

A close-up photograph of a green sofa with a complex, repeating geometric pattern. The sofa is adorned with several pillows: a large green fringed pillow, a smaller light blue pillow with a large pink and red floral design, and a plain pink pillow. The background shows a checkered floor with brown and beige tiles.

COLEFAX GROUP PLC

INTERIM RESULTS
FOR THE SIX MONTHS TO 31 OCTOBER 2022

CHAIRMAN'S STATEMENT

Financial Results

Group sales for the six months to 31 October 2022 increased by 12% to £51.66 million (2021: £46.12 million) and by 2.5% on a constant currency basis. Pre-tax profits increased by 16% to £5.20 million (2021: £4.49 million). Earnings per share increased by 30% to 51.3p (2021: 39.6p) with the increase partly reflecting the benefit of share buybacks in the prior year. The Group ended the half year with cash of £19.95 million (April 30 2022: £21.79 million).

In September 2022 the Group returned £5.4 million of surplus capital to shareholders by way of a Share Buyback Programme. The Group purchased and cancelled 700,000 shares, representing 8.8% of the issued ordinary share capital. This will enhance earnings per share in future periods.

Trading conditions during the first half of the year have been generally favourable in all our major markets. This is reflected in our interim results and is in line with our expectations when we announced our full year results in August 2022. Although rising interest rates have inevitably resulted in a slowdown in housing transactions our sales tend to lag these changes by up to twelve months and as a result we do not believe they had a significant impact on trading in the period. During the first half of the financial year the Group benefitted from the strength of the US Dollar against Sterling. Over 60% of core Fabric Division sales are in the US and invoiced in US Dollars. The average US exchange rate for the first six months was \$1.18 compared to \$1.38 for the prior year and the closing rate was \$1.15 compared to \$1.37 last year. The Group's first half results include a loss of £596,000 (2021: – loss of £378,000) by our Decorating Division. This was due to the timing of project completions which are weighted to the second half of the year.

In line with the Group's progressive dividend policy the Board has decided to propose a 4% increase in the interim dividend to 2.6p (2021: 2.5p). This will be paid on 12 April 2023 to shareholders on the register at 10 March 2023.

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, increased by 14% to £47.17 million (2021: £41.25 million) and by 3.5% on a constant currency basis. Profits increased by 16% to £5.65 (2021: £4.88 million). During the period we continued to experience significant cost inflation from our suppliers mainly driven by substantial increases in factory energy costs. These cost increases are initially reflected in inventory and do not immediately impact our gross profit margins.

Sales in the US, which represent 64% of the Fabric Division's turnover, increased by 18% in reported terms and by 1% on a constant currency basis against very strong prior year comparatives. Last year our first half sales increased by 33% on a constant currency basis and the flattening in sales this year was not unexpected in a period of sharply rising interest rates. US sales remain significantly ahead of pre-pandemic levels. There have been some significant variations in sales by territory in the US reflecting regional variations in housing activity. Our focus in the US is to continue to develop our showroom network to maximise sales opportunities. In April 2023 we will be opening new showrooms in Dallas and Toronto which we expect to have a positive impact on our sales in those markets.

Sales in the UK, which represent 17% of the Fabric Division's turnover, increased by 4% during the period. Sales during the period were 29% higher than the equivalent period prior to the pandemic and reflect a continuation of the post pandemic boom in home decoration driven by changes in lifestyles. As with the US market we have not yet seen a significant slowdown in sales activity as a result of rising interest rates and attribute this to the lag between home spending and housing market activity.

Sales in Continental Europe, which represent 17% of the Fabric Division's turnover, increased by 11% on both a reported basis and a constant currency basis. Despite significantly increased costs and complexity as a result of Brexit our sales in Europe have continued the recovery which started after the first lockdowns. There are significant variations in sales performance between countries. Our three largest markets in Europe are France, Germany and Italy and together these account for just over 50% of European sales. France has been the best performing of these three markets mainly due an increase in contract orders and we expect this to continue in the run up to the Olympics in 2024. In June we switched from a distributor to a direct selling approach in Spain and so far the results have been extremely positive with sales in this market up by 34% on a constant currency basis.

Sales in the Rest of the World, which represent just 2% of the Fabric Division's turnover, increased by 24% on a constant currency basis. Our major markets comprise the Middle East, China and Australia. Sales in the Middle East are mainly focussed on contract orders and continue to offer good opportunities for growth. In contrast trading in China and Australia remained challenging during the first half of the year reflecting the long duration of pandemic lockdowns in these markets.

CHAIRMAN'S STATEMENT CONTINUED

- **Furniture – Kingcome Sofas**

Sales for the six months to October 2022 increased by 5% to £1.36 million (2021: £1.30 million) and the Company made an operating profit of £130,000 compared to an operating loss of £11,000 in 2021. Almost 90% of Kingcome sales are made in the UK and trading conditions became progressively more challenging during the period especially during October. Despite this the order book at the end of October was just below record levels and up by 37% compared to the prior year although this was partly due to longer factory lead times caused by labour and raw material shortages. During the period we completed a major investment in our freehold factory in Devon which will significantly improve operational and energy efficiency. In October we opened a new showroom in the Chelsea Harbour Design Centre and we expect this to have a positive impact on sales in the medium term.

Interior Decorating Division

Decorating sales, which account for just over 6% of Group turnover, decreased by 12% in the period to £3.13 million (2021: £3.57 million) resulting in a first half loss of £596,000 compared to a loss of £378,000 for the same period last year. The profit on decorating projects is recognised on invoicing and the losses incurred in the first half are mainly due to the timing of project completion dates. Most major decorating projects are preceded by significant building work which is outside of our control and since the pandemic many building projects have suffered from delays caused by labour and materials shortages. During the first half we have seen an increase in overseas projects especially in the US and the Middle East. Overseas projects typically account for around 40% of total sales.

Prospects

Our performance over the last six months reflects generally favourable trading conditions in all our major markets, in line with our expectations at the start of the year. In addition we benefitted from a very strong US Dollar exchange rate and as a result, we now expect our full year performance to 30 April 2023 to be ahead of previous expectations.

Our business is closely tied to high end housing market activity but with a time lag of six to twelve months. Over the last six months we are aware that housing transactions have slowed significantly in the US and the UK and we therefore expect trading in these markets to become progressively more challenging in the year ahead. We have experienced significant cost inflation over the last year, mainly driven by increased energy costs in our supply chain but there are tentative signs that the worst might be over.

The Group has a strong balance sheet and we will continue to invest in our distribution network and our portfolio of brands. Our performance over the last six months has involved a tremendous amount of hard work by all our staff and I would like to thank them for their loyalty and support.



David Green

Chairman

20 January 2023

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

INTERIM GROUP INCOME STATEMENT

	Unaudited Six months to 31 Oct 2022 £'000	Unaudited Six months to 31 Oct 2021 £'000	Audited Year to 30 April 2022 £'000
Revenue	51,657	46,122	101,796
Cost of sales	(22,229)	(21,302)	(47,237)
Gross profit	29,428	24,820	54,559
Operating expenses	(23,733)	(19,784)	(42,665)
Profit from operations	5,695	5,036	11,894
Finance expense	(506)	(545)	(1,071)
Profit before taxation	5,189	4,491	10,823
Tax expense	(1,219)	(1,056)	(2,330)
Profit for the period attributable to equity holders of the parent	3,970	3,435	8,493
Basic earnings per share	51.3p	39.6p	102.5p
Diluted earnings per share	51.3p	39.6p	102.5p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 Oct 2022 £'000	Unaudited Six months to 31 Oct 2021 £'000	Audited Year to 30 April 2022 £'000
Profit for the period	3,970	3,435	8,493
Other comprehensive income/(expense):			
Items that will or may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations	760	(167)	522
Tax relating to items that will or may be reclassified to profit and loss	(12)	(12)	–
Total other comprehensive income/(expense)	748	(179)	522
Total comprehensive income for the period attributable to equity holders of the parent	4,718	3,256	9,015

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 Oct 2022 £'000	Unaudited At 31 Oct 2021 £'000	Audited At 30 April 2022 £'000
	Notes			
Non-current assets:				
Right of use assets		25,881	26,276	25,621
Property, plant and equipment		8,447	6,762	7,423
Deferred tax asset		23	34	22
		<u>34,351</u>	<u>33,072</u>	<u>33,066</u>
Current assets:				
Inventories and work in progress	5	16,993	17,766	17,031
Trade and other receivables	6	7,992	8,123	6,976
Current corporation tax		–	427	115
Cash and cash equivalents		19,950	17,539	21,785
		<u>44,935</u>	<u>43,855</u>	<u>45,907</u>
Current liabilities:				
Trade and other payables	7	17,923	20,568	17,582
Lease liabilities		3,332	4,760	4,176
Current corporation tax		304	–	–
		<u>21,559</u>	<u>25,328</u>	<u>21,758</u>
Net current assets		<u>23,376</u>	<u>18,527</u>	<u>24,149</u>
Total assets less current liabilities		<u>57,727</u>	<u>51,599</u>	<u>57,215</u>
Non-current liabilities:				
Lease liabilities		25,174	23,681	23,807
Deferred tax liability		282	333	261
Net assets		<u>32,271</u>	<u>27,585</u>	<u>33,147</u>
Capital and reserves attributable to equity holders of the Company:				
Called up share capital		724	794	794
Share premium account		11,148	11,148	11,148
Capital redemption reserve		2,151	2,081	2,080
ESOP share reserve		(113)	(113)	(113)
Foreign exchange reserve		2,460	1,010	1,712
Retained earnings		15,901	12,665	17,526
Total equity		<u>32,271</u>	<u>27,585</u>	<u>33,147</u>

INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2022 £'000	Unaudited Six months to 31 Oct 2021 £'000	Audited Year to 30 April 2022 £'000
Operating activities			
Profit before taxation	5,189	4,491	10,823
Finance expense	506	545	1,071
Loss /(profit) on disposal of property, plant and equipment	37	(12)	(9)
Depreciation on right of use assets	2,426	2,293	4,609
Depreciation	<u>1,259</u>	<u>1,121</u>	<u>2,274</u>
Cash flows from operations before changes in working capital			
Decrease / (increase) in inventories and work in progress	273	(1,654)	(898)
(Increase) / decrease in trade and other receivables	(762)	475	1,789
(Decrease) / increase in trade and other payables	<u>(418)</u>	<u>1,790</u>	<u>(1,736)</u>
Cash generated from operations	<u>8,510</u>	<u>9,049</u>	<u>17,923</u>
Taxation paid			
UK corporation tax paid	(431)	(902)	(1,595)
Overseas tax paid	<u>(387)</u>	<u>(60)</u>	<u>(488)</u>
	<u>(818)</u>	<u>(962)</u>	<u>(2,083)</u>
Net cash inflow from operating activities	<u>7,692</u>	<u>8,087</u>	<u>15,840</u>
Investing activities			
Payments to acquire property, plant and equipment	(1,914)	(812)	(2,255)
Receipts from sales of property, plant and equipment	<u>–</u>	<u>13</u>	<u>13</u>
Net cash outflow from investing	<u>(1,914)</u>	<u>(799)</u>	<u>(2,242)</u>
Financing activities			
Purchase of own shares	(5,382)	(6,779)	(6,779)
Payment of lease liabilities	(2,896)	(2,418)	(5,134)
Other interest paid	(0)	(1)	3
Equity dividends paid	<u>(213)</u>	<u>–</u>	<u>(197)</u>
Net cash outflow from financing	<u>(8,491)</u>	<u>(9,198)</u>	<u>(12,107)</u>
Net increase in cash and cash equivalents	(2,713)	(1,910)	1,491
Cash and cash equivalents at beginning of period	21,785	19,344	19,344
Exchange gains on cash and cash equivalents	878	105	950
Cash and cash equivalents at end of period	<u>19,950</u>	<u>17,539</u>	<u>21,785</u>

NOTES

1. Basis of Preparation

The condensed group financial statements for the 6 months ended 31 October 2022 have been prepared in accordance with UK-adopted international accounting standards in accordance with the requirements of the Companies Act 2006.

These unaudited group interim financial statements have been prepared in accordance with AIM Rules. In preparing this report, the group has adopted the guidance in the AIM Rules for interim accounts which do not require that the interim condensed group financial statements are prepared in accordance with IAS 34 "Interim financial reporting".

Going concern

The interim Financial Statements have been prepared on a going concern basis.

The Directors, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed group interim financial statements for the period ended 31 October 2022.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Company's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 30 April 2022 Annual Report and Financial Statements, a copy of which is available on the Company's website: www.colefaxgroupplc.com.

Critical accounting estimates

The preparation of condensed group interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in Note 2 of the Group's 30 April 2022 Annual Report and Financial Statements. The nature and amounts of such estimates have not changed significantly during the interim period.

2. Accounting Policies

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 2023.

3. Basic earnings per share have been calculated on the basis of earnings of £3,970,000 (2021: £3,435,000) and on 7,732,000 (2021: 8,685,000) 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 £3,970,000 (2021: £3,435,000) and on 7,732,000 (2021: 8,685,000) ordinary shares being the weighted average number of ordinary shares in the period.

5. Inventories and work in progress

	As at 31 Oct 2022	As at 31 Oct 2021	As at 30 Apr 2022
	£'000	£'000	£'000
Finished goods for resale	14,482	12,033	14,961
Work in progress	<u>2,511</u>	<u>5,733</u>	<u>2,070</u>
	<u>16,993</u>	<u>17,766</u>	<u>17,031</u>

6. Trade and other receivables

	As at 31 Oct 2022	As at 31 Oct 2021	As at 30 Apr 2022
	£'000	£'000	£'000
Trade debtors	3,368	5,198	4,722
Other debtors	2,921	1,559	607
Prepayments and accrued income	<u>1,703</u>	<u>1,366</u>	<u>1,647</u>
	<u>7,992</u>	<u>8,123</u>	<u>6,976</u>

NOTES CONTINUED

7. Trade and other payables

	As at 31 Oct 2022	As at 31 Oct 2021	As at 30 Apr 2022
	£'000	£'000	£'000
Trade creditors	6,034	5,773	5,933
Payments received on account	5,119	8,604	3,360
Other taxes and social security costs	480	322	704
Other creditors	1,213	1,266	1,183
Accruals	5,077	4,603	6,402
	<u>17,923</u>	<u>20,568</u>	<u>17,582</u>

8. The financial information for the year ended 30 April 2022 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 30 April 2022 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 2022 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.

9. 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.

10. Approval of interim financial statements

The interim financial statements were approved by the Board on 20 January 2023.