FINANCIAL SUMMARY

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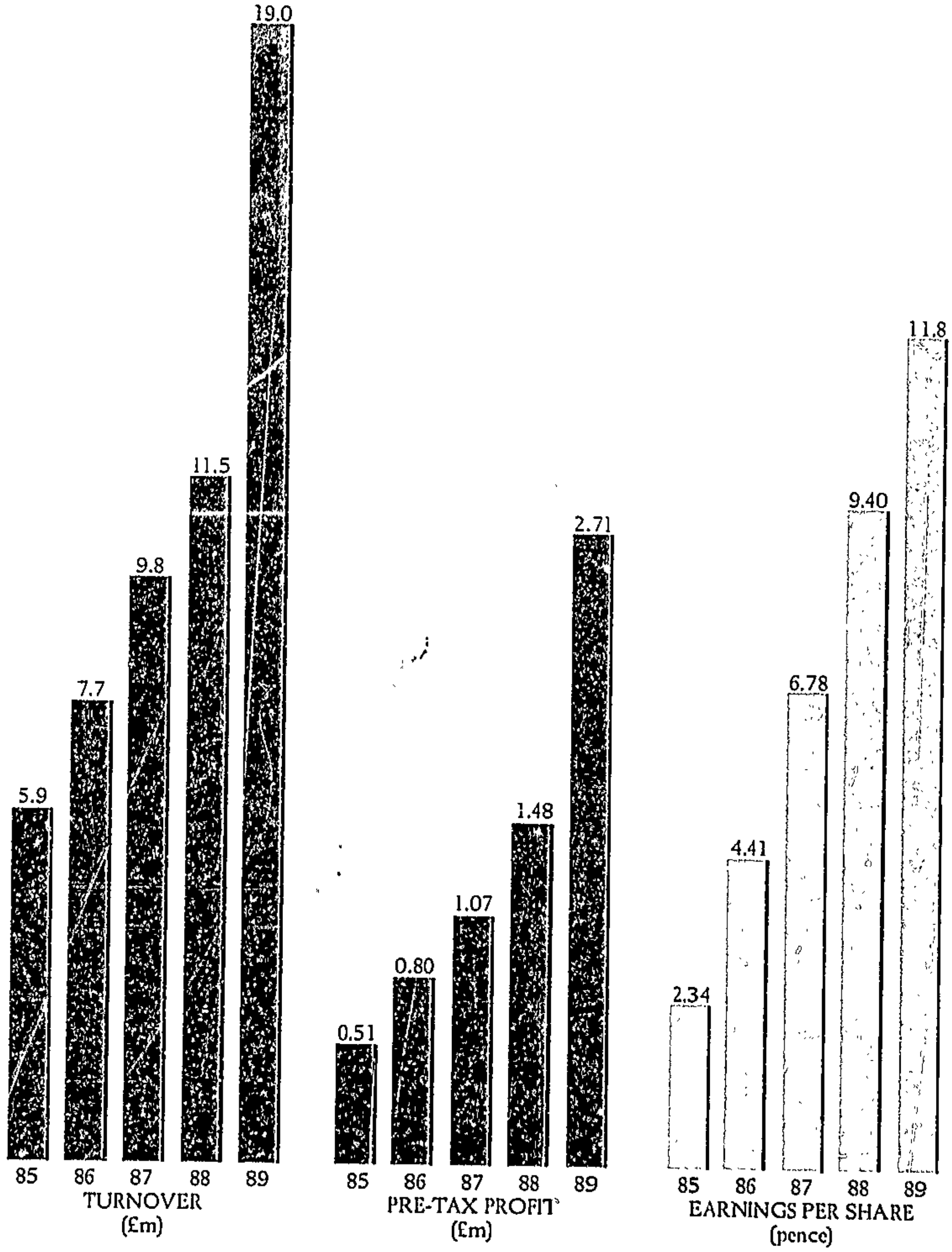


B 313
22/3/90

TO OUR SHAREHOLDERS

The Company has made record profits for the year to 30th April 1989. Profits before tax increased by 83% to £2.709 million. Turnover rose by 66% to £19.037 million. Earnings per share have risen by 26% to 11.8p.

The Directors have proposed a final dividend of 2.2p net, making a total of 3.3p net for the full year.

In 1988, substantial progress was made towards the Company's stated objectives of directly controlling the marketing and pricing of its products in overseas markets and increasing the contribution of profits generated from the sales of fabrics and wallpapers.

U.K. Two collections, "Halkin" and "Ebury" were launched in 1988 and both have been very well received. Trade sales in the UK increased by 40%. The new trade showroom opened in July 1988 and is proving very popular. In response to increased demand, a new warehouse is currently being planned and will be operational by October 1989. Retail sales remain buoyant and a new outlet in Sloane Street is due to be opened in September 1989.

U.S.A. Cowtan and Tout, a leading designer and distributor of fabrics and wallpapers in the USA, which was acquired in November 1988, is already contributing to the Company's profits. Currently Cowtan and Tout distributes 50% of the Colefax range and by 1st January 1991 will be distributing the complete Colefax range. Major savings are anticipated in the future by the planning, design and introduction of joint collections.

Cowtan and Tout distributes through a network of 17 showrooms in "D & D Buildings" throughout the United States. The New York showroom, which currently accounts for approximately 45% of Cowtan and Tout's sales, has been expanded by 30% to handle the current and future collections of both companies. In expanding the operations of Cowtan and Tout, we expect to generate additional profits in the Company's strongest and largest overseas market.

Australia. The Company considers Australia to be potentially its second most important overseas market after the USA and we are pleased to report strong sales for the first ten months of trading. We have established a good retail operation in Sydney and the complete Colefax range is available through a network of agents in Melbourne, Perth, Adelaide, Brisbane and Canberra, providing comprehensive coverage of the Australian market. We are particularly pleased that the decorator sent out from London has quickly established herself in Sydney and has already won some major decorating contracts.

Europe. Looking forward to 1992 when western Europe becomes potentially the largest single market in the world, the Company's strategy is to have total control over the pricing and distribution of its products throughout Europe. During the next few years the Company intends to have a direct presence in the major European markets and appoint agents in the smaller ones, thereby eliminating the need for distributors. We consider France to be the most significant market in Europe and the Company is planning to open a branch office in Paris during 1989.

Jane Churchill. In May 1989, the Company completed the acquisition of Jane Churchill Limited, a designer and retailer of fabrics and wallpapers, which was complementary in style to Colefax and Fowler. The main reason for this acquisition was to provide the Company with an alternative brand name and product range, which would appeal to a different and wider market in both price and design, thereby protecting the exclusivity of the Colefax and Fowler product range. Following the acquisition by the Company the retail operation of Jane Churchill has been significantly reduced and we intend to market this product through our established UK and overseas trade network.

Decorating Division. The decorating companies continue to attract interesting and demanding work at the most exclusive end of the market, both in the UK and overseas. A number of long term contracts have begun this year, including the restoration of a nationally important English country house and a substantial period house in the centre of London. The combination of the decorating teams and a rapidly expanding architectural and design practice (Colefax and Fowler Design), allows us to offer a comprehensive service to our clients, whether on a modern jet, private yacht, Georgian mansion or lakeside residence in the USA.

The 28th September this year will see the publication, jointly in the UK and USA, of the book, "Colefax and Fowler, the Best in English Interior Decoration", which will show the development of the Colefax and Fowler style over fifty years, from the original partnership of Lady Colefax and John Fowler to the present day.

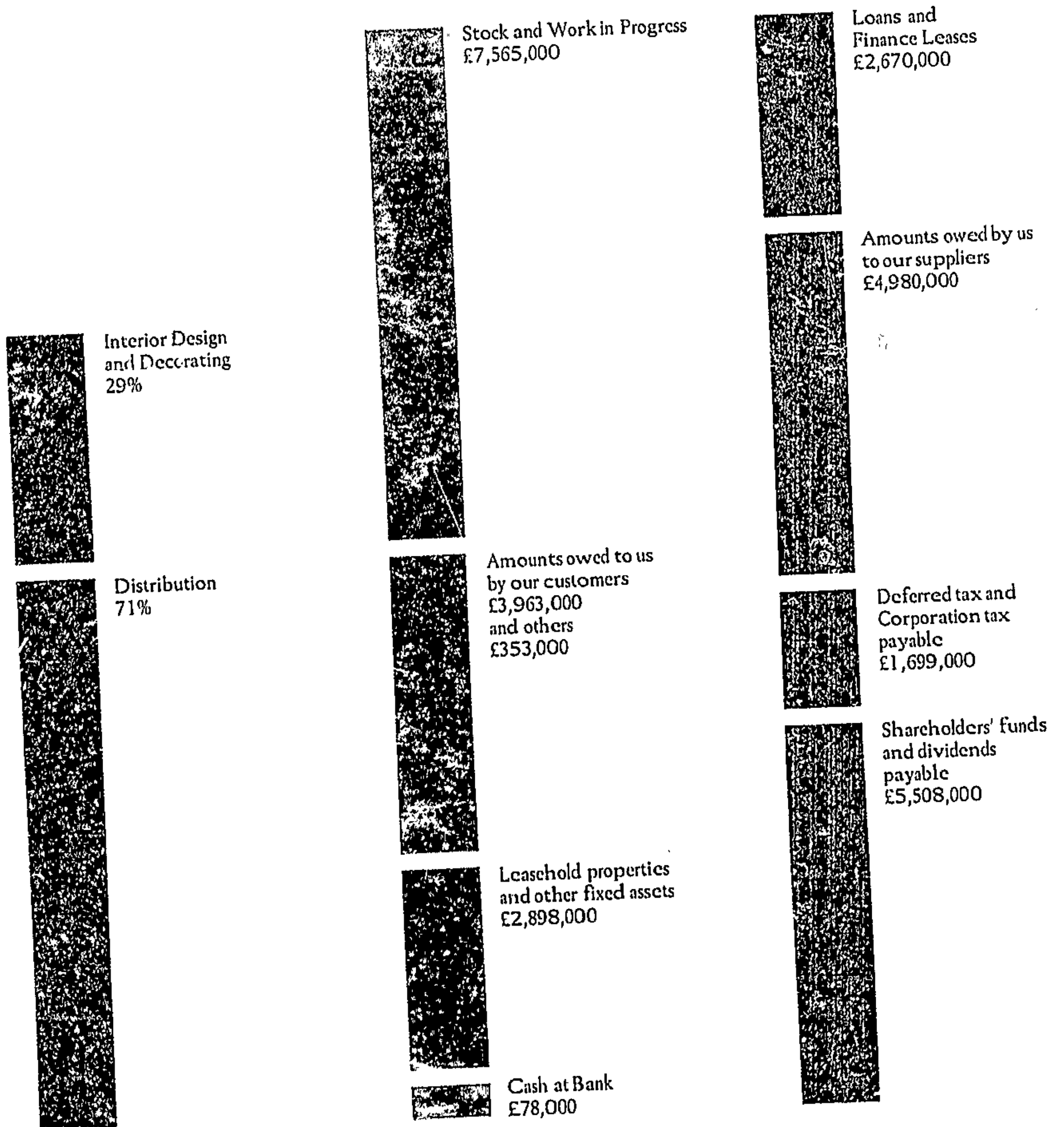
Prospects. The Company's strength in design and marketing, combined with its unique reputation in decoration should enable the Company to grow in all its markets. The acquisition of the two brand names, Cowtan and Tout in the USA and Jane Churchill in the UK, goes towards maintaining the Company's dominant position in the markets in which it operates.

This year's record results are due to the dedication and skill of all our employees throughout the world and we are grateful for their continued enthusiasm, commitment and creativity. We would like to welcome our new shareholders and thank the n for all their support and we are pleased to report that the current year has started well and we are all looking forward to the future with confidence.

Thomas S. Parr
Chairman
17th July 1989

David B. Green
Chief Executive

ILLUSTRATED ACCOUNTS



Sales of £19,037,000 were analysed as above.

£14,857,000 was employed in the Company in the above proportions at 30th April 1989.

The £14,857,000 utilised at 30th April 1989 came from the above areas.

DIRECTORS, BANKERS AND ADVISERS

Directors
T. S. Parr, *Chairman*
D. B. Green, *Chief Executive*
F. B. Pearson, BA FCA *Finance Director*
G. Oakes
H. C. Jones
A. Grafton

Non-executive
The Hon. N. C. J. Rothschild.
Jacob Rothschild has been a non-executive Director of the Group since 1985. He is Chairman of J. Rothschild Holdings.

All of 39 Brook Street, London W1Y 2JE

Secretary and Registered Office
F. B. Pearson BA FCA
39 Brook Street, London W1Y 2JE

Financial Advisers
Kleinwort Benson Limited
P.O. Box 560
20 Fenchurch Street
London EC3P 3DB

Stockbrokers
UBS Phillips & Drew Securities Limited
100 Liverpool Street
London EC2M 2RH

Auditors
Arthur Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

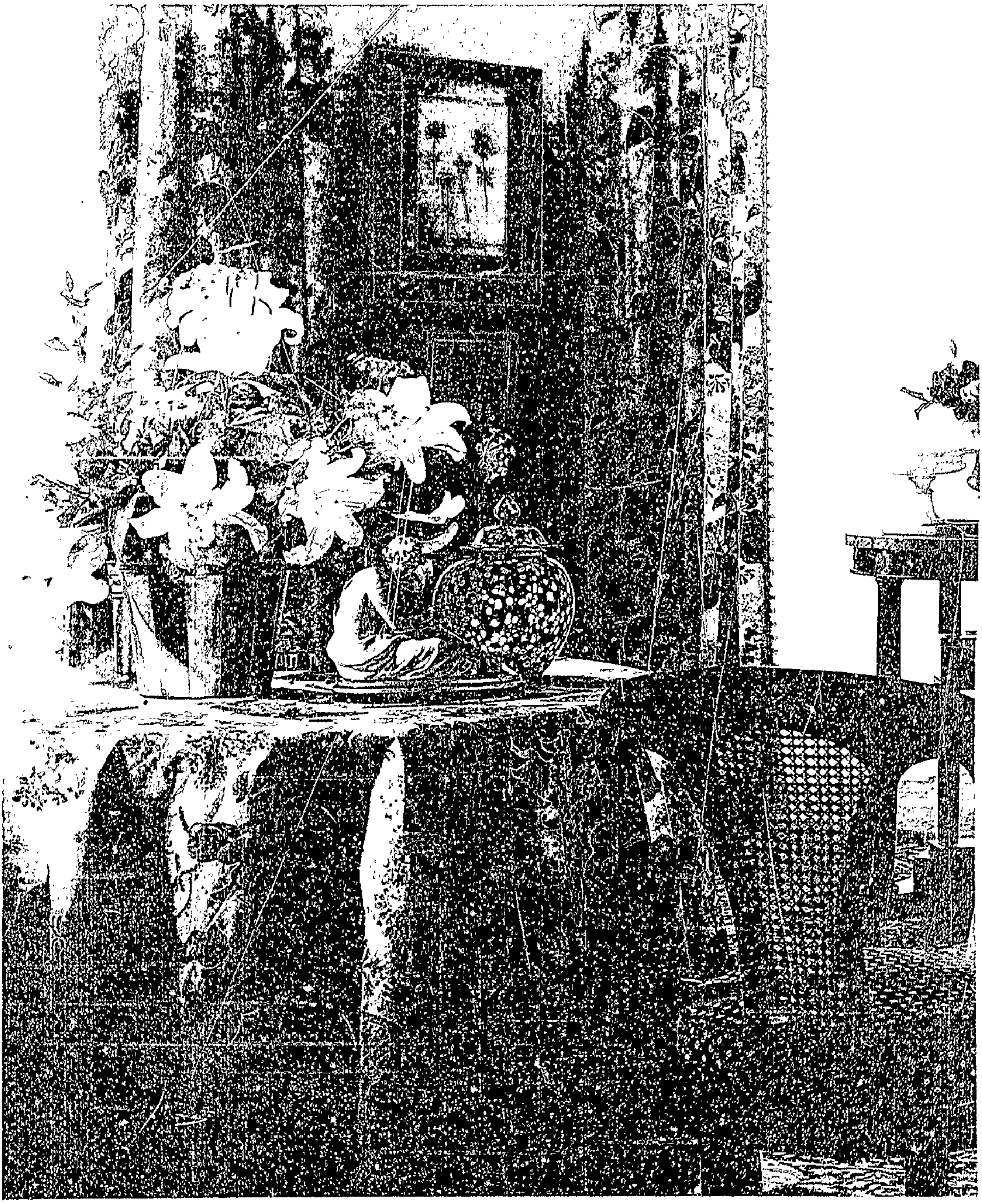
Solicitors
Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD

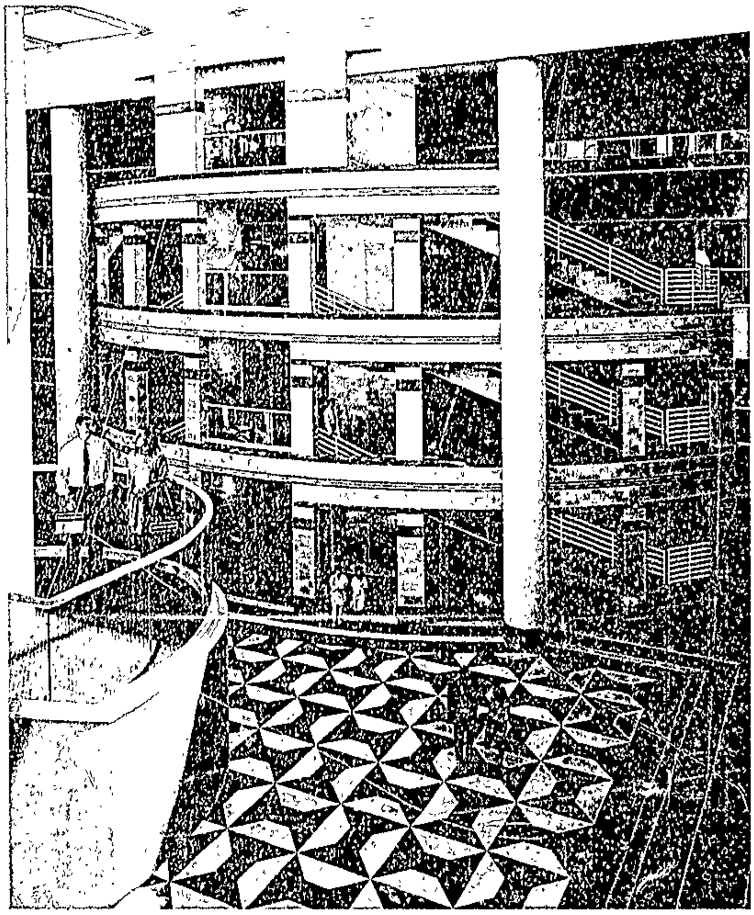
U.S. Counsel
Simpson Thacher & Bartlett
425 Lexington Avenue
New York
NY 10017–3909
U.S.A.

U.K. Bankers
Midland Bank plc
10 Newgate Street
London EC1A 7AS

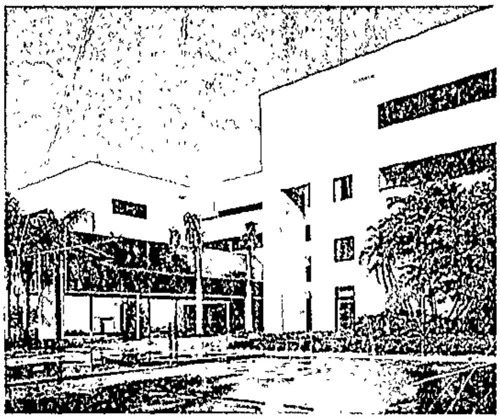
U.S. Bankers
Chemical Bank
277 Park Avenue
New York
NY 10172
U.S.A.

Registrars and Transfer Office
The Royal Bank of Scotland plc
Registrars' Department
Owen House
PO Box 435
8 Bankhead Crossway North
Edinburgh EH11 4BR

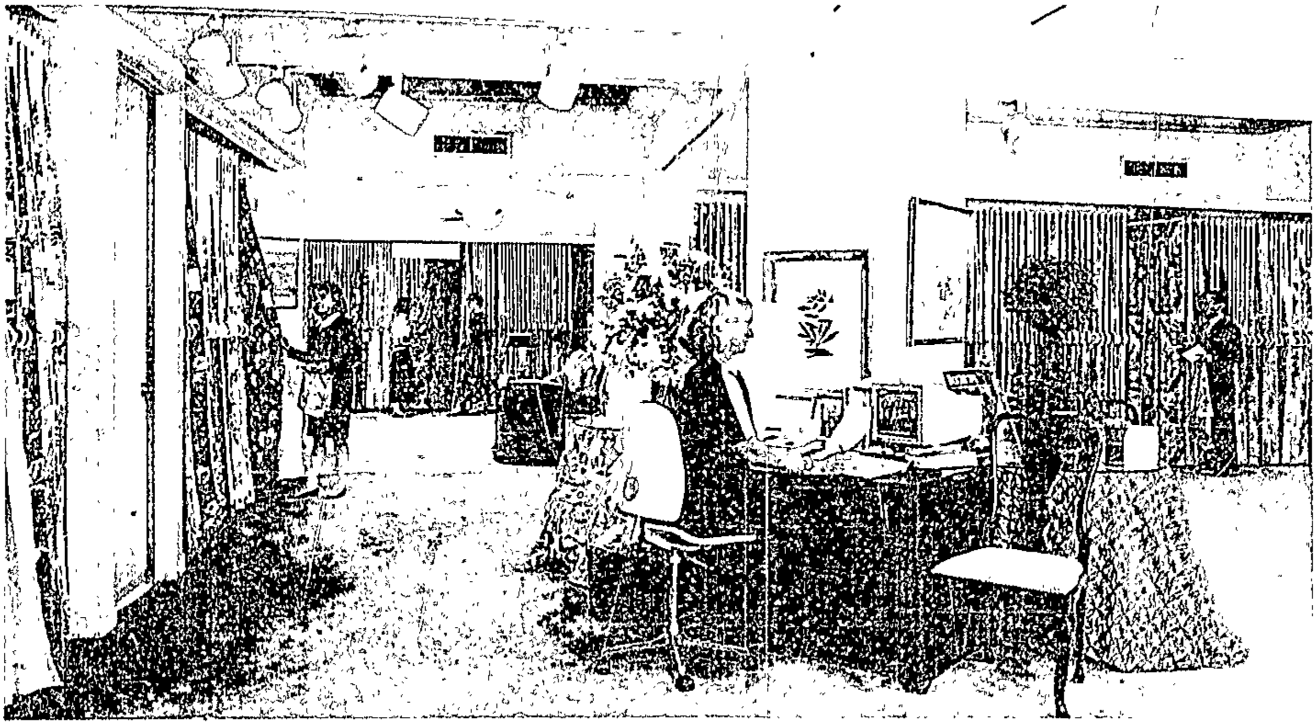




Interior D & D building Dania, Florida

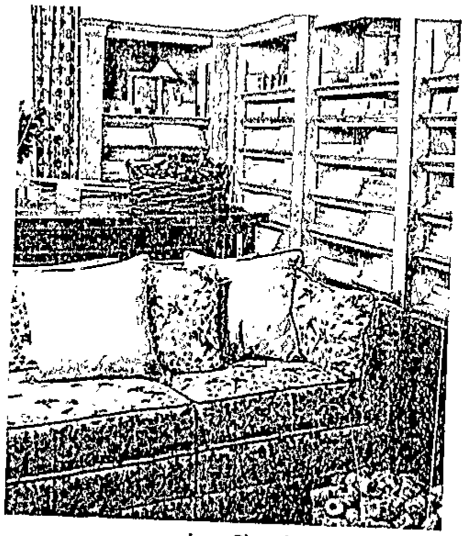


D & D building Dania, Florida



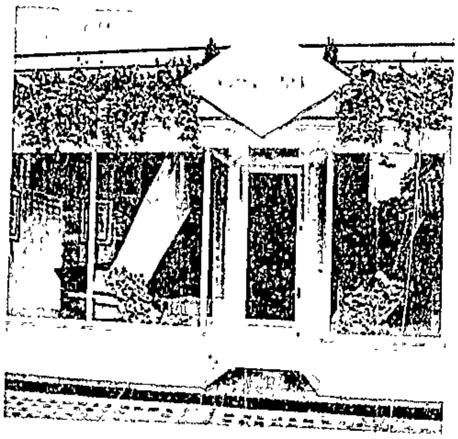
Cowtan & Tout showroom, New York

Colefax and Fowler, Sydney

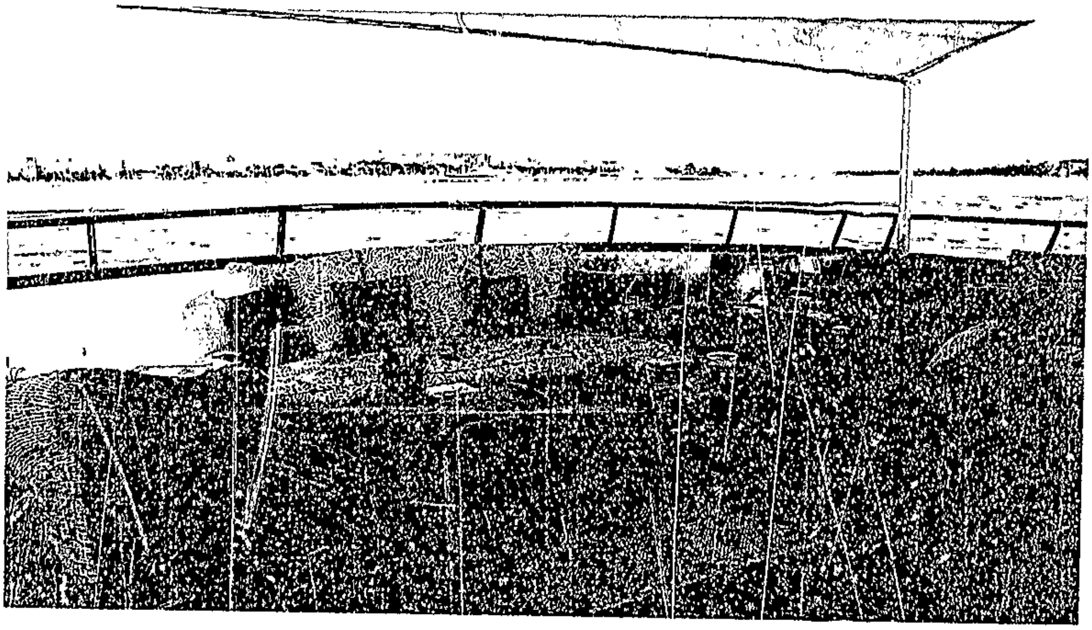


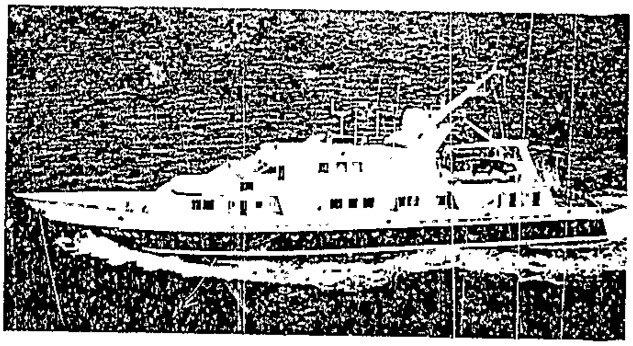
Jane Churchill, Sloane Street

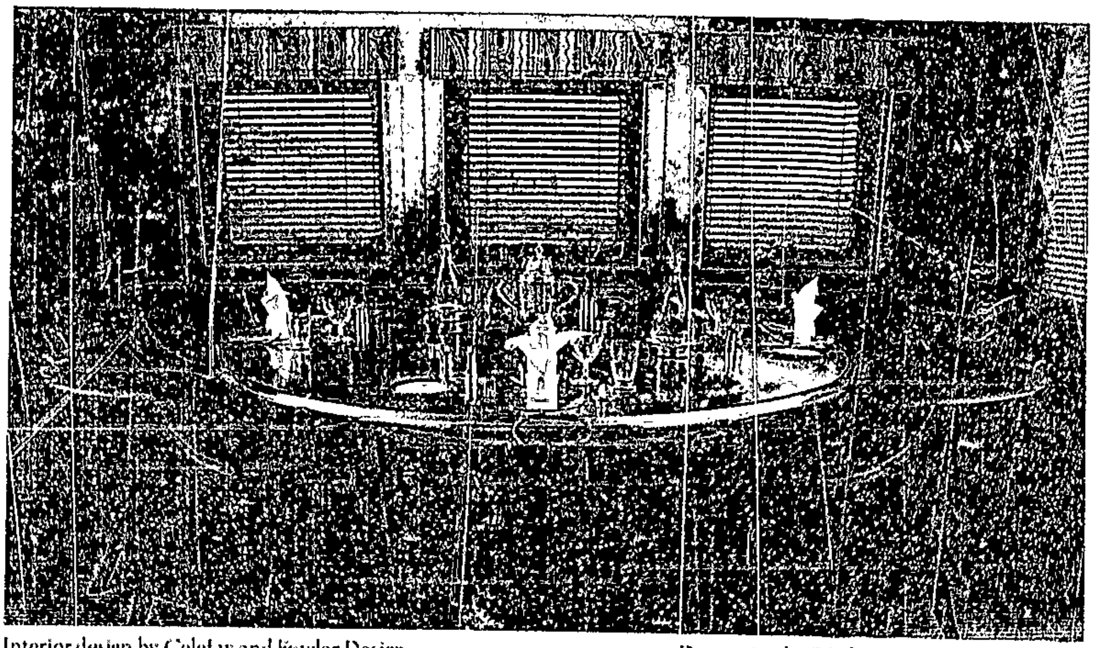
Colefax and Fowler accessories, Fulham Road



Sloane Street

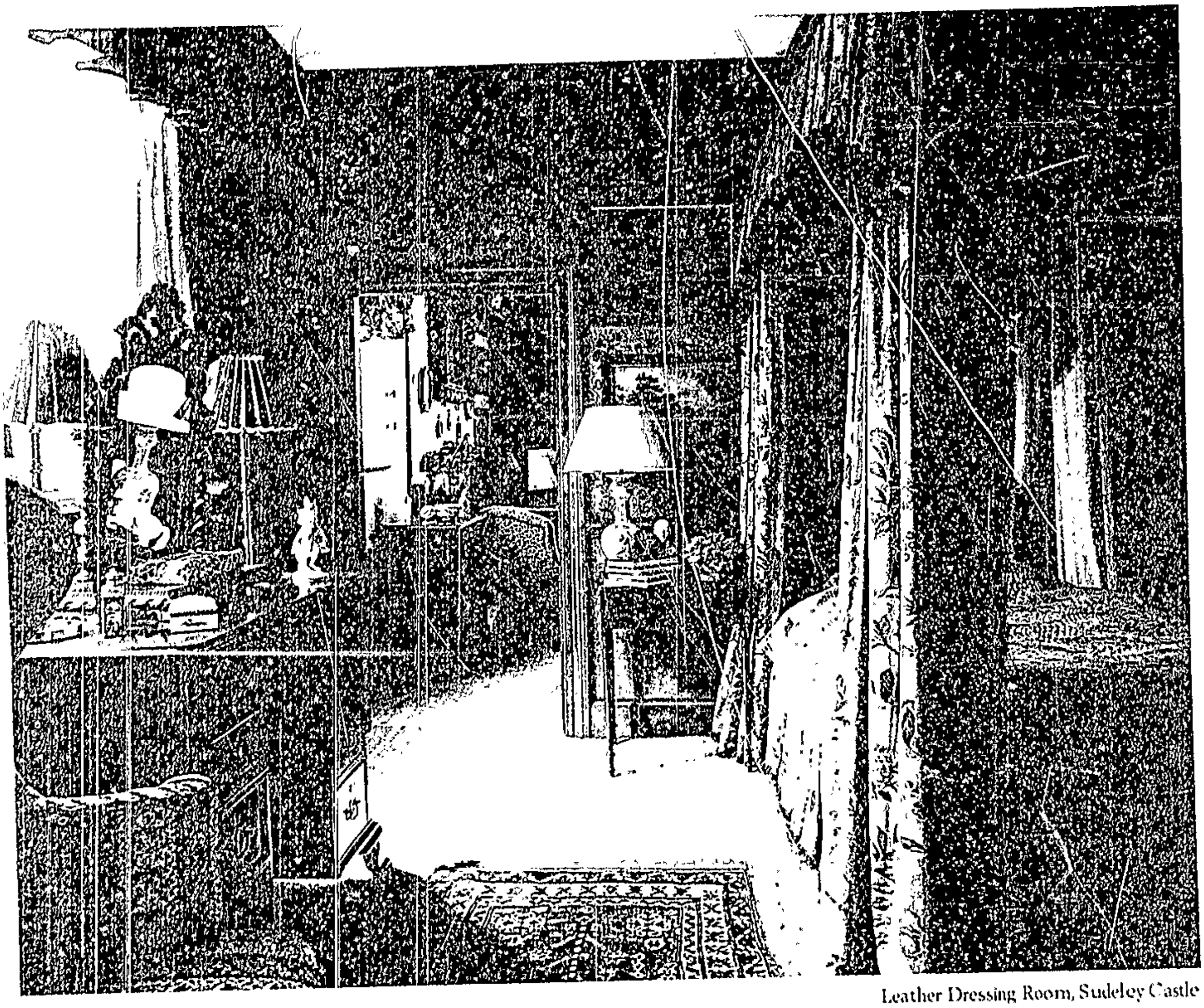






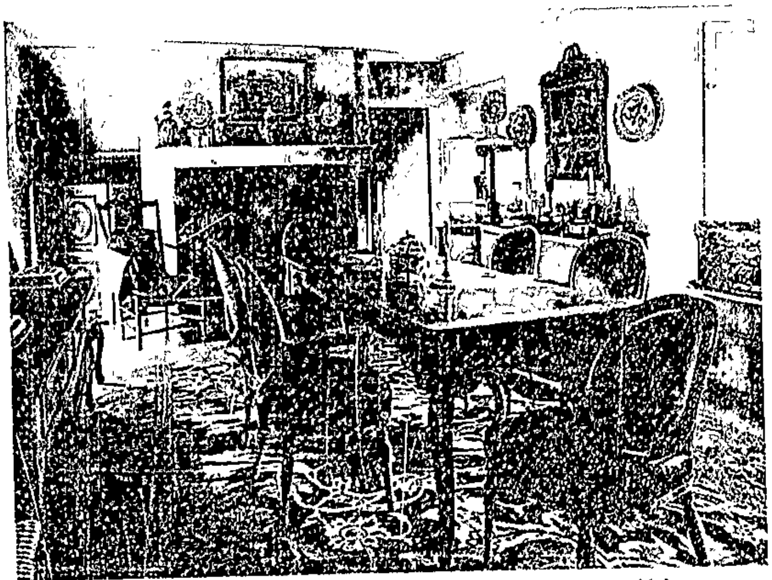
Interior design by Colefax and Fowler Design

Decoration by Sibyl Colefax and John Fowler



Leather Dressing Room, Sudeley Castle

Bathroom Sudeley Castle



Cotswold dining room

DIRECTORS' REPORT

The directors submit their report and group financial statements for the year ended 30th April, 1989.

Principal Activities

The principal activities of the Group are the design, marketing, distribution and retailing of furnishing fabrics, wallpapers, trimmings and related products in the U.K. and overseas and the sale of antiques; interior and architectural design, project management, decoration and furnishing for private and commercial clients.

Review of The Business and Future Developments

On 7th June, 1988 the Company purchased Fowler Imports Pty Limited, its Australian agent, for a nominal consideration. The company subsequently changed its name to Colefax and Fowler Pty Limited.

On 5th July, 1988 the entire share capital of the Company was admitted to the official list of the London Stock Exchange.

On 2nd November, 1988 the Company purchased Cowtan and Tout Incorporated, which designs, markets and distributes furnishing fabrics, wallpapers and trimmings throughout the U.S.A. The purchase consideration was £9,945,295 satisfied by the issue of 7,465,094 ordinary shares and £240,678 cash. Further consideration may become payable in each of the years 1990, 1991 and 1992 up to an aggregate maximum of $1,000,000, $1,000,000 and $1,500,000 cash respectively, dependent on trading results.

Further details of the Group's activities during the year and future plans are contained in the Chairman's statement on pages 2 and 3.

Share Capital

At the forthcoming Annual General Meeting, certain resolutions are to be proposed as Special Business.

Resolution Number 7 would authorise the Directors to allot shares in the Company up to a maximum of the authorised but unissued share capital of the Company for a period expiring on the date of the next annual general meeting or 15 months after the passing of the resolution, whichever first occurs.

Resolution Number 8 would increase the number of ordinary shares of the Company available for issue under the Executive Share Option Scheme to bring such amount to 10% of the present issued share capital of the Company.

Resolution Number 9 would seek to authorise the Directors to allot shares for cash, other than to existing shareholders in proportion to their existing holdings, in respect of a maximum of 5% of the existing issued share capital of the Company, for a period again expiring on the date of the next annual general meeting or 15 months after the passing of the resolution, whichever first occurs.

Details of the changes in the share capital in the year are given in note 18 to the accounts.

Results and Dividends

The Group's trading profit for the year, after taxation, was £1,853,000 (1988—£940,000). An interim dividend of 1.1p (1988—Nil) per share was paid to shareholders on 6th April, 1989. The Directors recommend the payment of a final dividend of 2.2p (1988—1.0p fully diluted) per share to be paid on 2nd October to shareholders on the register on 1st September. The total dividend is 3.3p per share and the total dividend cost is £577,000, leaving a profit of £1,276,000 to be retained.

Fixed Assets

The changes in fixed assets during the year are summarised in the notes to the accounts.

Market Value of Land and Buildings

In the opinion of the Directors the market value of the Group's short leasehold properties is £1,668,000 which is significantly in excess of book value.

Directors and their Interests
The Directors during the year, and their interests in the share capital of the Company at the beginning and the end of the year, were as follows:

	30th April, 1989 Ordinary Shares of 10p each	30th April, 1988 Ordinary Shares of £1 each
T S Parr	916,700	10,167
D B Green	4,000,000	40,000
F B Pearson BA FCA (appointed 6th March, 1989)	—	—
G Oakes	445,400	4,954
H C Jones	345,400	4,954
A Grafton (appointed 6th March, 1989)	800	—
The Hon N C J Rothschild (Non-executive)	482,600	4,826

The shareholding of T S Parr included 301,600 (1988 – 4,016) which are held beneficially.

The Directors' share holdings in the Company have not changed since the year end. No Director was beneficially interested in the shares of any subsidiary company.

In addition to the Directors listed above, R F Sentance served as a Director until 6th January, 1989, when he resigned.

On 13th June, 1988 the issued ordinary shares of £1 each were converted to ordinary shares of 10p each and on 27th June there was a bonus issue of 9 ordinary shares for 1 ordinary share. A summary of the share options granted to Directors and senior executives is given in note 18 to the accounts.

The Hon N. C. J. Rothschild retires by rotation and, being eligible, offers himself for re-election.

F B Pearson and A Grafton have been appointed as Directors of the Company since the last Annual General Meeting and under the Articles of Association of the Company such appointments require confirmation by the Company in General Meeting. Resolutions 5 and 6 deal with such confirmation.

The Executive Directors have service agreements with the Company which will be available for inspection at the Annual General Meeting.

Substantial Shareholdings
Other interests of 5 per cent. or more in the issued share capital at 17th July, 1989 were:

	No. of shares
Eldo Netto	1,025,763
Nutraco Nominees	1,383,369

Charitable Donations
During the year the Company made various charitable donations totalling £3,563 (1988 – £5,345).

Post Balance Sheet Events
On 10th May, 1989 the Company purchased the entire issued share capital of Jane Churchill Limited for a consideration of £713,856 satisfied by the issue of 424,915 shares. Loans made to Jane Churchill Limited by vendors were satisfied by the issue of a further 107,143 shares in the Company. On the attainment of certain trading targets in the 1989/90 financial year, further consideration may become payable to a maximum of £163,500 and will be satisfied by the issue of shares at their market value.

Close Company Status
The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors
Arthur Young, who have expressed their willingness to continue in office as auditors, will be merging their practice with Ernst & Whinney on 1st September, 1989 and from that date will practice in the name of Ernst & Young. Accordingly, a resolution proposing the appointment of Ernst & Young will be submitted at the Annual General Meeting.

By order of the Board

F. B. Pearson BA FCA
Secretary
17th July, 1989

GROUP PROFIT AND LOSS ACCOUNT
For the year ended 30th April 1989

	Notes	1989 £'000	1988 £'000
Turnover	2	19,037	11,493
Cost of sales		11,149	6,962
Gross profit		7,888	4,531
Operating expenses	3	4,988	2,939
Operating profit		2,900	1,592
Interest receivable		49	–
Interest payable	4	(240)	(109)
Profit on ordinary activities before taxation	5	2,709	1,483
Tax on profit on ordinary activities	7	856	543
Profit on ordinary activities after taxation		1,853	940
Dividends	8	577	98
Retained profit for the year	19	1,276	842
Earnings per share	9	11.8p	9.4p

The notes on pages 18 to 26 form part of these financial statements.

BALANCE SHEET
At 30th April 1989

	Notes	Group 1989 £'000	Group 1988 £'000	Company 1989 £'000	Company 1988 £'000
Fixed assets:					
Tangible assets	10	2,898	1,474	1,789	1,474
Investments	11	–	–	10,850	–
		2,898	1,474	12,639	1,474
Current assets:					
Stocks and contracts in progress	12	7,565	3,178	–	–
Long term contracts	13	–	7	–	–
Debtors	14	4,448	3,149	3,157	2,373
Cash at bank and in hand		78	238	–	–
		12,091	6,572	3,157	2,373
Creditors: amounts falling due within one year	15	7,067	4,668	1,247	1,481
Net current assets		5,024	1,904	1,910	892
Total assets less current liabilities		7,922	3,378	14,549	2,366
Creditors: amounts falling due after more than one year	16	2,639	670	111	670
Provision for liabilities and charges:					
Deferred taxation	17	215	–	–	–
		5,068	2,708	14,438	1,696
Capital and reserves:					
Called up share capital	18	1,997	100	1,997	100
Share premium account	19	2,357	1,042	11,315	1,042
Revaluation reserve	19	–	–	66	98
Other reserves	19	–	268	–	–
Profit and loss account	19	714	1,298	1,060	456
		5,068	2,708	14,438	1,696

T. S. Parr Director
D. B. Green Director
17th July 1989

The notes on pages 18 to 26 form part of these financial statements.

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the year ended 30th April 1989

	1989 £'000	1988 £'000
Source of Funds:		
Profit on ordinary activities before taxation	2,709	1,483
Adjustment for items not involving the movement of funds:		
Depreciation	380	237
Loss/(profit) on disposal of tangible fixed assets	(7)	16
	373	253
Total generated from operations	3,082	1,736
Funds from other sources:		
Proceeds of disposal of tangible fixed assets	17	37
Net Proceeds of shares issued during the year	12,410	—
	12,427	37
	15,509	1,773
Application of Funds:		
Purchase of tangible fixed assets	763	710
Decrease in Loans	557	—
Exchange Movements	11	—
Tax	473	120
Dividends paid	235	60
Acquisition of subsidiary companies*	10,684	—
	12,723	890
Working capital Increase	2,786	883
Components of increase (decrease) in working capital:		
Stocks and contracts in progress	2,484	1,178
Long term contracts	(7)	2
Debtors	733	1,063
Creditors	(307)	(1,313)
	2,903	930
Movement in net liquid funds:		
Cash at bank and in hand	(419)	227
Bank overdraft	302	(274)
	(117)	(47)
	2,786	883

The notes on pages 18 to 26 form part of these financial statements.

NOTES TO THE ACCOUNTS
At 30th April, 1989

1. Accounting Policies

(a) Accounting Convention
The financial statements are prepared under the historical cost convention modified to include the revaluation of certain land and buildings.

(b) Basis of Consolidation
The Group financial statements consolidate the financial statements of Colefax and Fowler Group PLC and its subsidiaries for the year ended 30th April, 1989. No profit and loss account is presented for the Company as provided in S.228(7) of the Companies Act 1985. The profit dealt with in the financial statement of the holding company was £921,000 (1988–Loss £127,000).

The Group profit and loss account includes the results of subsidiary companies acquired from the date of acquisition. The Group profit and loss account includes the results of Colefax and Fowler Pty Limited and Cowtan and Tout Incorporated since their dates of acquisition on 7th June, 1988 and 2nd November, 1988 respectively. The purchase consideration has been allocated to each class of asset on the basis of fair value at the date of acquisition.

Advantage has been taken of the merger relief offered by S.131 of the Companies Act 1985 in respect of consideration received in excess of the nominal value of the shares issued in connection with the acquisition of Cowtan and Tout Incorporated. However, although the transaction qualifies for merger accounting, the Directors have decided to account for the combination as an acquisition.

(c) Goodwill
Individual elements of purchased goodwill are written off directly against reserves.

(d) Depreciation and Amortisation
Depreciation and amortisation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings and leasehold improvements	–50 years or, if shorter, over the period of the lease
Furniture, fixtures and equipment	–5–10 years
Motor vehicles	–3 years
Screens and originations	–4 years

The part of the annual depreciation charge on revalued assets which relates to the surplus over historical cost is transferred from the revaluation reserve to the retained profit and loss account. Assets in the course of construction are not depreciated.

(e) Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolescent, slow moving and defective stocks.

(f) Contracts in Progress
Short term contracts in progress are valued at cost less progress payments received and receivable. Cost includes all direct expenditure on materials, external services, labour and related overheads that have been incurred in bringing the contracts in progress to their present location and condition. Provision is made for any losses expected to arise on completion of the contracts entered into at the date of the balance sheet, whether or not work on these has commenced.

Long term contract work in progress is stated at cost (defined as for short term contracts) plus attributable profits estimated to be earned to date based on the stage of completion, less provision for any known or anticipated losses and payments on account received or receivable.

(g) Deferred Taxation
Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future, without being replaced, calculated at the rate at which it is estimated that tax will be payable.

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Continued

*Analysis of acquisition of the assets and liabilities of subsidiary companies:

	Colefax and Fowler Pty Ltd £'000	Cowtan and Tout Incorporated £'000
Net assets/liabilities acquired:		
Tangible fixed assets	17	1,020
Stocks	52	1,851
Debtors	53	539
Cash	—	259
Overdraft	(77)	—
Creditors	(175)	(3,835)
Deferred tax	—	(336)
Goodwill	177	11,152
	9	10,675

Discharged by:		
Issue of shares	—	9,705
Cash	9	970
	9	10,675

The goodwill of Cowtan and Tout Incorporated includes £240,000 expenses relating to the issue of the consideration shares. These expenses have been written off in the share premium account.

The notes on pages 18 to 26 form part of these financial statements.

NOTES TO THE ACCOUNTS
At 30th April, 1989

1. Accounting Policies continued

(h) Leasing Commitments
Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals in respect of operating leases are charged to income as incurred.

(i) Pension Scheme Arrangements
The Companies in the Group each operate defined money purchase pension schemes which are externally funded. Payments made to the funds are charged annually in these accounts as part of employment costs. The funds are valued on a daily basis by the managers of the pension scheme.

(j) Foreign Currencies
Group
The financial statements of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange differences on the carrying amount of the related investments.

Company
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All differences are taken to the profit and loss account.

2. Turnover

Turnover represents the value of goods sold and services provided during the accounting period which falls within the Group's ordinary activities, stated net of value added tax.

The geographical analysis of the Group's turnover is as follows:	1989		1988	
Geographical area:	£'000	%	£'000	%
United Kingdom	10,647	56	8,335	73
North America	6,395	34	1,637	14
Rest of world	1,995	10	1,521	13
	19,037	100	11,493	100

No further sector information is presented as the Directors consider that the Group's business comprises a single activity.

3. Operating Expenses		1989 £'000	1988 £'000
	Distribution and Marketing costs	2,886	1,449
	Administrative costs	2,102	1,490
		4,988	2,939

4. Interest Payable		1989 £'000	1988 £'000
	Bank loans and overdrafts		
	Repayable within five years	(142)	(52)
	Repayable after five years	(62)	(43)
		(204)	(95)
	Finance leases payable within five years	(36)	(14)
		(240)	(109)

NOTES TO THE ACCOUNTS

At 30th April, 1989

		1989 £'000	1988 £'000
5. Profit on Ordinary Activities before Taxation	(a) This is stated after charging or (crediting):		
	Directors' emoluments (see below)	377	290
	Auditors' remuneration	39	28
	Depreciation of owned fixed assets	344	204
	Depreciation of assets held under finance leases	36	33
	Operating lease rentals – land and buildings	412	179
	– other	21	6
	Royalties received	(7)	(11)

(b) Directors' Remuneration:

	1989 £'000	1988 £'000
Emoluments (including pension contributions)	346	290
Compensation to Director for loss of office	31	--
	377	290

Emoluments, excluding pension contributions, of:

	1989 £'000	1988 £'000
Chairman	54	53
Highest paid Director	61	61

Other Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1989 No.	1988 No.
£ Nil – £ 5,000	1	1
£25,001 – £30,000	2	–
£40,001 – £45,000	2	1
£50,001 – £55,000	1	2

F B Pearson and A Grafton have shares under option, details of which are included in note 18 to the accounts.

The emoluments stated above do not include an estimate of the pecuniary value of the share options.

(c) Senior Employees:
Employees receiving emoluments excluding pension contributions in excess of £30,000 fell within the following ranges:

	1989 No.	1988 No.
£30,001 – £35,000	1	2
£35,001 – £40,000	2	3
£40,001 – £45,000	2	2
£45,001 – £50,000	1	1

		1989 £'000	1988 £'000
6. Staff Costs	Staff Costs, excluding Directors, were as follows:		
	Wages and salaries	2,518	1,355
	Social security costs	250	188
	Other pension costs	71	79
		2,839	1,622

The average weekly number of employees during the year including Directors, was made up as follows:

	No.	No.
Distribution and Marketing	157	89
Administration	49	17
	206	106

NOTES TO THE ACCOUNTS
At 30th April, 1989

		1989 £'000	1988 £'000
7. Tax on Profit on ordinary activities	The taxation charge is made up as follows:		
	Based on profits for the year:		
	Corporation tax at 35% (1988–35%)	843	543
	Deferred taxation	(95)	–
		748	543
	Overseas taxation	90	–
		838	543
	Taxation underprovided in previous years:		
	Corporation tax	18	–
		856	543

The effective rate is 31.6% (1988–36.6%) due to the benefit of a payment in respect of a non-competition agreement, deductible for overseas taxation purposes, but which is written off directly against reserves on consolidation.

		1989 £'000	1988 £'000
8. Dividends	Interim (paid)	138	–
	Final (proposed)	439	98
		577	98

9. Earnings per share

Earnings per share have been calculated on the basis of earnings of £1,853,000 (1988–£940,000) and on 15,770,600 (1988–10,000,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year ended 30th April, 1989 after adjusting for the subdivision of shares into 10p shares and the capitalisation of reserves on the basis of nine new ordinary shares for each ordinary share held on 27th June, 1988.

10. Tangible Fixed Assets

	Leasehold Long £'000	Leasehold Short £'000	Improvements £'000	Equipment Furniture and Fixtures £'000	Motor Vehicles £'000	Screens and Originations £'000	Total £'000
Group Cost or Valuation:							
At 1st May, 1988	–	620	258	710	185	55	1,828
Arising on the acquisition of subsidiaries	750	–	199	427	4	90	1,470
Exchange adjustment	12	–	3	8	–	1	24
Additions	–	–	278	231	124	130	763
Disposals	–	–	–	(6)	(56)	–	(62)
At 30th April, 1989	762	620	738	1,370	257	276	4,023
Depreciation:							
At 1st May, 1988	–	52	27	185	76	14	354
Arising on the acquisition of subsidiaries	–	–	91	312	–	30	433
Exchange adjustment	–	–	2	7	–	1	10
Charge for the year	10	34	63	159	78	36	380
Disposals	–	–	–	(6)	(46)	–	(52)
At 30th April, 1989	10	86	183	657	108	81	1,125
Net Book Value							
At 30th April, 1989	752	534	555	713	149	195	2,898
At 1st May, 1988	–	568	231	525	109	41	1,474

Leasehold improvements include an amount of £71,000 being assets in the course of construction.

NOTES TO THE ACCOUNTS
At 30th April, 1989

10. Tangible Fixed Assets continued

	Leasehold Long £'000	Leasehold Short £'000	Improvements £'000	Furniture Fixtures and Equipment £'000	Motor Vehicles £'000	Screens and Originations £'000	Total £'000
Company Cost or Valuation:							
At 1st May, 1988	–	620	258	710	185	55	1,828
Additions	–	–	207	192	113	120	632
Disposals	–	–	–	(6)	(56)	–	(62)
At 30th April, 1989	–	620	465	896	242	175	2,398
Depreciation:							
At 1st May, 1988	–	52	27	185	76	14	354
Charges for the year	–	34	51	119	76	27	307
Disposals	–	–	–	(6)	(46)	–	(52)
At 30th April, 1989	–	86	78	298	106	41	609
Net Book Value:							
At 30th April, 1989	–	534	387	598	136	134	1,789
At 1st May, 1988	–	568	231	525	109	41	1,464

Group and Company
Assets held under finance leases are as follows:

	Group: Long Term Lease £'000	Group: Equipment, Furniture, and Fixtures £'000	Company: Long Term Lease £'000	Company: Furniture, Fixtures and Equipment £'000
Cost or Valuation:				
At 1st May, 1988	–	166	–	166
Arising on the acquisition of subsidiaries	750	–	–	–
Exchange adjustment	12	–	–	–
At 30th April, 1989	762	166	–	166
Depreciation:				
At 1st May, 1988	–	34	–	34
Charge for the year	10	33	–	33
At 30th April, 1989	10	67	–	67
Net Book Value:				
At 30th April, 1989	752	99	–	99
At 1st May, 1988	–	132	–	132

NOTES TO THE ACCOUNTS
At 30th April, 1989

11. Investments

The Company has the following subsidiaries:

Name of Company	Country of Registration or Incorporation	Holding	Proportion Held
Colefax and Fowler Limited	England	Ordinary Shares	100%
Sibyl Colefax and John Fowler Limited	England	Ordinary Shares	100%
Colefax and Fowler Design Limited (formerly C.F. Associates Limited)	England	Ordinary Shares	100%
Chintz Limited (acquired 28th September, 1988)	England	Ordinary Shares	100%
Cowtan & Tout Incorporated (acquired 2nd November, 1988)	U.S.A.	Common Stock	100%
Colefax and Fowler Pty Limited (acquired 7th June, 1988)	Australia	Ordinary Shares	100%
Colefax and Fowler Incorporated (acquired 2nd November, 1988)	U.S.A	Common Stock	100%

The movement on investment in subsidiary companies during the year comprises:

	£'000
Cost	
At 1st May, 1988	–
Subsidiaries acquired	3,052
Loans to subsidiary	7,798
At 30th April, 1989	10,850

12. Stocks and Contracts in progress

	Group 1989 £'000	Group 1988 £'000	Company 1989 £'000	Company 1988 £'000
Finished goods for resale	6,625	2,460	–	–
Contracts in progress	1,094	876	–	–
Less: progress payments received and receivable	(154)	(158)	–	–
	7,565	3,178	–	–

The difference between purchase price and replacement cost of stocks is not material.

13. Long Term Contracts

	Group 1989 £'000	Group 1988 £'000	Company 1989 £'000	Company 1988 £'000
Cost to date plus attributable profit	–	1,049	–	–
Progress payments received and receivable	–	(1,042)	–	–
	–	7	–	–

Attributable profit is included on long term contracts in accordance with SSAP 9. The inclusion of such a profit is a departure from the statutory valuation rules for current assets and is included to enable the accounts to give a true and fair view.

14. Debtors

	Group 1989 £'000	Group 1988 £'000	Company 1989 £'000	Company 1988 £'000
Amounts owed by group companies	–	–	2,839	2,183
Trade debtors	3,963	2,661	21	–
Other debtors	126	176	78	130
Prepayments and accrued income	227	307	87	55
ACT recoverable	132	5	132	5
	4,448	3,149	3,157	2,373

NOTES TO THE ACCOUNTS
At 30th April, 1989

15. Creditors: Amounts falling due within one year

	Group 1989 £'000	Group 1988 £'000	Company 1989 £'000	Company 1988 £'000
Bank overdraft	524	749	344	725
Trade creditors and accruals	3,708	2,532	264	116
Payments received on account	325	–	–	–
Finance leases (see note 21)	31	21	29	21
Corporation tax	1,616	967	93	369
Other creditors including taxation and social security	423	301	77	152
Proposed dividend	440	98	440	98
	7,067	4,668	1,247	1,481

16. Creditors: Amounts falling due after more than one year

	Group 1989 £'000	Group 1988 £'000	Company 1989 £'000	Company 1988 £'000
Finance leases (see note 21)	867	145	111	145
Loans (see below)	1,772	525	–	525
	2,639	670	111	670
Loans:				
Repayable within 1-2 years	–	125	–	125
Repayable within 2-5 years	997	–	–	–
Repayable in more than 5 years	775	–	–	–
Bank Loan	–	400	–	400
	1,772	525	–	525

Part of the proceeds of the flotation on 5th July, 1988 were used to repay the long term bank loan of £400,000.

17. Deferred Taxation:

	Group 1989 £'000	Group 1988 £'000	Company 1989 £'000	Company 1988 £'000
Deferred taxation has been fully provided as follows:				
Accelerated capital allowances on tangible assets	84	41	32	41
Short term timing differences	(63)	(13)	(18)	(13)
Other timing differences	208	–	–	–
	229	28	14	28
Advance corporation tax	(14)	(28)	(14)	(28)
	215	–	–	–

18. Called Up Share Capital

	Authorised 1989	Authorised 1988	Allotted, called up and fully paid 1989	Allotted, called up and fully paid 1988
	No.	No.		
Ordinary shares of 10p each (1988-£1 shares)	28,000,000	120,000	£1,996,509	£100,000

The following changes have taken place in the issued share capital:

1. On 13th June, 1988, the shares of £1 each were subdivided into 1,000,000 ordinary shares of 10p each.
2. On 27th June, 1988, 9,000,000 ordinary shares of 10p each were issued to members fully paid by way of capitalisation of reserves on the basis on nine shares for every one held.

NOTES TO THE ACCOUNTS
At 30th April, 1989

18. Called Up Share Capital *(continued)*

3. On 5th July, 1988, 2,500,000 shares of 10p each were issued following a placing on the London Stock Exchange, at a price of £1.25 each. The shares are fully paid.
4. On 2nd November, 1988, 7,465,091 shares of 10p each were issued at a price of £1.30 each in part consideration for the acquisition of Cowtan and Tout Incorporated. The shares are fully paid.

Pursuant to the Company's Executive Share Option Scheme, the following options have been granted and were outstanding at 30th April 1989:

Number of shares	Number of options	Exercise price	Date of grant	Exercise Date
400,000	5	40p	11.05.88	11.05.91
15,000	1	40p	23.05.88	23.05.91
270,000	34	135p	01.02.89	01.02.92

F. B. Pearson and A. Grafton have 40,000 and 200,000 shares under option at an exercise price of £1.35 and 40p respectively. The date of grant was 1st February, 1989 and 11th May, 1988 respectively and the earliest exercise date is 1st February, 1992 and 11th May, 1991 respectively.

19. Reserves

	Share Premium Account £'000	Merger Reserve £'000	Other Reserve £'000	Revaluation Reserve £'000	Profit and Loss Account £'000
The Group:					
At 1st May 1988	1,042		268	–	1,298
Capitalisation on bonus issue	(900)				
Premium on issue of shares	2,875	8,958			
Cost of issue	(660)				
Goodwill on acquisitions		(8,958)	(268)	–	(1,863)
Foreign currency translation				–	3
Profit retained					1,276
At 30th April 1989	2,357	–	–	–	714
The Company:					
At 1st May 1988	1,042	–	–	98	456
Capitalisation on bonus issue	(900)	–	–		
Premium on issue of shares	11,833	–			
Cost of issue	(660)	–			
Depreciation relating to revaluations				(32)	32
Profit retained	–	–	–	–	572
At 30th April 1989	11,315	–	–	66	1,060

In accordance with the provisions of S.131 of the Companies Act 1985, the Company has transferred to Merger Reserve the premium arising on the issue of shares as consideration for Cowtan and Tout Incorporated, acquired during the year. The Group has applied goodwill arising on consolidation to the Merger Reserve.

20. Capital Commitment

The Group had contracted capital commitments at 30th April, 1989 amounting to £587,000 (1988 – £268,000), and capital commitments authorised but not contract for £669,000 (1988 – £15,000).

NOTES TO THE ACCOUNTS
At 30th April, 1989

		1989 £'000	1988 £'000
21. Obligations under Finance Leases	Within one year	43	42
	In the second year	932	42
	In the third to fifth years inclusive	91	129
		1,066	213
	Less: Finance charges allocated to future periods	(168)	(47)
		898	166
	Finance leases are analysed as follows:		
	Current obligations	31	21
	Non-current obligations	867	145
		898	166

22. Commitments under Operating Leases

At 30th April, 1989 the Group had annual commitments under non-cancellable operating leases as follows:

	1989 Land and Buildings £'000	1989 Other £'000	1988 Land and Buildings £'000	1988 Other £'000
Operating leases which expire:				
In one to five years	165	21	43	6
After five years	221	–	216	–
	386	21	259	6

The majority of leases of land and buildings are subject to rent reviews of between 3-5 years duration.

23. Pension Commitments

The companies in the Group each operate a defined contribution money purchases pension scheme. The assets of the scheme are held separately from those of the companies in an independently administered fund. The pension cost charge represents contributions payable by the companies to the fund during the year and amounted to £111,000 (1988: £107,000).

24. Guarantees

The Company has guaranteed an overdraft facility of 400,000 Australian Dollars for Colefax and Fowler Pty Limited and jointly with two subsidiaries, an overdraft facility of 3,000,000 United States Dollars for Cowtan and Tout Incorporated. There is a cross guarantee between the Company and each of its U.K. subsidiaries in respect of their overdraft facilities.

25. Post Balance Sheet Events

On 8th May, the Company purchased the entire issued share capital of Jane Churchill Limited for a consideration of £713,857 satisfied by the issue of 424,915 shares. Loans made to Jane Churchill Limited by vendors were satisfied by the issue of a further 107,143 shares in the Company. On the attainment of certain trading targets in the 1989/90 financial year, further consideration may become payable to a maximum of £163,500 and will be satisfied by the issue of shares at their market value.

26. Contingent Liabilities

In respect of the acquisition of Cowtan and Tout Incorporated on 2nd November, 1988, further consideration may become payable in each of the years 1990, 1991 and 1992 up to an aggregate maximum of $1,000,000, $1,000,000 and $1,500,000 cash respectively, dependent on trading results.

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants
Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF COLEFAX AND FOWLER GROUP PLC

We have audited the financial statements on pages 14 to 26 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 30th April, 1989 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ARTHUR YOUNG
London
17th July 1989

WHERE TO FIND COLEFAX AND FOWLER
FABRICS AND WALLPAPERS

Great Britain

Trade Showroom
COLEFAX AND FOWLER
The Gallery
15a Halkin Arcade
London SW1X 8JT

Retail Showrooms
COLEFAX AND FOWLER
39 Brook Street
London W1Y 2JE

COLEFAX AND FOWLER
110 Fulham Road
London SW3 6RL

COLEFAX AND FOWLER
151 Sloane Street
London SW1 9BX

Scotland
A F DRYSDALE
35 North West Circus Place
Edinburgh

North America: U.S.A., Bermuda, Canada

New York
COWTAN & TOUT
979 Third Avenue
New York
NY 10022

Atlanta
D AND D BUILDING
351 Peachtree Hills Ave
Suite 512
Atlanta
Georgia 30305

Boston
D AND D BUILDING
One Design Centre Place
Boston
Massachussets 02110

Chicago
D AND D BUILDING
Space 1254
The Merchandise Mart
Chicago
Illinois 60654

Dallas
D AND D BUILDING
1505 Oak Lawn
Suite 100
Dallas
Texas 75207

Denver
D AND D BUILDING
1801 Wynkoop Street
Denver
Colorado 80202

Houston
HOUSTON DECORATIVE CENTRE
Suite 4018
5120 Woodway Drive
Houston Texas 77056

Los Angeles
PACIFIC DESIGN CENTRE
8687 Melrose Avenue
Space 600
Los Angeles
California 90069

Miami
D AND D BUILDING
155 Northeast 38th Street
Miami
Florida 33137

Philadelphia
THE MARKET PLACE
2400 Market Street
Suite 226
Philadelphia
Pennsylvania 19103

Portland
D AND D BUILDING
210 NW 21st Avenue
Portland
Oregon 97209

San Francisco
D AND D BUILDING
Space 170
101 Henry Adams Street
San Francisco
California 94103

Seattle
DESIGN CENTRE NORTHWEST
Space 238
5701 6th Ave South
Seattle
Washington 98108

Troy
D AND D BUILDING
1700 Stutz Drive
Suite 38
Troy
Michigan 48084

Bermuda
HAMMA GALLERIES
PO Box 163
Hamilton 5
Bermuda

Canada
TELIO & CIE
1407 Rue de la Montagne
Montreal
Quebec H3G 1Z3

Europe

Belgium
THE CHINTZ SHOPS SPRL
48 Place du Grand Sablon
1000 Brussels
Belgium

Denmark
Mi W JERICHAU
Odinhaejverg 17
3140 Alasgarde
Denmark

Eire
ANGELA O'CONNOR
55 Shelbourne Road
Ballsbridge
Dublin
Eire

France
ETAMINE DISTRIBUTION
Le Coudray
BP 239
28001 Chartres
France

Gibraltar
CARGEY & BAIN INTERIORS
8A Church Lane Gibraltar

Greece
MELISA
14 Filikis Eterias Sq
GR 106 73
Athens
Greece

Holland
SUZANNE TESTA
W Pyrmont Laan 22A
3743 D Baarn
Holland

Italy
AUGUSTO GIULIANI
Via di Propaganda 8
00187 Rome
Italy

Portugal
SOUSA HOSTEIN
Rua Coelho da Rocha 66A
1300 Lisbon
Portugal

Spain
GASTON Y DANIELA
Hermosilla 26
28001 Madrid
Spain

Sweden
TAPI AGENTURA
Styrmansgatan 52
11460 Stockholm
Sweden

Switzerland
R & S KOCH
Speerstrasse 32
Postfach 162
CH 8060 Zurich
Switzerland

West Germany
ALAN JONES DESIGNS
Thierschstrasse 38
8 Munchen 22
West Germany

ARDECORA
Maximillianstrasse 15
8 Munchen 2
West Germany

Pacific, Far East, Middle East, Africa

Australia
COLEFAX AND FOWLER PTY LIMITED
46 Queen Street
Woollahra
Sydney
NSW 2025
Australia

New Zealand
ATELIER TEXTILES
P O Box 39258
Hobson Street
Auckland
New Zealand

Hong Kong
SOURCE INTERIORS
13 Wyndham Street
Central

Lebanon
SHEHAHDEH
Villa Shehahdeh
Rue Ibn Ruchd
Beirut
Lebanon

South Africa
MAVROMAC
PO Box 784127
Sandton 2146
Johannesburg
South Africa

PRINCIPAL TRADING SUBSIDIARIES

COLEFAX AND FOWLER LIMITED
39 Brook Street
London W1Y 2JE
Tel: 01-493 2231

SIBYL COLEFAX AND JOHN FOWLER LIMITED
39 Brook Street
London W1Y 2JE
Tel: 01-493 2231

COLEFAX AND FOWLER DESIGN LIMITED
1a Avery Row
London W1Y 1AU
Tel: 01-493 5219

COLEFAX AND FOWLER PTY LIMITED
46 Queen Street
Woollahra Sydney NSW 2025
Australia
Tel: (02) 327 3566

COWTAN AND TOUT INC
979 Third Avenue
New York NY 10022
U.S.A
Tel: (212) 753 4488

JANE CHURCHILL LIMITED
39 Brook Street
London W1Y 2JE
Tel: 01-493 2231

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at The Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8AY on Thursday 21st September 1989 at 11.00 am, to transact the following business:

Ordinary Business

1. To receive and adopt the Annual Accounts and Balance Sheet of the Company for the year ended 30th April 1989, together with the reports of the Directors and of the auditors thereon.
2. To declare a final dividend.
3. To re-elect as a Director the Hon. N. C. J. Rothschild, the Director retiring by rotation.
4. To appoint Ernst & Young as auditors and to authorise the Directors to fix their remuneration for the year.
5. To re-elect F. B. Pearson as a Director.
6. To re-elect A. Grafton as a Director.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolutions 7 and 8 will be proposed as ordinary resolutions and resolution 9 will be proposed as a special resolution:

7. THAT the Directors be and are hereby generally and unconditionally authorised to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of Section 80 (2) of the Companies Act 1985 ("the Act")) of the Company up to an aggregate nominal amount of £750,285.10 (being the amount of the authorised but unissued share capital of the Company) for a period expiring (unless previously renewed varied or revoked by the Company in general meeting) fifteen months after the passing of this resolution or on the conclusion of the first annual general meeting of the Company following the passing of this resolution, whichever first occurs, save that the Company may prior to such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement.
8. THAT the rules of the Colefax and Fowler Executive Share Option Scheme be amended to increase the number of ordinary shares of the Company available for issue under the Scheme from 1,996,509 to 2,049,715, representing approximately 10 per cent. of the issued share capital of the Company at the date hereof and the Directors of the Company be and are hereby authorised and directed to do all acts and things necessary to carry the same into effect and to obtain formal Inland Revenue approval thereto.
9. THAT the Directors be and are hereby empowered to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company pursuant to the authority conferred by Resolution 7 as if Section 89(1) of the Act did not apply to such allotment provided that this power:
   (A) shall expire fifteen months after the passing of this resolution or on the conclusion of the first annual general meeting of the Company following the passing of this resolution, whichever first occurs, save that the Company may prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement; and
   (B) shall be limited to:
      a. any allotment of equity securities in connection with a rights issue to holders of equity securities in proportion (as nearly as may be) to their then holdings subject only to the Directors having a right to make such arrangements in connection with such rights issue as they deem necessary or expedient:
         (i) to deal with equity securities representing fractional entitlements; and
         (ii) to deal with equity securities which the Directors consider it necessary or expedient to exclude from the offer on account of either legal problems under the laws of any territory or the requirements of any recognised regulatory body or any other stock exchange; and
      b. any other allotments of equity securities for cash up to a maximum nominal amount of £99,825.

By order of the Board 17th July 1989
F. B. Pearson BA FCA
Secretary
39 Brook Street
London W1Y 2JE

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote, on a poll, on his/her behalf. A proxy need not be a member of the Company. A Form of Proxy is enclosed.
2. Members who are unable to be present at the annual general meeting are invited to complete and return the form of proxy which, in order to be effective, must reach the Company's registrars not less than 48 hours before the time appointed for the meeting. The lodgement of a form of proxy will not preclude a shareholder from attending and voting at the meeting in person.
3. The service agreements of Directors and the rules of the Executive Share Option Scheme are available for inspection at 39 Brook Street, London W1Y 2JE during usual business hours and will be available for inspection at The Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8AY from 10.30 am until the conclusion of the meeting on Thursday 21st September 1989.

FORM OF PROXY

For use by holders of shares in
COLEFAX AND FOWLER GROUP PLC
Form of Proxy

I/we (capital letters) ....
of ....
being (a) holder(s) of ordinary shares of 10p each in the above-mentioned Company hereby appoint the Chairman of the Meeting (see note (iv) below) ....
.... as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at The Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8AY on Thursday 21st September 1989 at 11.00 a.m. and at any adjournment thereof.

I/we direct that my/our proxy vote as indicated below* in respect of the resolutions set out in the notice convening the Meeting. (If no specific direction as to voting is given, the proxy will vote or abstain as he/she thinks fit.)

	For	Against
Resolution 1 (ordinary)		
Resolution 2 (ordinary)		
Resolution 3 (ordinary)		
Resolution 4 (ordinary)		
Resolution 5 (ordinary)		
Resolution 6 (ordinary)		
Resolution 7 (ordinary)		
Resolution 8 (ordinary)		
Resolution 9 (special)		

*Please indicate with an 'X' in the relevant box

Date ....   Signature(s) ....

Notes:

(i) A member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A member may appoint two or more persons as proxies in the alternative, but if he does so only one of such proxies may attend as such and vote instead of such member on any one occasion. A proxy need not be a member of the Company. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be received at the address shown overleaf not less than forty-eight hours before the time appointed for the Meeting or any adjournment thereof.

(ii) If two or more persons are jointly entitled to a share, then in voting upon any question the vote of the senior who tenders the vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders of the share, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

(iii) The form of proxy, if completed by a corporation, should be executed under the Common Seal of that corporation or be signed by an officer or attorney duly authorised to do so, proof of whose capacity should be included.

(iv) A member wishing to appoint as his proxy a person or persons other than the Chairman of the Meeting should print in block capitals the full name(s) of the person(s) of his choice and delete the words "the Chairman of the Meeting". All alterations should be initialled.