

COLEFAX GROUP PLC



INTERIM RESULTS
FOR THE SIX MONTHS TO 31 OCTOBER 2023

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.

CHAIRMAN'S STATEMENT CONTINUED

- **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

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

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

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

		Unaudited At 31 Oct 2023 £'000	Unaudited At 31 Oct 2022 £'000	Audited At 30 April 2023 £'000
	Notes			
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
		<u>29,648</u>	<u>34,351</u>	<u>31,718</u>
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
		<u>44,731</u>	<u>44,935</u>	<u>48,530</u>
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	-
		<u>22,963</u>	<u>21,559</u>	<u>23,088</u>
Net current assets		<u>21,768</u>	<u>23,376</u>	<u>25,442</u>
Total assets less current liabilities		<u>51,416</u>	<u>57,727</u>	<u>57,160</u>
Non-current liabilities:				
Lease liabilities		21,557	25,174	22,977
Deferred tax liability		226	282	223
Net assets		<u>29,633</u>	<u>32,271</u>	<u>33,960</u>
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		<u>29,633</u>	<u>32,271</u>	<u>33,960</u>

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	<u>1,307</u>	<u>1,259</u>	<u>2,748</u>
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	<u>(721)</u>	<u>(418)</u>	<u>2,239</u>
Cash generated from operations	<u>8,925</u>	<u>8,510</u>	<u>14,944</u>
Taxation paid			
UK corporation tax paid	(433)	(431)	(699)
Overseas tax paid	<u>(510)</u>	<u>(387)</u>	<u>(1,103)</u>
	(943)	(818)	(1,802)
Net cash inflow from operating activities	<u>7,982</u>	<u>7,692</u>	<u>13,142</u>
Investing activities			
Interest received	40	–	–
Payments to acquire property, plant and equipment	<u>(969)</u>	<u>(1,914)</u>	<u>(3,580)</u>
Net cash outflow from investing	<u>(929)</u>	<u>(1,914)</u>	<u>(3,580)</u>
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	<u>(201)</u>	<u>(213)</u>	<u>(399)</u>
Net cash outflow from financing	<u>(10,069)</u>	<u>(8,491)</u>	<u>(11,626)</u>
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

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
	<u>19,557</u>	<u>16,993</u>	<u>19,487</u>

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
	<u>8,119</u>	<u>7,992</u>	<u>9,153</u>

