

AIM: CFX
12 August 2021

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

Preliminary Results for the year ended 30 April 2021

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.

Key Points

- Sales decreased by 1% to £77.91m (2020 - £78.36m) but on a constant currency basis, sales increased by 2%
- Pre-tax profit increased by 149% to £5.42m (2020 - £2.18m) - mainly driven by a strong recovery in core Fabric Division sales, and also lower new product investment
 - profit included a prior year US CARES loan of £922,000 approved as a grant in the financial year under review
- Earnings per share increased by 111% to 45.1p (2020 – 21.4p)
- Cash at 30 April 2021 increased to £19.3m (2020 - £11.5m)
- Fabric Division sales increased by 3.8% to £69.58m (2020 - £67.03m) and by 6.7% on a constant currency basis
 - US sales up by 8%, UK sales up by 1% and Europe sales up by 9% (on a constant currency basis)
- Decorating Division sales decreased by 35% to £5.79m (2020 - £8.96m) resulting in a pre-tax loss of £680,000 (2020 - £121,000 profit)
 - project delays and travel restrictions caused by the pandemic impacted activity
- Board is not proposing a final dividend but intends to restart dividends in the new financial year

David Green, Chief Executive of Colefax Group plc, said:

"Results for this financial year and the prior year were significantly impacted by emergency lockdowns across the world. However, with the easing of restrictions, sales in the Fabric Division, our core operation, recovered strongly. This was fuelled by a buoyant housing market and surge in home-related spending.

"Demand is currently strong across all areas of the business, and we are therefore optimistic about sales prospects. However, it is not yet clear how long these favourable conditions will last, and two factors will weigh on profits. First, the strength of Sterling against the US Dollar, the US being our dominant marketplace, and secondly the additional costs of selling in EU markets following Brexit. In our Decorating Division, we are expecting an exceptional year, but this is partly due to the delay of projects from the prior year."

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COLEFAX GROUP PLC

CHAIRMAN'S STATEMENT

Financial Results

Group sales for the year to 30 April 2021 decreased by 1% to £77.91 million (2020 - £78.36 million) but increased by 2% on a constant currency basis. Pre-tax profits increased by 149% to £5.42 million (2020 - £2.18 million) and earnings per share increased by 111% to 45.1p (2020 – 21.4p). The Group ended the year with cash of £19.3 million (2020 - £11.5 million).

The Board is not proposing the payment of a final dividend for the year ended 30 April 2021 but intends to restart dividend payments in respect of the year ended 30 April 2022. Going forward it is the Board's intention to return to a progressive dividend policy. The Board will continue to review options for returning surplus cash to shareholders in line with the Group's long running share buyback strategy.

The financial year started in the middle of the first worldwide lockdowns and the timing of our year end on 30 April means that our results for both the current and prior year have been significantly impacted. The principal reason for the increase in profit was a strong recovery in Fabric Division sales which ended the year up by 6.7% on a constant currency basis. This recovery started after the first lockdowns ended and continued through the remainder of the year. In contrast our Decorating Division made a pre-tax loss of £680,000 due to project delays and travel restrictions caused by the pandemic. Group profit includes furlough income of £540,000 (2020 - £280,000) and £922,000 from a prior year coronavirus related US CARES loan which was approved as a grant and recognised as income in April 2021.

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 Group turnover, increased by 3.8% to £69.58 million (2020 - £67.03 million) and by 6.7% on a constant currency basis. Pre-tax profit increased by 197% to £5.81 million (2020 - £2.0 million). Prior year profit included exceptional costs of £714,000 relating to the move of our US Fabric Division operations to the UK.

The improvement in Fabric Division profit was partly due to cost reductions resulting from lower levels of new product investment during the year. Furlough income amounted to £427,000 with the majority of this amount claimed in the peak lockdown months of May, June and July 2020. In addition a prior year US CARES loan of £922,000 was only approved as a grant and recognised as income in April 2021, hence distorting profits between the current and prior year.

The financial year began with the majority of our customers and suppliers closed or partially closed due to the first lockdowns. Sales were significantly down in the first quarter but started to recover as soon as the lockdowns ended and continued to recover for the remainder of the financial year despite subsequent lockdowns. We attribute this recovery to a significant increase in housing market activity and home related spending.

Sales in the US, which represent 61% of the Fabric Division's turnover, increased by 3% and by 8% on a constant currency basis. The US has been our strongest market throughout the pandemic with a lower decline in sales during the initial lockdown and a stronger recovery post lockdown.

During the year we completed the transfer of the majority of our US warehouse operations to the UK and moved our US headquarters out of New York City to smaller office and warehouse premises in Brooklyn. Going forward this will reduce costs and improve efficiency. In March we moved to a new showroom in the Chicago Design Center and we are pleased with the positive reaction from customers.

Sales in the UK, which represent 16% of the Fabric Division's turnover, increased by 1%. The UK market recovered quickly after the first national lockdown ended in June 2020 and the impact of subsequent lockdowns in the second half of the year was much less significant than the first lockdown due to more customers managing to continue trading and strong demand for home related products.

Sales in Continental Europe, which represent 21% of the Fabric Division's turnover, increased by 11% and by 9% on a constant currency basis. The increase is due to the fact that the first European lockdowns started earlier and had a bigger impact in the prior year than they did in the UK and the US.

Brexit appears to have had a relatively modest impact on our European sales but it has had a significant impact on costs and complexity. An unexpected twist in the free trade agreement means that fabrics sourced from EU manufacturers are subject to import duty when re-exported from the UK to EU customers. Together with higher freight and administration charges the result is that costs have increased by approximately £900,000 per year as a result of Brexit.

Sales in the Rest of the World, which represent just 2% of the Fabric Division's turnover, decreased by 4% during the year. Our major markets in the Rest of the World are the Middle East, China and Australia and these are likely to remain a small proportion of total Fabric Division sales.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which represent 4% of Product Division sales, increased by 7% to £2.53 million (2020 - £2.37 million) but were 6% lower than pre-pandemic sales for the year ended 30 April 2019. Pre-tax profit increased by 188% to £288,000 (2020 - £100,000). The increase in sales and profit was partly due to the fact that relatively few deliveries were possible in April of the prior year during the first national lockdown and took place in the current year. Furniture sales recovered very quickly when our Fulham Road showroom re-opened after the first lockdown. However, subsequent lockdowns and showroom closures starting in November and December did have an adverse impact on orders because most customers like to visit the showroom before making a buying decision. The order book at the year end was down 25% on the prior year but has subsequently increased to above prior year levels reflecting strong pent up demand for furniture.

Interior Decorating Division

Decorating sales, which account for 7% of Group turnover, decreased by 35% to £5.79 million (2020 - £8.96 million) resulting in a pre-tax loss for the year of £680,000 (2020 - £121,000 profit). In a normal year around 40% of sales would come from overseas projects but for much of the year it was not possible to travel overseas to visit new and existing customer's premises. The UK lockdowns also adversely impacted sales and profit by slowing the rate of progress on domestic projects. Despite these challenges, demand for decorating work has remained strong and partly due to delays to existing projects, customer deposits ended the year at a record level of £5.8 million.

Prospects

We are currently experiencing strong demand in all areas of the business and believe this is a direct consequence of the lockdowns with end customers either moving house or re-decorating their existing home. Although we are optimistic about sales prospects, it is not yet clear how long these favourable conditions will last. In addition, two factors will weigh on profits in the current year. Firstly, Sterling has strengthened significantly against the US Dollar since a Brexit trade deal was announced in January and Group profits are very sensitive to the US Dollar exchange rate. Secondly, Brexit has resulted in a significant increase in the cost of selling in EU markets. In our Decorating Division we are expecting an exceptional year but this is partly due to the completion of projects delayed from the prior year.

The last year has been unprecedented and uniquely challenging for all our customers, suppliers and staff. I am extremely grateful to our staff who have worked tirelessly to respond to new situations and new ways of working which prioritise health and safety. They have kept the business running smoothly in constantly changing circumstances and I would like to thank them for their hard work, loyalty and support.

David Green
Chairman
12 August 2021

GROUP INCOME STATEMENT

For the year ended 30 April 2021

	2021	2020
	£'000	£'000
Revenue	77,908	78,364
Cost of sales	(33,971)	(34,602)
Gross profit	43,937	43,762
Operating expenses	(38,910)	(40,655)
Other income	1,462	280
Profit from operations	6,489	3,387
Finance income	-	20
Finance expense	(1,067)	(1,231)
Profit before taxation	5,422	2,176
Tax expense	(1,376)	(256)
Profit for the year attributable to equity holders of the parent	4,046	1,920
Basic earnings per share	45.1p	21.4p
Diluted earnings per share	45.1p	21.4p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2021

	2021 £'000	2020 £'000
Profit for the year	4,046	1,920
Other comprehensive income / (expense):		
Items that will or may be reclassified to profit and loss:		
Exchange differences on translation of foreign operations	(1,251)	121
Cash flow hedges:		
Gains/(losses) recognised directly in equity	-	(84)
Transferred to profit and loss for the year	-	104
Tax relating to items that will or may be reclassified to profit and loss	103	(54)
	(1,148)	87
Total other comprehensive income / (expense)	(1,148)	87
Total comprehensive income for the year attributable to equity holders of the parent	2,898	2,007

GROUP STATEMENT OF FINANCIAL POSITION
At 30 April 2021

	2021 £'000	2020 £'000
Non-current assets:		
Property, plant and equipment	7,029	8,524
Right of use asset	28,506	26,057
Deferred tax asset	35	118
	35,570	34,699
Current assets:		
Inventories and work in progress	16,025	15,518
Trade and other receivables	8,631	6,499
Cash and cash equivalents	19,344	11,538
Current corporation tax	513	332
	44,513	33,887
Current liabilities:		
Trade and other payables	18,343	11,007
Lease liabilities	3,992	4,612
Other loans	-	977
	22,335	16,596
Net current assets	22,178	17,291
Total assets less current liabilities	57,748	51,990
Non-current liabilities:		
Lease liabilities	26,323	23,780
Deferred tax liability	317	-
Net assets	31,108	28,210
Capital and reserves attributable to equity holders of the Company:		
Called up share capital	902	902
Share premium account	11,148	11,148
Capital redemption reserve	1,972	1,972
ESOP share reserve	(113)	(113)
Foreign exchange reserve	1,190	2,338
Cash flow hedge reserve	0	0
Retained earnings	16,009	11,963
Total equity	31,108	28,210

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 April 2021

	2021 £'000	2020 £'000
Operating activities		
Profit before taxation	5,422	2,176
Finance income	-	(20)
Finance expense	1,067	1,231
Profit on disposal of property, plant and equipment	(30)	(28)
Non-cash profit arising from loan waiver	(922)	-
Depreciation	2,912	3,071
Rent concessions	(77)	-
Impairment of right of use asset	312	-
Depreciation on right of use assets	4,329	4,193
Cash flows from operations before changes in working capital	13,013	10,623
Increase in inventories and work in progress	(678)	(497)
(Increase) / decrease in trade and other receivables	(2,366)	4,914
Increase / (decrease) in trade and other payables	7,378	(4,461)
Cash generated from operations	17,347	10,579
Taxation paid		
UK corporation tax paid	(224)	(602)
Overseas tax paid	(877)	(748)
	(1,101)	(1,350)
Net cash inflow from operating activities	16,246	9,229
Investing activities		
Payments to acquire property, plant and equipment	(1,888)	(3,183)
Receipts from sales of property, plant and equipment	34	39
Interest received	-	20
Net cash outflow from investing	(1,854)	(3,124)
Financing activities		
Proceeds from loans and borrowings	-	968
Principal paid on lease liabilities	(4,853)	(3,646)
Interest paid on lease liabilities	(1,061)	(1,231)
Interest paid	(6)	-
Equity dividends paid	-	(242)
Net cash outflow from financing	(5,920)	(4,151)
Net increase in cash and cash equivalents	8,472	1,954
Cash and cash equivalents at beginning of year	11,538	9,458
Exchange (losses)/gains on cash and cash equivalents	(666)	126
Cash and cash equivalents at end of year	19,344	11,538

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2021

	Share capital	Share premium account	Capital redemption reserve	ESOP share reserve	Foreign exchange reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2020	902	11,148	1,972	(113)	2,338	0	11,963	28,210
Profit for the year	-	-	-	-	-	-	4,046	4,046
Foreign exchange	-	-	-	-	(1,251)	-	-	(1,251)
Tax on other comprehensive income	-	-	-	-	103	-	-	103
Total comprehensive income for the year	-	-	-	-	(1,148)	-	4,046	2,898
At 30 April 2021	902	11,148	1,972	(113)	1,190	0	16,009	31,108
At 1 May 2019	902	11,148	1,972	(113)	2,267	(16)	10,279	26,439
Profit for the year	-	-	-	-	-	-	1,920	1,920
Foreign exchange	-	-	-	-	121	-	-	121
Cash flow hedges:								
Losses	-	-	-	-	-	(84)	-	(84)
Transfers	-	-	-	-	-	104	-	104
Tax on other comprehensive income	-	-	-	-	(50)	(4)	-	(54)
Total comprehensive income for the year	-	-	-	-	71	16	1,920	2,007
Share buybacks	-	-	-	-	-	-	6	6
Dividends paid	-	-	-	-	-	-	(242)	(242)
At 30 April 2020	902	11,148	1,972	(113)	2,338	0	11,963	28,210

COLEFAX GROUP PLC

NOTES TO THE FINANCIAL INFORMATION

1. Earnings per share

Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £4,046,000 (2019 – £1,920,000) and on 8,962,440 (2020 – 8,962,440) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Shares owned by the Colefax Group Plc Employees' Share Ownership Plan (ESOP) Trust are excluded from the basic earnings per share calculation.

Diluted earnings per share are the same as basic earnings per share as there are no outstanding share options in force at 30 April 2021.

2. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2021 £'000	2020 £'000
Cash at bank and in hand	<u>19,344</u>	<u>11,538</u>

The fair value of cash and cash equivalents are considered to be their book value.

3. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	5,216	4,892
Less: provision for impairment of trade receivables	(348)	(454)
Other receivables	2,558	701
Prepayments and accrued income	<u>1,205</u>	<u>1,360</u>
	<u>8,631</u>	<u>6,499</u>

4. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	4,718	4,411
Accruals	5,890	2,759
Payments received on account	6,004	2,105
Other taxes and social security costs	559	515
Other payables	<u>1,172</u>	<u>1,217</u>
	<u>18,343</u>	<u>11,007</u>

5. Financial Information

The above financial information, which has been prepared in accordance with international accounting standards in conformity with the Companies Act 2006, does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

The financial information for the year ended 30 April 2021 has been extracted from the statutory accounts which will be delivered to the Registrar of Companies following the Company's annual general meeting. The comparative financial information is based on the statutory accounts for the financial year ended 30 April 2020 which have been delivered to the Registrar of Companies. The Independent Auditors' Report on both of those financial statements was unqualified, did not draw

attention to any matters by way of emphasis and did not contain a statement under Section 498(2) and Section 498(3) of the Companies Act 2006.

Copies of the Annual Report and full Financial Statements will be posted to shareholders during the week commencing 16 August 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.

6. **Annual General Meeting**

The Annual General Meeting of Colefax Group Plc will be held at 19-23 Grosvenor Hill London W1K 3QD on 23 September 2021 at 11.00am.