1870320

COLEFAX AND FOWLER GROUP PLC

ANNUAL REPORT AND ACCOUNTS 1991

Company Registration No. 1870320

CONTENTS

TO OUR SHAREHOLDERS

The Group's pre-tax profits for the year to 30th April, 1991 were £1.18 million (1990: £4.01 million), turnover was £30.2 million (1990: £30.7 million) and earnings per share were 4.7p (1990: 13.4p).

In the light of these results, and with regard to the effect that the continuing economic difficulties are having on the Group, the Directors have declared a final dividend of 1.3p (1990: 2.4p), making a total for the year of 2.6p (1990: 3.7p), to be paid on 1st October, 1991 to shareholders on the register at the close of business on 3rd September, 1991.

During the year, the product division saw difficult trading conditions in its main markets. The extent to which this division was affected did not become clear until the second half of the year, when the expected Autumn seasonal uplift did not occur. In addition, the weakness of both the US and Australian dollars throughout the year had adversely affected margins in those markets where 70% of product sold is imported from Europe.

The product division launched two collections in October 1990, the Colefax and Fowler "Motcomb" collection and the Jane Churchill "Albany" collection, which were well received by the trade. Together with the "Musée des Arts Décoratifs" wallpaper collection, which was given much acclaim when launched at the Paris Biennale in January 1991, these collections will contribute to future sales growth. The close relationship the Group has established with the Musée des Arts Décoratifs offers further exciting possibilities for the future.

In the UK, trade sales were down by 6% and retail sales were down 11%, compared with last year. Whilst the retail division has not shown any signs of recovery, the introduction of a new range of accessories at Jane Churchill has proved popular and a new marketing strategy has been implemented to stimulate sales, albeit on lower margins. The marketing of the Jane Churchill brand has achieved the desired result of giving the product division a middle market brand, without detracting from the exclusivity of the Colefax and Fowler brand.

In continental Europe, sales grew by 44% over last year, underlining the success of our resolve to establish ourselves in this growth market. The Paris trade showroom was opened in May 1991, coinciding with a major trade event in Paris, and our presence has already generated much interest.

Sales in the US by Cowtan & Tout, Incorporated increased by 2% in dollar terms over last year. Sales outside New York have increased by 4% in proportion to overall US sales. Sales of Colefax and Fowler product have increased significantly and, with the full range now available in the US through Cowtan & Tout, Incorporated we anticipate this trend continuing. During the year, a new marketing programme was initiated, with the San Diego and Los Angeles showrooms being upgraded to improve customer awareness of the Cowtan & Tout, Incorporated product. The policy will continue this year with the upgrading of the Seattle and Chicago showrooms. This programme, to strengthen brand awareness in the US, has been further underpinned by increased advertising expenditure.

Trading activities in Australia have suffered due to that country's severe economic difficulties, although the results have been cushioned to a certain extent by the success of the decorating service. However, until the Australian economy strengthens, trading will continue to be challenging.

Upholstered furniture sales by L. M. Kingcome were level with last year, a good performance in a difficult market. This division has and will continue to benefit from measures taken during the year to streamline production and operations. In addition, the range of furniture manufactured for Colefax and Fowler is starting to show sales growth. The new Kingcome designs launched at Decorex 1990 have proved popular with the trade and this division is currently working on a small range, targeted at the contract market, to be launched at Decorex 1991.

Within the decorating division, the lead decorators and mini schemes are now clearly established at their separate levels. The lead decorators continue to operate strongly in the US and at the very top end of the UK market. Both these markets are holding up well, with turnover comparable with last year, but at lower margins. Mini schemes are proving to be a strong area of growth for the Group, attracting new business on a regular basis. Since operating as a separate entity in the commercial interior design market, The Albany Design Partnership has won a number of small contracts in the UK.

With the exception of a strengthening US dollar, the Group has seen little sign of alleviation in the current difficult trading conditions. With this in mind, the level of the Group's capital expenditure, working capital and costs are being continually reviewed, whilst ensuring that any reduction does not adversely affect our standard of service. The Group will be launching new collections in the Autumn and next Spring, in order to ensure that we are in a strong position when the economic climate does start to recover.

The Group currently earns 50% of its sales overseas and with a new base in Paris intends to increase its share of the European market. This will give a more even exposure to worldwide markets, with the aim of producing greater sales and earnings stability in the future.

The Directors thank the staff for their continued dedication and hard work, particularly over the last year. We also thank our shareholders for their continued support.

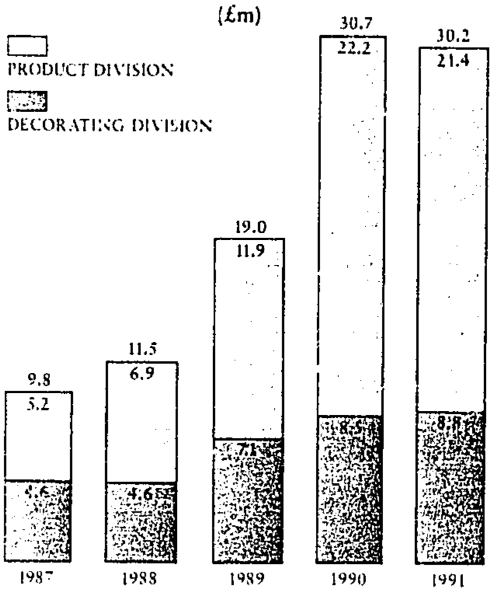
Thomas S. Parr
Chairman
31st July 1991

David B. Green
Chief Executive

FINANCIAL HIGHLIGHTS

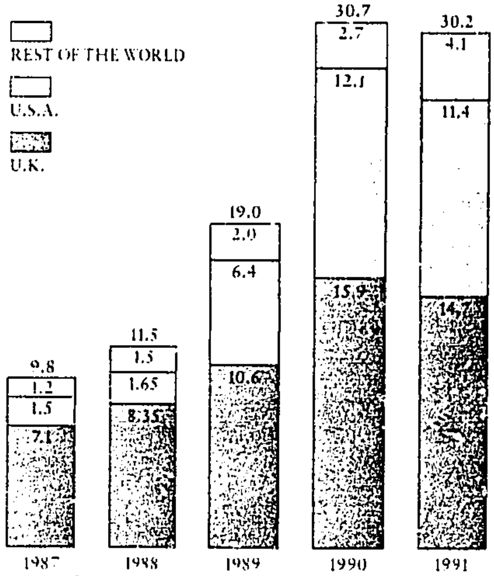
TURNOVER BY OPERATION
(less intra group sales)

(£m)



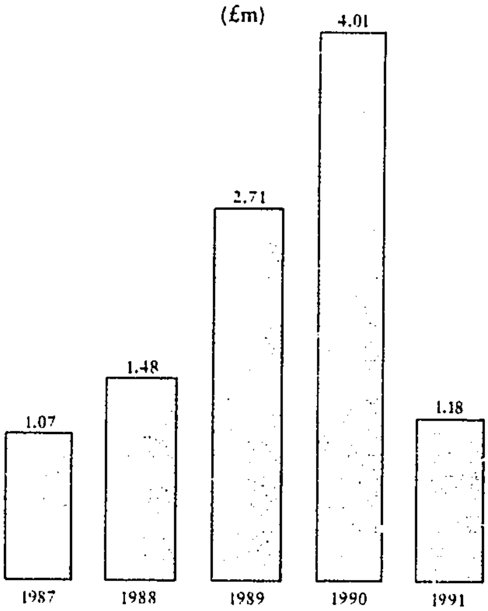
TURNOVER – GEOGRAPHICAL SPLIT

(£m)

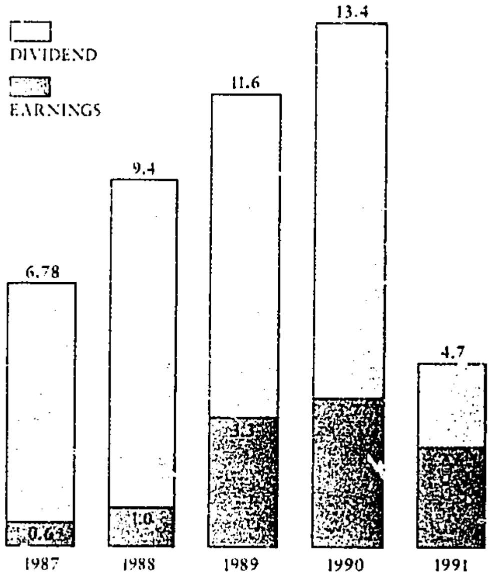


PRE-TAX PROFIT

(£m)



EARNINGS/DIVIDENDS PER SHARE
(pence per share)



DIRECTORS, BANKERS AND ADVISERS

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

Non-executive
Lord Rothschild.
Lord Rothschild has been a non-executive Director of the Group since 1985. He is Chairman of St. James's Place Capital plc.

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
Ernst & Young
Chartered Accountants
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

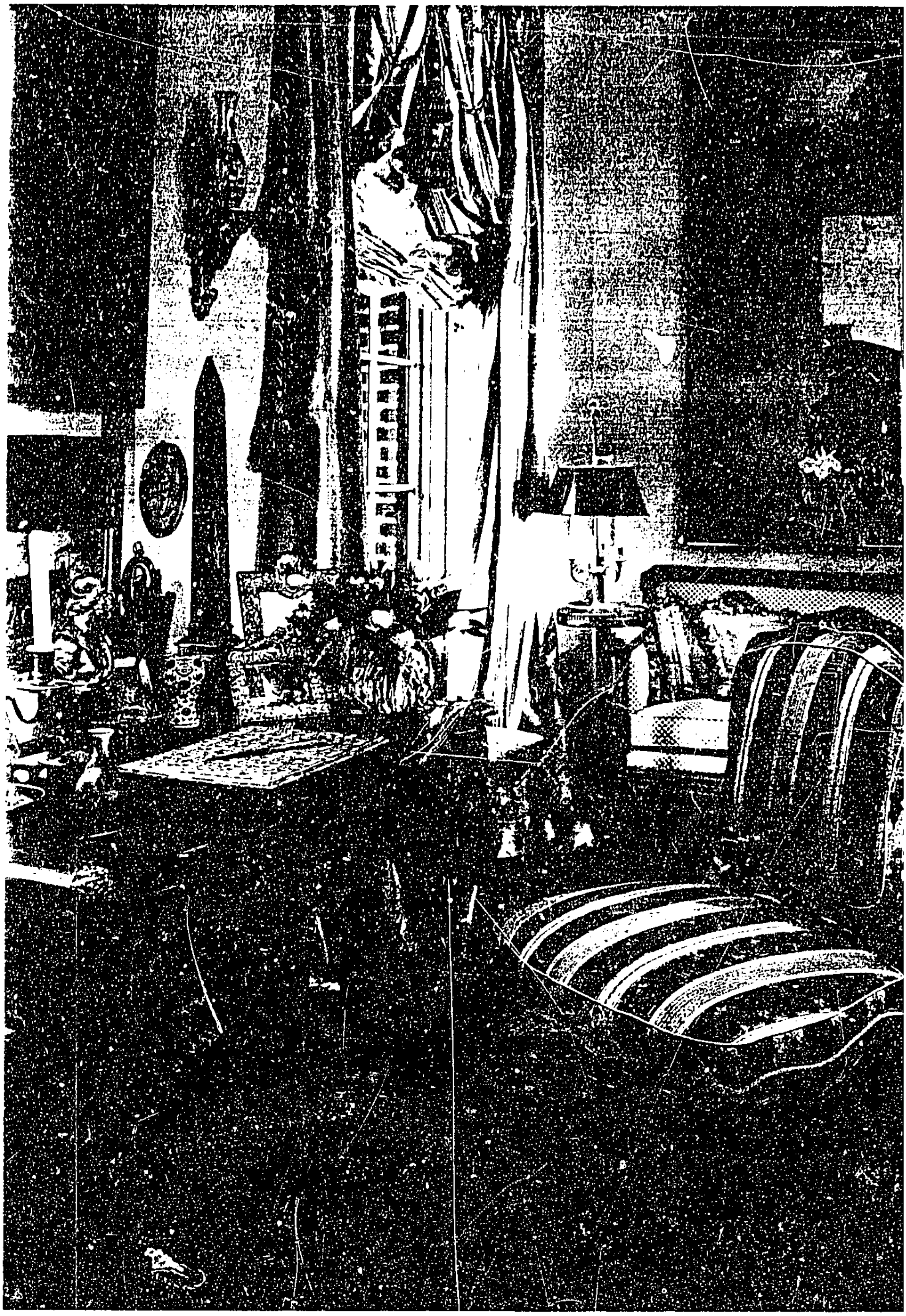
Solicitors
Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD

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
Midland Bank plc
156 West 56th Street
New York
NY 10019
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



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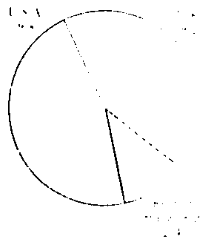
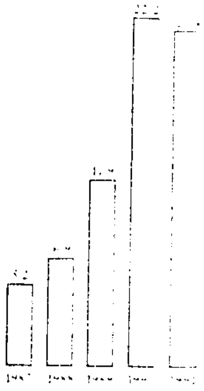
:OWTAN & TOUT
abrics and Wallpapers

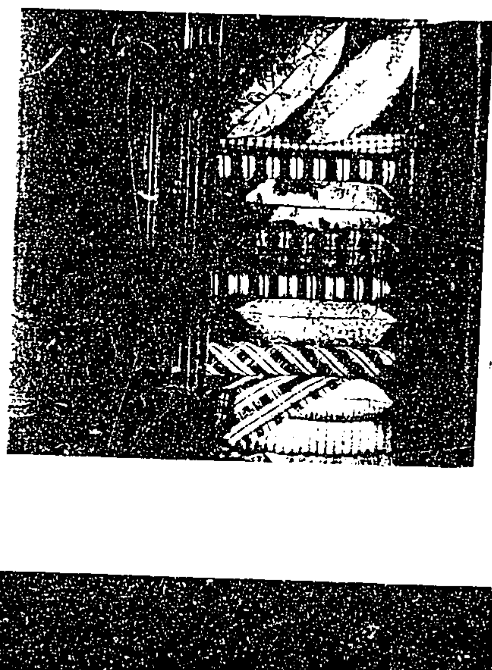
.ight:
:OLEFAX AND FOWLER
abrics and Wallpapers

PRODUCT DIVISION

TURNOVER £m

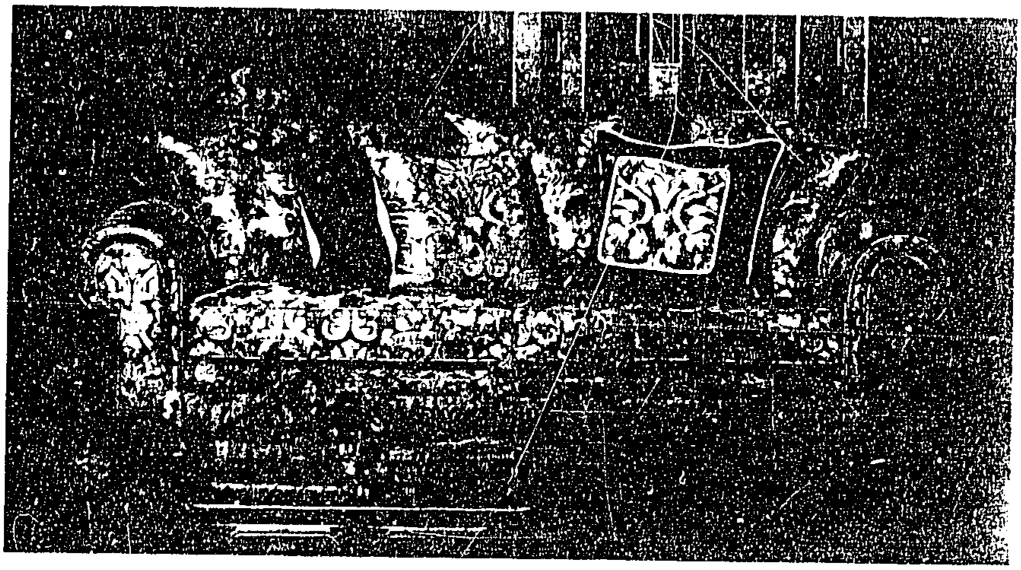


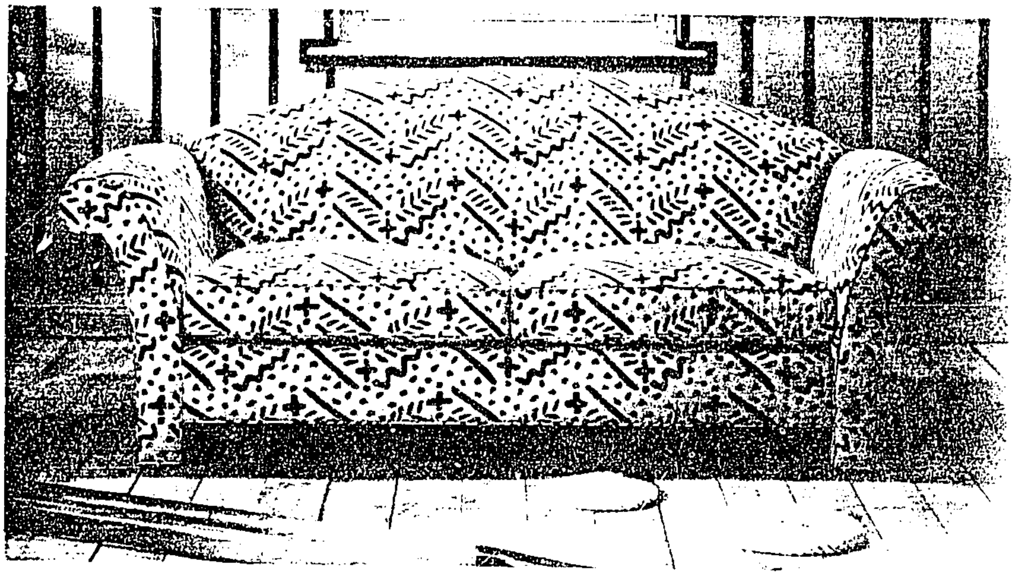


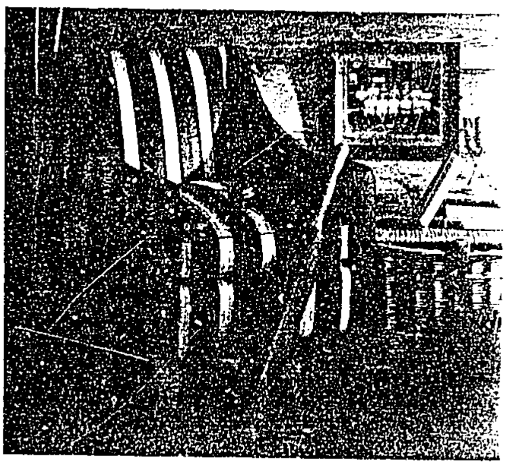


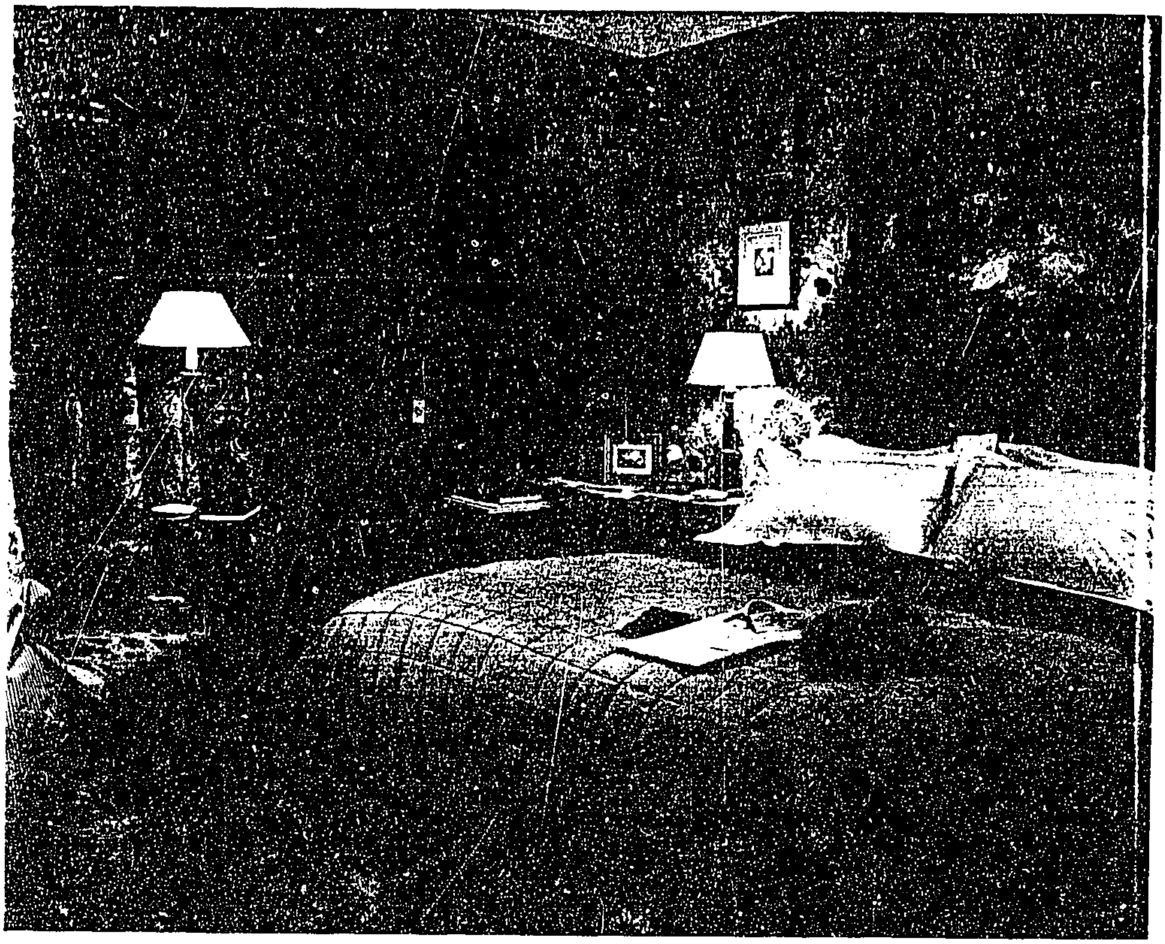
JANE CHURCHILL
Fabrics and Wallpapers

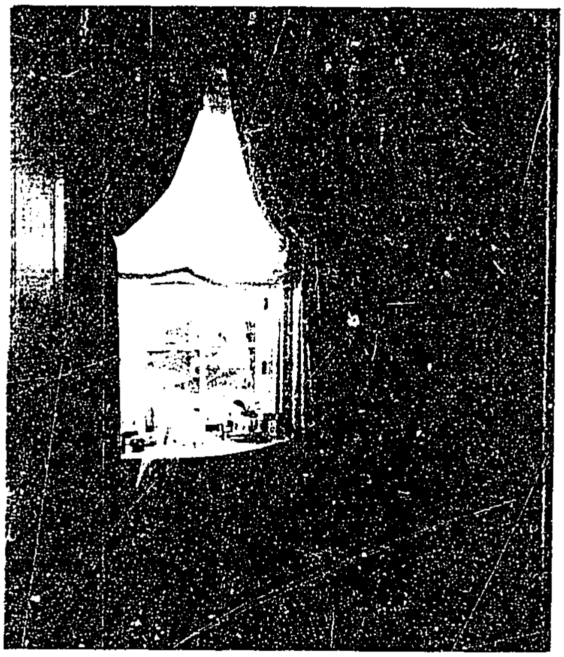
29-11-91



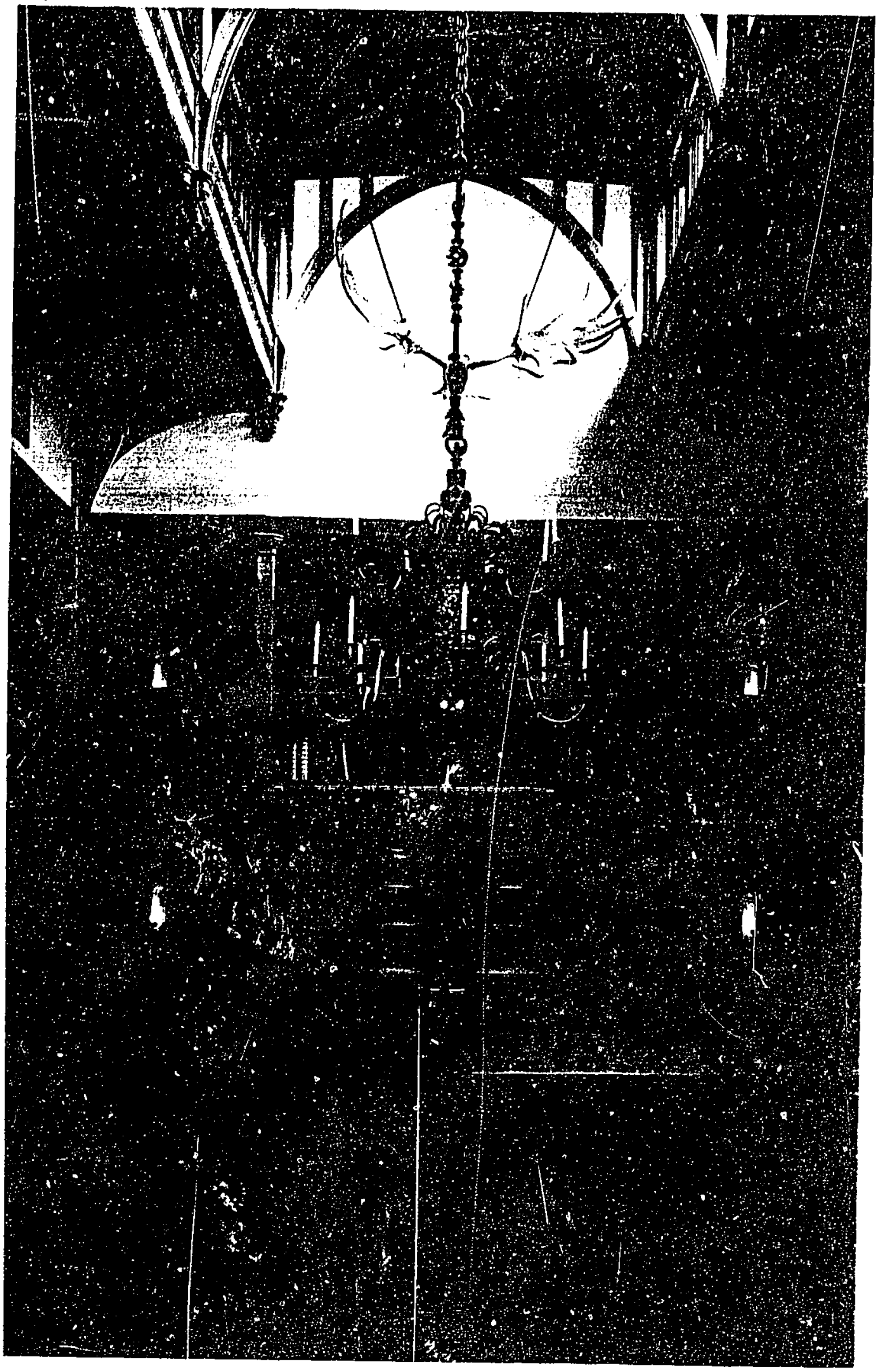








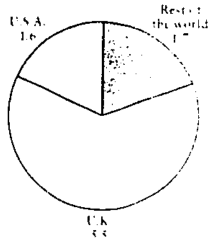
SIBYL COLEFAX AND JOHN FOWLER
THE ALBANY DESIGN PARTNERSHIP
Decoration and Interior Design



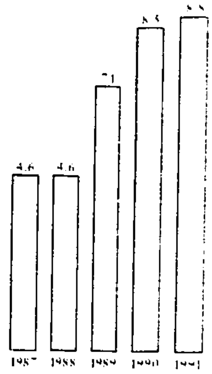
DECORATING DIVISION

SIBYL COLEFAX
AND JOHN FOWLER
THE ALBANY DESIGN PARTNERSHIP

TURNOVER (£m)



Geographical split 1991



DIRECTORS' REPORT

The Directors submit their report and Group financial statements for the year ended 30th April, 1991.

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 31st July, 1990, 96,774 shares of 10p each were issued at a price of 155p each to certain vendors of Jane Churchill Limited as further consideration for the acquisition of the company on 10th May, 1989.

During the year £100,000 was paid in cash to the vendors of L. M. Kingcome Limited as further consideration for the acquisition of the company on 22nd September, 1989. The original agreement was for the issue of shares to the value of £100,000, but the vendors and the Company agreed to this variation which was advantageous to the Company.

During the year the vendors of Cowtan & Tout, Incorporated agreed to a variation to their employment agreements under which salary was waived and deferred consideration for the acquisition of Cowtan & Tout, Incorporated, was re-negotiated and re-scheduled. Aggregate salary of $550,000 was waived for the year to 30th April, 1991 and $605,000 for the year to 30th April, 1992. Deferred consideration payments to a maximum of $1,000,000, $1,000,000 and $1,500,000 to be paid in the years 1990, 1991 and 1992 were re-negotiated and subsequently amounts to a maximum of $1,160,000, $1,114,000 and $500,000 became payable, dependent on trading performance, for the years to 30th October, 1990, 1991 and 1992. An amount of $1,160,000 was paid during the year.

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

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

Resolution Number 5 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 6 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 17 to the accounts.

Results and Dividends
The Group's trading profit for the year, after taxation, was £1,179,000 (1990 – £3,134,000). An interim dividend of 1.3p (1990 – 1.3p) per share was paid to shareholders on 12th April, 1991. The Directors recommend the payment of a final dividend of 1.3p (1990 – 2.4p) per share to be paid on 1st October, 1991 to shareholders on the register on 3rd September, 1991. The total dividend is 2.6p per share and the total dividend cost is £658,000, leaving a profit of £521,000 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 freehold land and buildings and short leasehold properties is significantly in excess of book value.

Employees
The Group values the involvement of its employees and keeps them informed on matters affecting them and on factors affecting the performance of the Group. Information is given at formal and informal meetings throughout the year.

Disabled Persons
It is the policy of the Group to employ disabled persons wherever appropriate. Such disabled employees are given the same opportunities for training and promotion as other employees. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues.

Charitable Donations
During the year the Group made various charitable donations totalling £9,623 (1990—£8,014).

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, 1991 Ordinary Shares of 10p each	30th April, 1990 Ordinary Shares of 10p each
T. S. Parr	921,389	921,389
D. B. Green	4,020,462	4,020,462
F. B. Pearson BA FCA	5,000	5,000
G. Oakes	447,678	447,678
A. Grafton	5,804	5,804
Lord Rothschild (Non-executive)	485,068	485,068

Mr D. B. Green's shareholding included 100,000 (1990—100,000) ordinary shares in which his interest was non-beneficial. The Directors' shareholdings in the company have not changed since the year end. No Director was interested in the shares of any subsidiary company.

A summary of the share options granted to Directors and senior executives is given in note 17 to the accounts.

Lord Rothschild retires by rotation and, being eligible, offers himself for re-election.

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

There are no Directors' interests in contracts which are required to be disclosed under the Companies Act 1985.

Substantial Shareholdings
Other interests of 3% or more in the issued ordinary shares of which the Company has been notified as at 31st July, 1991 were:

	No. of shares
Gartmore Investment Management Ltd	3,079,495
Merchant Navy Officers Pension Fund	1,600,000*
TR Smaller Companies Investment Trust Plc	1,175,000
Schroder Investment Management Ltd	920,000
Fidelity Investment Services Ltd	818,695

*This holding is included in the holding disclosed by Gartmore Investment Management Ltd.

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

Auditors
A resolution proposing the re-appointment of Ernst & Young will be submitted at the Annual General Meeting.

By order of the Board

F. B. Pearson BA FCA
Secretary
31st July, 1991

FB Pearson

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 30th April, 1991

	Notes	1991 £'000	1990 £'000
Turnover	2	30,218	30,728
Cost of sales		18,327	17,739
Gross profit		11,891	12,989
Operating expenses	3	10,162	8,414
Operating profit		1,729	4,575
Interest receivable		21	–
Interest payable	4	(569)	(564)
Profit on ordinary activities before taxation	5	1,180	4,011
Tax on profit on ordinary activities	7	1	877
Profit on ordinary activities after taxation		1,179	3,134
Dividends	8	658	935
Retained profit for the year	18	521	2,199
Earnings per share	9	4.7p	13.4p

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

GROUP BALANCE SHEET
At 30th April, 1991

	Notes	1991 £'000	1990 £'000
Fixed assets:			
Tangible assets	10	4,841	4,750
Current assets:			
Stocks and contracts in progress	12	9,522	9,942
Debtors	13	5,490	7,027
Cash at bank and in hand		101	1,015
		15,113	17,984
Creditors: amounts falling due within one year	14	6,141	9,660
Net current assets		8,972	8,324
Total assets less current liabilities		13,813	13,074
Creditors: amounts falling due after more than one year	15	2,802	1,572
Provision for liabilities and charges:			
Deferred taxation	16	256	439
Acquisition provisions	11	–	171
		10,755	10,892
Capital and reserves:			
Called up share capital	17	2,531	2,521
Share premium account	18	8,352	8,352
Capital reserve	18	–	150
Profit and loss account	18	(128)	(131)
		10,755	10,892

T. S. Parr Director

D. B. Green Director

31st July, 1991

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

COMPANY BALANCE SHEET
At 30th April, 1991

	Notes	1991 £'000	1990 £'000
Fixed assets:			
Tangible assets	10	1,481	1,612
Investments	11	13,333	13,233
		14,814	14,845
Current assets:			
Debtors	13	9,777	8,663
Cash at bank and in hand		2	1,294
		9,779	9,957
Creditors: amounts falling due within one year	14	2,015	1,276
Net current assets		7,764	8,681
Total assets less current liabilities		22,578	23,526
Creditors: amounts falling due after more than one year	15	41	78
		22,537	23,448
Capital and reserves:			
Called up share capital	17	2,531	2,521
Share premium account	18	19,115	18,975
Revaluation reserve	18	33	48
Capital reserve	18	–	150
Profit and loss account	18	858	1,754
		22,537	23,448

T. S. Parr Director
D. B. Green Director
31st July, 1991

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, 1991

	1991 £'000	1990 £'000
Source of funds:		
Profit on ordinary activities before taxation	1,180	4,011
Adjustment for items not involving the movement of funds:		
Depreciation	863	670
Profit on disposal of tangible fixed assets	(17)	(20)
Acquisition provisions utilised	(171)	–
	675	650
Total generated from operations	1,855	4,661
Funds from other sources:		
Increase in loans	1,663	–
Proceeds of disposal of tangible fixed assets	55	234
Net Proceeds of shares issued during the year	150	8,184
Exchange movements	204	–
Capital reserve	–	150
	2,072	8,568
	3,927	13,229
Application of funds:		
Purchase of tangible fixed assets	1,066	2,362
Decrease in loans	–	1,302
Exchange movements	–	90
Tax paid	934	1,498
Dividends paid	936	768
Acquisition of subsidiary companies	–	2,030
Acquisition provisions	–	171
Deferred consideration paid	788	–
Capital reserve movement	150	–
	3,874	8,221
Working capital increase	53	5,008
Components of increase in working capital:		
Stocks and contracts in progress	(420)	1,846
Debtors	(1,467)	2,097
Creditors	2,832	(25)
	945	3,918
Movement in net liquid funds:		
Cash at bank and in hand	(914)	857
Bank overdraft	22	233
	(892)	1,090
	53	5,008

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

NOTES TO THE ACCOUNTS
At 30th April, 1991

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, and in accordance with applicable accounting standards.

(b) Basis of Consolidation
The Group financial statements consolidate the financial statements of Colefax and Fowler Group PLC and its subsidiary undertakings for the year ended 30th April, 1991. No profit and loss account is presented for the Company as provided in S.230 of the Companies Act 1985. The loss dealt with in the financial statements of the holding company was £253,000 (1990–£1,611,000 profit).

Advantage has been taken of the merger relief offered by S.131 of the Companies Act 1985 in respect of consideration paid in excess of the nominal value of the shares issued in connection with the acquisitions of Jane Churchill Limited and L. M. Kingcome Limited. However, although the transactions qualify for merger accounting, the Directors have decided to account for the combinations as acquisitions.

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

(d) Depreciation and Amortisation
Depreciation and amortisation are 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:

Freehold land and buildings	– 30 years
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	– 4 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.

(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 current rate.

NOTES TO THE ACCOUNTS
At 30th April, 1991

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 the 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 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. There are no outstanding or prepaid contributions at the year end.

One Group company operates a defined benefit pension scheme for employees. The scheme's funds are administered by trustees and are independent of Group finances. Annual contributions are based on external actuarial advice and the expected cost of providing pensions is recognised on a systematic and rational basis over the expected average remaining service life of members of the 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 sheet 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:

	1991		1990	
Geographical area:	£'000	%	£'000	%
United Kingdom	14,693	49	15,922	52
United States	11,408	38	12,120	39
Europe	3,116	10	1,549	5
Rest of world	1,001	3	1,137	4
	30,218	100	30,728	100

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

		1991 £'000	1990 £'000
3. Operating Expenses	Distribution and Marketing costs	5,743	4,221
	Administrative costs	4,419	4,193
		10,162	8,414

NOTES TO THE ACCOUNTS
At 30th April, 1991

		1991 £'000	1990 £'000
4. Interest Payable	Bank loans and overdrafts		
	Repayable within five years	(488)	(453)
	Finance leases payable within five years	(81)	(111)
		(569)	(564)

		1991 £'000	1990 £'000
5. Profit on Ordinary Activities before Taxation	(a) This is stated after charging or (crediting):		
	Directors' emoluments (see below)	326	330
	Auditors' remuneration	104	81
	Depreciation of owned fixed assets	822	628
	Depreciation of assets held under finance leases	41	42
	Operating lease rentals – land and buildings	1,126	648
	– other	11	11
	Royalties received	(4)	(35)
	(b) Directors' Remuneration:		
	Emoluments (including pension contributions)	326	330
	Emoluments, excluding pension contributions, of:		
	Chairman	55	50
	Highest paid Director	75	56

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

	1991 No.	1990 No.
£ Nil – £ 5,000	1	1
£35,001 – £40,000	1	1
£40,001 – £45,000	–	1
£50,001 – £55,000	1	2
£70,001 – £75,000	1	–

F. B. Pearson and A. Grafton have shares under option, details of which are included in note 17 to the accounts.

		1991 £'000	1990 £'000
6. Staff Costs	Staff Costs, excluding Directors, were as follows:		
	Wages and salaries	4,245	4,144
	Social security costs	453	363
	Other pension costs	108	23
		4,806	4,530

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

	No.	No.
Distribution and Marketing	242	230
Administration	75	62
	317	292

NOTES TO THE ACCOUNTS
At 30th April, 1991

		1991 £'000	1990 £'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 33.9% (1990–35%)	(37)	799
	Deferred taxation – UK	346	124
	– Overseas	(300)	49
		9	972
	Overseas taxation	–	59
		9	913
	Taxation overprovided in previous years:		
	Corporation tax	(8)	(36)
		1	877

The effective taxation rate is 0.1% (1990–31.6%) 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, and utilisation of losses brought forward.

		1991 £'000	1990 £'000
8. **Dividends**	Interim (paid)	329	328
	Final (proposed)	329	607
		658	935

9. **Earnings per share** Earnings per share have been calculated on the basis of earnings of £1,179,000 (1990–£3,134,000) and on 25,283,424 (1990–23,477,238) ordinary shares, being the weighted average number of ordinary shares in issue during the year ended 30th April, 1991.

		Freehold Land and Buildings £'000	Leasehold Long £'000	Leasehold Short £'000	Furniture Fixtures and Equipment £'000	Motor Vehicles £'000	Screens and Originations £'000	Total £'000
10. **Tangible Fixed Assets**	Group Cost or Valuation:							
	At 1st May, 1990	–	789	2,381	1,672	582	682	6,106
	Exchange adjustment	–	(41)	(15)	(10)	–	(22)	(88)
	Additions	–	–	217	274	116	459	1,066
	Disposals	–	–	–	(19)	(125)	–	(144)
	Reclassification	748	(748)	–	–	–	–	–
	At 30th April, 1991	748	–	2,583	1,917	573	1,119	6,940
	Depreciation:							
	At 1st May, 1990	–	30	317	630	223	156	1,356
	Exchange adjustment	–	(2)	(4)	(4)	(3)	(1)	(14)
	Charge for the year	–	19	204	273	144	223	863
	Disposals	–	–	–	(17)	(89)	–	(106)
	Reclassification	47	(47)	–	–	–	–	–
	At 30th April, 1991	47	–	517	882	275	378	2,099
	Net Book Value							
	At 30th April, 1991	701	–	2,066	1,035	298	741	4,841
	At 1st May, 1990	–	759	2,064	1,042	359	526	4,750

The net book value of assets held under finance leases is £29,000.

The consideration for the acquisition of Cowtan & Tout, Incorporated on 2nd November 1988 included the purchase of the warehouse, leased from a partnership comprising the vendors, on 1st November 1990. The purchase was completed on that date by settlement of the outstanding lease liability and the property has been re-classified as freehold land and buildings.

NOTES TO THE ACCOUNTS
At 30th April, 1991

10. Tangible Fixed Assets continued

	Short Leasehold £'000	Furniture Fixtures and Equipment £'000	Motor Vehicles £'000	Screens and Originations £'000	Total £'000
Company Cost or Valuation:					
At 1st May, 1990	1,008	1,027	81	171	2,287
Additions	72	51	51	–	174
Disposals	–	(4)	(53)	–	(57)
At 30th April, 1991	1,080	1,074	79	171	2,404
Depreciation:					
At 1st May, 1990	171	371	51	82	675
Charge for the year	63	169	22	42	296
Disposals	–	(2)	(46)	–	(48)
At 30th April, 1991	234	538	27	124	923
Net Book Value:					
At 30th April, 1991	846	536	52	47	1,481
At 1st May, 1990	837	656	30	89	1,612

The net book value of assets held under finance leases is £29,000.

11. Investments

The Company has the following subsidiary undertakings:

Name of Company	Country of Registration or Incorporation	Effective % of Issued Share Capital held by the Group	Principal products or activities
Colefax and Fowler Limited	England	100%	Fabrics and Wallpapers
Sibyl Colefax and John Fowler Limited	England	100%	Interior Design
The Albany Design Partnership Limited (formerly Colefax and Fowler Design Limited)	England	100%	Architectural Design
Chintz Limited	England	100%	Holding Company for Colefax and Fowler Inc.
Jane Churchill Limited	England	100%	Fabrics and Wallpapers
L. M. Kingcome Limited	England	100%	Upholstered furniture
Cowtan & Tout, Incorporated	U.S.A.	100%	Fabrics and Wallpapers
Colefax and Fowler Incorporated	U.S.A.	100%	Holding Company for Cowtan & Tout Inc.
Colefax and Fowler Pty Limited	Australia	100%	Fabrics and Wallpapers

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

Cost	£'000
At 1st May, 1990	13,233
Deferred consideration	100
At 30th April, 1991	13,333

During the year £100,000 was paid in cash to the vendors of L. M. Kingcome Limited as further consideration for the acquisition of the company on 22nd September, 1989. The original agreement was for the issue of shares to the value of £100,000, but the vendors and the Company agreed to this variation which was advantageous to the Company.

During the year the vendors of Cowtan & Tout, Incorporated agreed to a variation to their employment agreements under which salary was waived and deferred consideration for the acquisition of Cowtan & Tout, Incorporated, was re-negotiated and re-scheduled. Aggregate salary of $550,000 was waived for the year to 30th April, 1991 and $605,000 for the year to 30th April, 1992. Deferred consideration payments to a maximum of $1,000,000, $1,000,000 and $1,500,000 to be paid in the years 1990, 1991 and 1992 were re-negotiated and subsequently amounts to a maximum of $1,160,000, $1,114,000 and $500,000 became payable, dependent on trading performance for the years to 30th October, 1990, 1991 and 1992. Further consideration of £688,000 ($1,183,000) was paid during the year by Cowtan & Tout, Incorporated and includes accrued US taxes. This amount has been written off as goodwill in the Group accounts.

NOTES TO THE ACCOUNTS
At 30th April, 1991

		£'000
11. Investments continued	Acquisition provisions	
	Balances at 1st May, 1990	171
	Amount used for the purpose established	171
	Balances at 30th April, 1991	–

		Group		Company	
		1991	1990	**1991**	1990
		£'000	£'000	**£'000**	£'000
12. Stocks and Contracts in progress	Finished goods for resale	**8,943**	9,278	**–**	–
	Contracts in progress	**892**	868	**–**	–
	Less: progress payments received and receivable	**(313)**	(204)	**–**	–
		9,522	9,942	**–**	–

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

		Group		Company	
		1991	1990	**1991**	1990
		£'000	£'000	**£'000**	£'000
13. Debtors	Amounts owed by subsidiary undertakings	**–**	–	**9,486**	8,370
	Trade debtors	**4,163**	6,054	**–**	–
	Other debtors	**323**	402	**25**	29
	Prepayments and accrued income	**893**	390	**64**	83
	Corporation tax	**2**	–	**93**	–
	ACT recoverable	**109**	181	**109**	181
		5,490	7,027	**9,777**	8,663

		Group		Company	
		1991	1990	**1991**	1990
		£'000	£'000	**£'000**	£'000
14. Creditors: Amounts falling due within one year	Current instalments due on loans	**392**	–	**–**	–
	Bank overdraft	**652**	674	**1,347**	–
	Amount owed to subsidiary undertakings	**–**	–	**–**	307
	Trade creditors and accruals	**3,991**	5,705	**212**	168
	Payments received on account	**498**	531	**–**	–
	Finance leases (see note 20)	**50**	828	**37**	3[illegible]
	Corporation tax	**–**	820	**–**	5[illegible]
	Other taxes and social security costs	**191**	260	**89**	93
	Other creditors	**38**	235	**1**	17
	Proposed dividend	**329**	607	**329**	607
		6,141	9,660	**2,015**	1,276

NOTES TO THE ACCOUNTS
At 30th April, 1991

		Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
15. Creditors: Amounts falling due after more than one year	Finance leases (see note 20)	56	103	41	78
	Other creditors	6	–	–	–
	Bank loans (see below)	2,740	1,469	–	–
		2,802	1,572	41	78
	Bank loans:				
	Repayable within 1–2 years	1,568	367	–	–
	Repayable within 2–5 years	1,172	882	–	–
	Repayable in more than 5 years	–	220	–	–
		2,740	1,469	–	–

Interest payable is related to London inter-bank interest rates and varies accordingly.

		Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
16. Deferred Taxation:	Deferred taxation has been fully provided as follows:				
	Accelerated capital allowances on tangible assets	22	–	8	17
	Short term timing differences	–	4	(8)	4
	Other timing differences	234	456	–	–
		256	460	–	21
	Advance corporation tax	–	(21)	–	(21)
		256	439	–	–

		Authorised 1991	Authorised 1990	Allotted, called up and fully paid 1991	Allotted, called up and fully paid 1990
17. Called Up Share Capital		No.	No.		
	Ordinary shares of 10p each	33,000,000	33,000,000	£2,530,755	£2,521,078

On 31st July, 1990, 96,774 ordinary shares of 10p each were issued at a price of 155p each as further consideration for the acquisition of Jane Churchill Limited. 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, 1991:

Number of shares	Number of options	Exercise price	Date of grant	Exercise Date
356,018	4	39p	11.05.88	11.05.91
15,258	1	39p	23.05.88	23.05.91
239,045	27	133p	01.02.89	01.02.92
12,206	2	180p	29.08.89	29.08.92
188,000	24	172p	01.03.90	01.03.93

F. B. Pearson and A. Grafton, Directors of the Company, have the following shares under option which were outstanding at 30th April, 1991:

	Number of shares	Exercise price	Date of grant	Exercise Date
F. B. Pearson	40,688	133p	01.02.89	01.02.92
	25,000	172p	01.03.90	01.03.93
A. Grafton	203,428	39p	11.05.88	11.05.91

There were no changes in Directors' share options during the year.

NOTES TO THE ACCOUNTS
At 30th April, 1991

18. Reserves

	Share Premium Account £'000	Merger Reserve £'000	Revaluation Reserve £'000	Capital Reserve £'000	Profit and Loss Account £'000
The Group:					
At 1st May, 1990	8,352	–	–	150	(131)
Shares issued	–	–	–	(10)	–
Premium on issue of shares	–	140	–	(140)	–
Transfer of goodwill	–	(140)	–	–	140
Goodwill write off (note 11)	–	–	–	–	(788)
Foreign currency translation	–	–	–	–	130
Profit retained	–	–	–	–	521
At 30th April, 1991	8,352	–	–	–	(128)
The Company:					
At 1st May, 1990	18,975	–	48	150	1,754
Shares issued	–	–	–	(10)	–
Premium on issue of shares	140	–	–	(140)	–
Depreciation relating to revaluations	–	–	(15)	–	15
Loss retained	–	–	–	–	(911)
At 30th April, 1991	19,115	–	33	–	858

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 further consideration for the acquisition of Jane Churchill Limited. Goodwill written off against profit and loss in 1990 has been transferred against merger reserve in the current year.

The cumulative amount of goodwill written off on all acquisitions to date is £16,542,000.

19. Capital Commitments

The Group had no contracted capital commitments at 30th April, 1991 (1990 – £96,000), and capital commitments authorised but not contracted of £30,000 (1990 – £Nil).

20. Obligations under Finance Leases

	1991 £'000	1990 £'000
Within one year	61	896
In the second to fifth years inclusive	62	120
	123	1,016
Less: Finance charges allocated to future periods	(17)	(85)
	106	931
Finance leases are analysed as follows:		
Current obligations	50	828
Non-current obligations	56	103
	106	931

NOTES TO THE ACCOUNTS
At 30th April, 1991

21. **Commitments under Operating Leases**

At 30th April, 1991 the Group had annual commitments under non-cancellable operating leases as follows:

	1991		1990	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	9	–	–	9
In two to five years	218	7	147	20
After five years	1,103	2	1,069	–
	1,330	9	1,216	29

The majority of leases of land and buildings are subject to rent reviews of either 3–5 years.

22. **Pension Commitments**

Group companies operate a defined contribution money purchase pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund during the year and amounted to £89,060 (1990–£116,501).

One Group company operates a funded pension scheme covering employees. The scheme is of a defined benefit type and the costs have been assessed with the advice of a qualified external actuary using the projected unit method of valuation. The most recent actuarial valuation was on 1st June, 1990. The actuary has valued the fund at £741,518 and confirmed that there are sufficient assets to cover its liabilities.

23. **Guarantees**

The Company has given an unlimited guarantee to Midland Bank Plc to secure all the present and future indebtedness and liabilities to the Bank of the Company and Colefax and Fowler Incorporated and Cowtan & Tout, Incorporated. There is a cross guarantee between the company and each of its U.K. subsidiaries in respect of their overdraft facilities.

The Company has guaranteed an overdraft facility of 400,000 Australian Dollars for Colefax and Fowler Pty Limited.

The Company has guaranteed borrowings up to 100,000 United States Dollars for Shecter Martin, a sales agent of Cowtan & Tout, Incorporated. This guarantee expires on 4th January, 1993.

24. **Contingent Liabilities**

In respect of the acquisition of Cowtan & Tout, Incorporated on 2nd November, 1988, further consideration may become payable on 1st December, 1991 and 1st December, 1992 up to an aggregate maximum of $1,114,000 and $500,000 cash respectively, dependent on trading results.

In respect of the acquisition of L. M. Kingcome Limited on 22nd September, 1989 further consideration may become payable in 1991 and 1992 up to an aggregate maximum of £100,000 and £150,000 respectively dependent on trading results.

ERNST & YOUNG

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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, 1991 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.

Ernst & Young
ERNST & YOUNG
London
31st July, 1991

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 26th September, 1991 at 11.00 am to transact the following business:

Ordinary Business

1. To receive and adopt the Annual Accounts of the Company for the year ended 30th April, 1991, 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, Lord 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.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolution 6 will be proposed as a special resolution:

5. 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 £769,244.90 (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.
6. THAT the Directors be and are hereby generally 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 5 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. allotments of equity securities and where such securities have been offered (whether by way of rights issue, open offer or otherwise) 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 exclusions or other arrangements in connection with such offering as they deem necessary or expedient:

         (i) to deal with equity securities representing fractional entitlements; and

         (ii) to deal with legal or practical 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 £126,538.

By order of the Board
F. B. Pearson BA FCA
Secretary
Dated 31st July 1991

Registered office:
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 are available for inspection at 39 Brook Street, London W1Y 2JE during usual business hours on any weekday (Saturdays and Public holidays excepted) and will be available for inspection at The Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8AY from 10.45 am until the conclusion of the meeting on Thursday 26th September, 1991.

Companies House

NOTICE OF ILLEGIBLE DOCUMENT

ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company contains some data which is illegible.

The poor quality has been noted but unfortunately the steps taken to improve the quality have been unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.