

AIM: CFX
30 January 2024

COLEFAX GROUP PLC
("Colefax" or the "Group")

Half Year Results
for the six months ended 31 October 2023

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

Highlights

- Group sales up 0.4% to £51.84 million (2022: £51.66 million) and up 3.4% on a constant currency basis
- Group profit before tax down 16% to £4.38 million (2022: £5.20 million)
- Earnings per share down 8% to 47.3p (2022: 51.3p)
- Share Buyback Programme returned £7.2 million of surplus capital to shareholders in September 2023
- Fabric Division sales down 3% to £45.80 million (2022: £47.17 million) and up 0.3% on a constant currency basis
 - US down by 2.4%, UK up by 4%, Europe up by 2.8%
- Decorating Division sales of £4.55 million (2022: £3.13 million) with project completions weighted to the second half of the financial year
 - loss of £221,000 (2022: loss of £596,000)
- Cash generation of £4.2 million excluding share buybacks and dividend payments (2022: £2.9 million)
- Interim dividend of 2.7p (2022: 2.6p) up 4% in line with a progressive dividend policy

David Green, Chairman, said:

"The Group has delivered a good performance in the first six months which is broadly in line with expectations and follows record interim profits in the prior year. Trading in all our major markets is starting to reflect the impact of high interest rates and lower levels of housing market activity. We are therefore expecting conditions to become more difficult especially as customer spending on our products tends to lag changes in housing market activity and we believe trading conditions are likely to remain challenging for much of the next financial year. Our Decorating Division is expected to deliver an exceptional performance this year due to the timing of projects but as a result decorating turnover will be significantly lower next year.

"The Group has a strong balance sheet and we will continue to focus on investing in our distribution network and our portfolio of brands. This will ensure that we are well placed to benefit from any improvement in market conditions."

Enquiries:

Colefax Group plc	David Green, Chief Executive Rob Barker, Finance Director	Tel 020 7318 6021
KTZ Communications	Katie Tzouliadis, Robert Morton	Tel 020 3178 6378
Peel Hunt LLP	Adrian Trimmings, Andrew Clarke	Tel 020 7418 8900

CHAIRMAN'S STATEMENT

Financial Results

Group sales for the six months to 31 October 2023 increased by 0.4% to £51.84 million (2022: £51.66 million) and by 3.4% on a constant currency basis. Pre-tax profits decreased by 16% to £4.38 million (2022: £5.20 million). Earnings per share decreased by 8% to 47.3p (2022: 51.3p). The Group ended the half year with cash of £17.06 million (30 April 2023: £19.75 million).

In September 2023 the Group returned £7.2 million of surplus capital to shareholders by way of a Tender Offer and share buyback. The Group purchased and cancelled 1,013,254 shares at a price of £7.00 and representing 14.0% of the issued ordinary share capital. The share buyback will benefit earnings per share in the current and future financial years.

Sales in our core Fabric Division increased by 0.3% on a constant currency basis against a strong prior year comparative. This was not sufficient to offset the impact of high levels of cost inflation arising in the prior year and is the main reason for the 16% decline in profit before tax in the first half against record prior year profits. Fortunately, we are experiencing lower levels of cost inflation in the current financial year and we expect this trend to continue. First half profits were also adversely impacted by a weaker US Dollar exchange rate of \$1.25 compared to \$1.18 for the prior year but this was partly offset by a reduced loss of £221,000 by our Decorating Division (2022: loss of £596,000).

Trading in the first half of the year was broadly in line with our expectations. Fabric Division sales are closely linked to high end housing market activity and steep increases in interest rates have significantly reduced the number of housing transactions in all our major markets. Our business lags changes in housing market activity by up to twelve months and so the full impact of higher interest rates has only just started to take effect.

In line with the Group's progressive dividend policy the Board has decided to propose a 4% increase in the interim dividend to 2.7p (2022: 2.6p). This will be paid on 11 April 2024 to shareholders on the register at 8 March 2024.

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 88% of the Group's sales, decreased by 3% to £45.80 million (2022: £47.17 million) but increased by 0.3% on a constant currency basis. Profits decreased by 21% to £4.48 million (2022: £5.65 million). High levels of cost inflation in the prior year have not been repeated in the current year but a more challenging sales environment means that sales growth was not sufficient to fully offset a higher cost base.

Sales in the US, which represent 61% of the Fabric Division's turnover, decreased by 7% in reported terms and by 2% on a constant currency basis. This compares to a constant currency increase of 1% in the first half of last year. Sales in the US have held up well, despite rising interest rates and we have continued to invest in our showroom network to take advantage of sales opportunities in specific territories. In November, we opened new showrooms in Dallas and Toronto and started selling direct to customers rather than via agents. We are confident that these new showrooms will deliver increased sales in these territories.

Sales in the UK, which represent 18% of the Fabric Division's turnover, increased by 4% during the period and compare to an increase of 4% in the first half of the prior year. This performance was slightly ahead of our expectations at the start of the year and partly reflects the success of recent new product launches. We are also benefitting from the expansion of our trade showroom in the Chelsea Harbour Design Centre which took place in October 2022.

Sales in Continental Europe, which represent 18% of the Fabric Division's turnover, increased by 3% on both a reported basis and a constant currency basis. This follows an 11% increase in sales in the first half of the prior year. Trading in Europe has remained fairly robust in most markets although it remains less profitable post Brexit due to increased operating costs, notably customs duty on EU exports. France, Germany and Italy collectively accounted for 48% of sales in Europe.

Sales in the Rest of the World, which represent just 3% of the Fabric Division's turnover, increased by 32% on a constant currency basis. The increase was mainly due to an increase in contract orders to the

Middle East which can vary significantly between reporting periods. Our other main markets in the Rest of the World are China and Australia, but they remain a small part of overall sales and are not a focus for growth.

Furniture – Kingcome Sofas

Sales for the six months to October 2023 increased by 10% to £1.50 million (2022: £1.36 million) and the Company made an operating profit of £126,000 (2022: £130,000). Furniture sales are recognised on delivery of orders and the 10% increase in sales during the period was due to improvements in factory productivity which reduced the existing order book and hence the lead time for new orders, to a more acceptable level. The improvement in productivity follows a significant investment in the factory in the prior year. Most furniture sales are made to order and relate to UK customers. Trading conditions during the period were challenging and the order intake was down by 22% compared to a strong prior year comparative. The reduced level of orders reflects high UK interest rates and a subdued housing market and trading is expected to remain challenging for at least the remainder of the year.

Interior Decorating Division

Decorating sales, which account for just under 9% of Group turnover, increased by 45% in the period to £4.55 million (2022: £3.13 million) resulting in a reduced first half loss of £221,000 compared to a loss of £596,000 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. Decorating Division work in progress increased by 39% during the period and with a high level of project completions expected in the second half of the year an exceptional overall performance is now expected for the full year. This timing does mean that Decorating Division sales will be significantly lower next year.

Prospects

The Group has delivered a good performance in the first six months which is broadly in line with expectations and follows record interim profits in the prior year. Trading in all our major markets is starting to reflect the impact of high interest rates and lower levels of housing market activity. We are therefore expecting conditions to become more difficult especially as customer spending on our products tends to lag changes in housing market activity and we believe trading conditions are likely to remain challenging for much of the next financial year. Our Decorating Division is expected to deliver an exceptional performance this year due to the timing of projects but as a result decorating turnover will be significantly lower next year.

The Group has a strong balance sheet and we will continue to focus on investing in our distribution network and our portfolio of brands. This will ensure that we are well placed to benefit from any improvement in market conditions.

David Green
Chairman

30 January 2024

COLEFAX GROUP PLC

INTERIM GROUP INCOME STATEMENT

	Unaudited Six months to 31 Oct 2023 £'000	Unaudited Six months to 31 Oct 2022 £'000	Audited Year to 30 April 2023 £'000
Revenue	51,842	51,657	104,818
Cost of sales	(22,450)	(22,229)	(45,085)
Gross profit	29,392	29,428	59,733
Operating expenses	(24,557)	(23,733)	(50,214)
Profit from operations	4,835	5,695	9,519
Finance income	40	-	26
Finance expense	(492)	(506)	(1,001)
Profit before taxation	4,383	5,189	8,544
Tax expense	(1,095)	(1,219)	(1,857)
Profit for the period attributable to equity holders of the parent	3,288	3,970	6,687
Basic earnings per share	47.3p	51.3p	89.7p
Diluted earnings per share	47.3p	51.3p	89.7p

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months to 31 Oct 2023 £'000	Unaudited Six months to 31 Oct 2022 £'000	Audited Year to 30 April 2023 £'000
Profit for the period	3,288	3,970	6,687
Other comprehensive (expense) / income:			
Items that will or may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations	(174)	760	(93)
Tax relating to items that will or may be reclassified to profit and loss	(12)	(12)	-
Total other comprehensive (expense) / income	(186)	748	(93)
Total comprehensive income for the period attributable to equity holders of the parent	3,102	4,718	6,594

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INTERIM GROUP STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited As at 31 Oct 2023 £'000	Unaudited As at 31 Oct 2022 £'000	Audited As at 30 April 2023 £'000
Non-current assets:				
Right of use assets		21,596	25,881	23,464
Property, plant and equipment		8,029	8,447	8,231
Deferred tax asset		23	23	23
		29,648	34,351	31,718
Current assets:				
Inventories and work in progress	5	19,557	16,993	19,487
Trade and other receivables	6	8,119	7,992	9,153
Current corporation tax		-	-	144
Cash and cash equivalents		17,055	19,950	19,746
		44,731	44,935	48,530
Current liabilities:				
Trade and other payables	7	20,035	17,923	20,003
Lease liabilities		2,891	3,332	3,085
Current corporation tax		37	304	-
		22,963	21,559	23,088
Net current assets		21,768	23,376	25,442
Total assets less current liabilities		51,416	57,727	57,160
Non-current liabilities:				
Lease liabilities		21,557	25,174	22,977
Deferred tax liability		226	282	223
Net assets		29,633	32,271	33,960
Capital and reserves attributable to equity holders of the Company:				
Called up share capital		622	724	724
Share premium account		11,148	11,148	11,148
Capital redemption reserve		2,252	2,151	2,150
ESOP share reserve		(113)	(113)	(113)
Foreign exchange reserve		1,433	2,460	1,619
Retained earnings		14,291	15,901	18,432
Total equity		29,633	32,271	33,960

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INTERIM GROUP STATEMENT OF CASH FLOWS

	Unaudited Six months to 31 Oct 2023 £'000	Unaudited Six months to 31 Oct 2022 £'000	Audited Year to 30 April 2023 £'000
Operating activities			
Profit before taxation	4,383	5,189	8,544
Finance income	(40)	-	(26)
Finance expense	492	506	1,001
Loss on disposal of property, plant and equipment	1	37	47
Depreciation on right of use assets	2,334	2,426	4,952
Depreciation	1,307	1,259	2,748
Cash flows from operations before changes in working capital	8,477	9,417	17,266
(Increase) / decrease in inventories and work in progress	(24)	273	(2,462)
Decrease / (increase) in trade and other receivables	1,193	(762)	(2,099)
(Decrease) / increase in trade and other payables	(721)	(418)	2,239
Cash generated from operations	8,925	8,510	14,944
Taxation paid			
UK corporation tax paid	(433)	(431)	(699)
Overseas tax paid	(510)	(387)	(1,103)
	(943)	(818)	(1,802)
Net cash inflow from operating activities	7,982	7,692	13,142
Investing activities			
Interest received	40	-	-
Payments to acquire property, plant and equipment	(969)	(1,914)	(3,580)
Net cash outflow from investing	(929)	(1,914)	(3,580)
Financing activities			
Purchase of own shares	(7,227)	(5,382)	(5,382)
Principal paid on lease liabilities	(2,183)	(2,389)	(4,846)
Interest paid on lease liabilities	(458)	(507)	(999)
Equity dividends paid	(201)	(213)	(399)
Net cash outflow from financing	(10,069)	(8,491)	(11,626)
Net decrease in cash and cash equivalents	(3,016)	(2,713)	(2,064)
Cash and cash equivalents at beginning of period	19,746	21,785	21,785
Exchange gains on cash and cash equivalents	325	878	25
Cash and cash equivalents at end of period	17,055	19,950	19,746

COLEFAX GROUP PLC

NOTES

1. Basis of Preparation

The condensed group financial statements for the 6 months ended 31 October 2023 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 2023.

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 2023 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 2023 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 2024.

3. Basic earnings per share have been calculated on the basis of earnings of £3,288,000 (2022: £3,970,000) and on 6,957,000 (2022: 7,732,000) 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 £3,288,000 (2022: £3,970,000) and on 6,957,000 (2022: 7,732,000) ordinary shares being the weighted average number of ordinary shares in the period.

5. **Inventories and work in progress**

	As at 31 Oct 2023 £'000	As at 31 Oct 2022 £'000	As at 30 Apr 2023 £'000
Finished goods for resale	15,431	14,482	16,508
Work in progress	4,126	2,511	2,979
	19,557	16,993	19,487

NOTES (CONTINUED)

6.	Trade and other receivables	As at 31 Oct 2023 £'000	As at 31 Oct 2022 £'000	As at 30 Apr 2023 £'000
	Trade debtors	3,238	3,368	5,613
	Other debtors	2,982	2,921	1,403
	Prepayments and accrued income	1,899	1,703	2,137
		8,119	7,992	9,153

7.	Trade and other payables	As at 31 Oct 2023 £'000	As at 31 Oct 2022 £'000	As at 30 Apr 2023 £'000
	Trade payables	6,288	6,034	5,525
	Payments received on account	6,271	5,119	5,272
	Other taxes and social security costs	534	480	609
	Other payables	1,278	1,213	1,430
	Accruals	5,664	5,077	7,167
		20,035	17,923	20,003

8. The financial information for the year ended 30 April 2023 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 30 April 2023 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 2023 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 29 January 2024.