30 April 2020 £'000
<b>Operating activities</b>			
Profit before taxation	3,370	2,882	2,176
Finance income	–	(14)	(20)
Finance expense	544	647	1,231
(Profit)/loss on disposal of property, plant and equipment	(13)	(17)	(28)
Depreciation on right of use assets	2,153	2,127	3,071
Depreciation	1,557	1,353	4,193
<b>Cash flows from operations before changes in working capital</b>	<b>7,611</b>	6,978	10,623
Decrease/(increase) in inventories and work in progress	2,927	377	(497)
(Increase)/decrease in trade and other receivables	(1,105)	929	4,914
Increase/(decrease) in trade and other payables	2,998	(2,035)	(4,461)
<b>Cash generated from operations</b>	<b>12,431</b>	6,249	10,579
<b>Taxation paid</b>			
UK corporation tax paid	24	(351)	(602)
Overseas tax paid	(83)	(427)	(748)
	(59)	(778)	(1,350)
<b>Net cash inflow from operating activities</b>	<b>12,372</b>	5,471	9,229
<b>Investing activities</b>			
Payments to acquire property, plant and equipment	(514)	(1,203)	(3,183)
Receipts from sales of property, plant and equipment	13	27	39
Interest received	–	14	20
<b>Net cash outflow from investing</b>	<b>(501)</b>	(1,162)	(3,124)
<b>Financing activities</b>			
Proceeds from loans and borrowings	–	–	968
Principal paid on lease liabilities	(2,749)	(1,879)	(3,646)
Interest paid on lease liabilities	(538)	(647)	(1,231)
Other interest paid	(6)	–	–
Equity dividends paid	–	(242)	(242)
<b>Net cash outflow from financing</b>	<b>(3,293)</b>	(2,768)	(4,151)
<b>Net increase in cash and cash equivalents</b>	<b>8,578</b>	1,541	1,954
Cash and cash equivalents at beginning of period	11,538	9,458	9,458
Exchange (losses)/gains on cash and cash equivalents	(176)	87	126
<b>Cash and cash equivalents at end of period</b>	<b>19,940</b>	11,086	11,538

## NOTES

- 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 2021.
- Basic earnings per share have been calculated on the basis of earnings of £2,528,000 (2019: £2,142,000) and on 8,962,000 (2019: 8,962,000) ordinary shares being the weighted average number of ordinary shares in issue during the period.
- Diluted earnings per share have been calculated on the basis of earnings of £2,528,000 (2019: £2,142,000) and on 8,962,000 (2019: 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 (2019: nil).

## 4. Trade and other receivables

	As at 31 Oct 2020 £'000	As at 31 Oct 2019 £'000	As at 30 Apr 2020 £'000
Trade debtors	5,144	4,969	4,438
Other debtors	994	2,733	701
Prepayments and accrued income	1,422	2,676	1,360
	<b>7,560</b>	<b>10,378</b>	<b>6,499</b>

## 5. Trade and other payables

	As at 31 Oct 2020 £'000	As at 31 Oct 2019 £'000	As at 30 Apr 2020 £'000
Trade creditors	4,102	3,625	4,411
Payments received on account	4,263	2,603	2,105
Other taxes and social security costs	720	679	515
Other creditors	1,207	2,985	1,217
Accruals	4,017	3,513	2,759
	<b>14,309</b>	<b>13,405</b>	<b>11,007</b>

- The financial information for the year ended 30 April 2020 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 30 April 2020 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 2020 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.
- Copies of the interim report are being sent to shareholders and will be available from the Group's website on [www.colefaxgroupplc.com](http://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.