

Registered No. 1870320

**COLEFAX GROUP PLC**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**30 APRIL 2017**

MONDAY



\*L6H7F0ZF\*

LD5

16/10/2017

#24

COMPANIES HOUSE

**Colefax Group is an international designer and distributor of luxury furnishing fabrics and wallpapers and a leading international decorating company. Sales are made under the brand names Colefax and Fowler, Cowtan and Tout, Jane Churchill, Larsen and Manuel Canovas. The Group has offices in the UK, USA, France, Germany and Italy which form part of an expanding worldwide distribution network.**

## **CONTENTS**

|                                                 |           |
|-------------------------------------------------|-----------|
| <b>Financial Highlights</b>                     | <b>1</b>  |
| <b>Chairman's Statement</b>                     | <b>2</b>  |
| <b>Strategic Report</b>                         | <b>4</b>  |
| <b>Directors, Bankers and Advisers</b>          | <b>8</b>  |
| <b>Directors' Report</b>                        | <b>9</b>  |
| <b>Statement of Directors' Responsibilities</b> | <b>12</b> |
| <b>Independent Auditors' Report</b>             | <b>13</b> |
| <b>Group Income Statement</b>                   | <b>14</b> |
| <b>Group Statement of Comprehensive Income</b>  | <b>15</b> |
| <b>Group Statement of Financial Position</b>    | <b>16</b> |
| <b>Company Statement of Financial Position</b>  | <b>17</b> |
| <b>Group Statement of Cash Flows</b>            | <b>18</b> |
| <b>Company Statement of Cash Flows</b>          | <b>19</b> |
| <b>Group Statement of Changes in Equity</b>     | <b>20</b> |
| <b>Company Statement of Changes in Equity</b>   | <b>20</b> |
| <b>Notes to the Accounts</b>                    | <b>21</b> |
| <b>Five Year Review</b>                         | <b>41</b> |
| <b>Notice of Meeting</b>                        | <b>42</b> |



## FINANCIAL HIGHLIGHTS

|                                     | <b>2017</b><br><b>£'000</b> | 2016<br>£'000 | Increase/<br>(decrease) |
|-------------------------------------|-----------------------------|---------------|-------------------------|
| Revenue                             | <b>80,475</b>               | 76,879        | 5%                      |
| Profit from operations              | <b>2,937</b>                | 5,013         | (41%)                   |
| Profit before taxation              | <b>2,937</b>                | 5,016         | (41%)                   |
| Profit attributable to shareholders | <b>1,895</b>                | 3,461         | (45%)                   |
| Basic earnings per share            | <b>18.6p</b>                | 32.2p         | (42%)                   |
| Diluted earnings per share          | <b>18.6p</b>                | 32.2p         | (42%)                   |
| Dividends per share                 | <b>4.80p</b>                | 4.60p         | 4%                      |
| Equity                              | <b>25,936</b>               | 26,318        | (1.5%)                  |
| Operating cash flow                 | <b>4,180</b>                | 7,195         | (42%)                   |
| Cash and cash equivalents           | <b>6,710</b>                | 10,085        | (33%)                   |

## CHAIRMAN'S STATEMENT

### Financial Results

Group sales for the year to 30 April 2017 increased by 4.7% to £80.48 million (2016: £76.88 million but decreased by 5.3% on a constant currency basis. Pre-tax profits decreased to £2.94 million (2016: £5.02 million) and earnings per share decreased to 18.6p (2016: 32.2p). The Group ended the year with net cash of £6.7 million (2016: £10.1 million).

The Board is proposing to increase the final dividend by 4% to 2.50p per share (2016: 2.40p) making a total for the year of 4.80p (2016: 4.60p), an increase of 4%. The final dividend, which is subject to shareholder approval, will be paid on 10 October 2017 to shareholders on the register at the close of business on 8 September 2017.

During the year the Group returned £2.58 million (2016: £324,000) to shareholders through the purchase of 537,000 shares at an average price of £4.79 and representing 5.0% of the issued share capital of the Company.

The decline in our profit was mainly due to difficult trading conditions in our core US market where sales were down by 7.7% on a constant currency basis. Our decision to hedge our US Dollar exposure at our budgeted rate meant that we incurred hedging losses of £2.0 million (2016: £144,000) reflecting the collapse in Sterling following the Brexit Referendum. Excluding hedging losses the Group profit before tax would have been £4.91 million or down 2% on last year.

A significant proportion of the Group's sales are in overseas markets with 68% of sales invoiced in currencies other than Sterling. In addition 47% of Group net assets are denominated in currencies other than Sterling. As a result exchange rate movements have exacerbated the changes in revenues, costs, assets and liabilities in our reported results.

Despite difficult trading conditions, the Group made significant progress during the year with a major programme of capital investment in new showrooms. In the UK our Decorating Division successfully moved from 39 Brook Street to new premises at 89-91 Pimlico Road in Belgravia and we are pleased with the positive customer response to the new showroom. In the US we opened two new showrooms in Boston and Atlanta which are both major sales territories. Inevitably these showroom openings involved some disruption to our existing business and we can now focus fully on building sales in these markets.

### Product Division

- **Fabric Division – Portfolio of Five Brands: “Colefax and Fowler”, “Cowtan and Tout”, “Jane Churchill”, “Manuel Canovas” and “Larsen”**

Sales in the Fabric Division, which represent 87% of Group turnover were up by 5.5% to £70.05 million (2016: £66.40 million) but down by 6.0% on a constant currency basis. Operating profit reduced to £2.80 million (2016: £4.53 million) but excluding hedging losses of £2.0m was up by 6.0% highlighting the importance of the US Dollar exchange rate to Fabric Division performance.

The main reason for the decline in Fabric Division sales on a constant currency basis was adverse trading conditions in our core US market. Sales in the US, which represent 59% of the Fabric Division's turnover, decreased by 7.7%. The rate of decline slowed during the year with the first half down by 10% and the second half down by 6%. In the run up to the US election there was considerable political uncertainty which we believe impacted spending at the luxury end of the market and although the election result was unexpected there has been greater certainty and economic confidence since the election. We opened a new showroom in Boston in October and a new showroom in Atlanta in February. Previously we sold through agent showrooms in these territories and we now have direct control over sales in these important markets.

Sales in the UK which represent 18% of the Fabric Division's turnover were down by 1% during the year reflecting fairly challenging conditions at the top end of the market. Trading conditions are closely linked to the health of the high end housing market and there has been a significant decline in high end housing transactions over the last year which we attribute to the very high rate of stamp duty on these properties. We would like to see stamp duty rates reduced but there seems to be little prospect of this in the current political climate. It is too early to say how our UK market will be affected by Brexit. Currently, the majority of our fabrics are sourced duty free from high quality manufacturers in Europe.

## CHAIRMAN'S STATEMENT

Sales in Continental Europe, which represent 20% of the Fabric Division's turnover, increased by 7% in reported terms but decreased by 6% on a constant currency basis. France, Germany and Italy account for 55% of sales in Europe and all of these markets were relatively difficult. On a constant currency basis France was down by 5%, Germany by 9% and Italy by 4%. Sales in most other European countries were slightly down compared to last year but there are tentative signs of a pick-up in the overall economy. Europe encompasses a wide range of design tastes and the Group's portfolio of brands means that we will look to exploit specific growth opportunities in specific markets.

Sales in the Rest of the World which represent just 3% of the Fabric Division's turnover, decreased by 2% during the year. The main markets are the Middle East, Australia, Russia and China and current market conditions mean that they are likely to remain a relatively small part of overall sales.

### • Furniture – Kingcome Sofas

Sales of Kingcome furniture, which represent 3% of Product Division sales decreased by 10% to £2.35 million (2016: £2.62 million). This business activity is highly operationally geared and, as a result of the sales decrease, operating profit reduced to £23,000 compared to a profit of £263,000 last year. Approximately 90% of sales are in the UK, predominantly London, and we believe the luxury furniture market has been adversely impacted by the slowdown in the high end housing market. Customer deposits ended the year up by 21% compared to the prior year but we expect trading conditions to remain challenging. Export sales represent an opportunity for growth especially given the decline in the value of Sterling since the Brexit referendum.

### Interior Decorating Division

Decorating sales, which account for 10% of Group turnover, increased by 3% to £8.06 million (2016: £7.86 million) but profits were £108,000 compared to a profit of £221,000 for the prior year. It has been a transitional year for the Decorating Division due to the move from 39 Brook Street in Mayfair where the company was based for over 80 years. The new showroom at 89-91 Pimlico Road in Belgravia opened in February 2017 and the initial market reaction has exceeded our expectations. The new location is better suited to the needs of the business and whilst we have significantly reduced our investment in antique stock, antique sales have been encouraging. Despite the distraction of the move, customer deposits are well ahead of last year. The decline in Sterling is a growth opportunity for the company and we have seen an increase in the proportion of overseas clients.

### Prospects

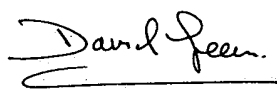
The last year has been challenging for the Group and underlying trading conditions were affected both by uncertainty before the US election and after the Brexit Referendum. We are pleased to have successfully completed a significant capital investment programme with two major new US showrooms and a new Decorating Division showroom in the UK and we expect to see a good return on these investments in the current year.

In the US, our most important market, we have seen a steady improvement in confidence since the Presidential election and sales for the first two months of the new financial year are ahead of last year and budget. Sales in the UK and Europe are also ahead of last year although we remain cautious about growth prospects in these markets.

The weakness of Sterling against the US Dollar is extremely positive for our business due to the fact that approximately 60% of Fabric Division sales are in the US and invoiced in US Dollars. However, we will not benefit fully this year due to ongoing hedging, put in place prior to the Brexit Referendum, which is likely to give rise to a pre-tax charge of just over £1.2 million.

Overall we are cautiously optimistic about the Group's prospects for the year ahead and will continue to invest with confidence in our portfolio of brands.

I would like to thank all of our staff throughout the Group for their loyalty, talent, hard work and enthusiasm, and for their ongoing commitment to the future success of the Group.



David B. Green  
Chairman  
24 July 2017

## STRATEGIC REPORT

**Strategy and Business Model**

The core business of Colefax Group Plc is the design and distribution of luxury furnishing fabrics and wallpapers. The Group does not manufacture any fabrics and wallpapers and they are sourced from over 100 different suppliers primarily in Italy, France, Belgium the UK and India. This broad supplier base enables the Group to respond rapidly to changing market tastes and avoids the complexity and capital intensive nature of manufacturing.

The Group sells its fabrics and wallpapers through a 'portfolio' of luxury brands. The rationale behind the portfolio is that each brand has a particular look and price point and caters to a particular segment of the market. The brands have different strengths in different markets and product categories which enables the Group to maximise sales through its worldwide distribution network.

The Group is interested to acquire additional fabric and wallpaper brands provided they complement the existing portfolio. The industry is still relatively fragmented with a large number of independent competitors. The main challenge with acquisitions has been finding vendors who are prepared to sell at a realistic price. In the absence of acquisitions we believe there are still good opportunities for organic growth within the Group's existing portfolio and we will continue to return surplus cash to shareholders through our long running share buyback programme.

The Group's fabric and wallpapers are sold in over 50 countries worldwide although the US market accounts for 59% of Fabric Division sales and the UK market 18% of sales. The next largest individual country is France which accounts for 6% sales. The Group sells primarily to interior designers and retail fabric and wallpaper shops (the 'trade') and apart from one retail outlet in London accounting for just over 1% of sales there is no direct retail activity. The Group adopts different sales approaches according to the size and potential of individual markets. In major geographical markets the Group mainly employs its own sales staff to sell direct to trade customers. In medium sized markets the Group sells through agents who receive a sales commission and in smaller or complex markets the Group uses distributors.

The strategic rationale behind the Group's portfolio of brands is that they each have separate design studios but share a common operational platform in terms of marketing, sales, sampling, warehousing, purchasing, IT systems and accounting. This minimises costs and maximises efficiency whilst at the same time keeping the identity of each brand distinct and separate in the market.

The Group has five fabric and wallpaper brands all sold at the premium end of the market. Colefax and Fowler is a renowned luxury English brand and is complimented by another English brand Jane Churchill which is targeted at a lower price point than Colefax and Fowler. Larsen is a highly innovative contemporary US brand and Manuel Canovas is an iconic luxury French brand. Cowtan and Tout is a very high end luxury US brand sold exclusively in the US market.

The Group's current strategy is to maximise sales and operating profit from its existing portfolio of brands primarily through an annual cycle of new product investment. This is the key driver of sales growth and the market reaction to new product is one of the key business risks. Typically each brand introduces a major new collection annually supplemented by smaller product launches. The Group seeks to reduce business risk by targeting different brands at different markets and ensuring that each brand remains clearly differentiated with minimal product overlap.

In addition to the Group's core fabric and wallpaper brands (the Fabric Division) the Group owns a UK based luxury sofa manufacturer Kingcome Sofas. Production takes place at a freehold factory in Devon which employs 33 staff and this is the Group's only manufacturing activity. It is a relatively small part of the Group accounting for 2.9% of sales. Although a distinct activity the furniture company is grouped with the fabric and wallpaper brands to make up the Product Division.

The Group also owns an ultra luxury interior design business trading as Sibyl Colefax and John Fowler Limited. Founded in 1933 this activity is the original business from which the rest of the Group evolved and is referred to as the Decorating Division. Currently it accounts for 10% of Group sales. The business undertakes interior design and decoration projects primarily for high end residential customers. All projects are fully estimated and funded by customer deposits. There are four Design Directors and three Associate Directors each with their own portfolio of clients. The business is international with a broad geographical spread and the high end client base means it is quite resilient to normal economic cycles.

## STRATEGIC REPORT

The Decorating Division includes a decorative antiques business which accounts for about 12% of its sales. In recent years the market for antiques has been relatively challenging due to changing consumer tastes. During the year the Decorating Division moved from Brook Street in Mayfair to new premises in Pimlico Road Belgravia and as part of the move the investment in antique stock was reduced by over 50% with an emphasis on fewer but more selective items. The new location is much better suited to antique sales and although smaller, this activity will remain strategically important to the Decorating Division.

The project based nature of decorating means that, depending on the timing of projects, there can be significant fluctuations in profits from year to year and this can sometimes have a material impact on the Group's results.

**Key Performance Indicators**

Given the size and nature of the Group's activities the Key Performance Indicators are all financial in nature:

|                                | 2017  | 2016  |
|--------------------------------|-------|-------|
| Constant Currency Sales Growth | -5.3% | -2.2% |
| Gross Profit Margin            | 55.1% | 56.3% |
| Operating Profit Margin        | 3.6%  | 6.5%  |
| Earnings Per Share             | 18.6p | 32.2p |
| Operating Cash Flow            | £4.2m | £7.2m |

*Sales Growth*

Group sales were up by 4.6% in reported terms to £80.48 million (2016: £76.88 million) but down by 5.3% on a constant currency basis. The sales decline mainly reflects challenging market conditions in the US. In the core Fabric Division sales decreased by 6% on a constant currency basis compared to a 3% constant currency decrease last year. By market the US was down 8.0%, the UK down 1% and Europe down 6%. These changes are discussed in more detail in the Chairman's Statement. The sales decline in the US was across all brands and most territories which suggests that it was more to do with market conditions than internal factors. We believe that our sales are closely tied to the strength of the high end housing market.

In the Decorating Division sales were up by 2.1%. Variations in the timing and duration of projects mean that sales don't always reflect current market conditions. A more reliable indicator is customer deposits which increased steadily throughout the year. In December the 53 year lease of our showroom at 39 Brook Street in Mayfair came to an end and the company moved to new premises in Belgravia which are better suited to the needs of the business.

*Gross Profit Margin*

The overall gross profit margin decreased from 56.3% to 55.1%. The actual margin achieved is heavily influenced by the US Dollar exchange rate because fabric and wallpaper sold in the US is invoiced in US Dollars but sourced mainly in Sterling and Euros. The Group typically hedges a significant portion of its US Dollar exposure with any gains or losses on hedging recorded in cost of goods sold when they are realised. The decision to hedge all of our exposure this year at our budgeted rate of \$1.50 unfortunately resulted in hedging losses of £2 million when Sterling collapsed after the Brexit Referendum. Excluding hedging losses the Group margin would have increased to 57.6%. This demonstrates the significance of the US Dollar exchange to Group profits with every one cent movement worth approximately £95,000. Next year we will not benefit fully from the strength of the US Dollar because we still have some cover in place which will give rise to hedging losses of approximately £1 million. However, overall the strong Dollar is very positive for our business.

The Brexit result was unexpected and has implications for future sales and profit margins if the UK leaves the Customs Union and is unable to negotiate a new free trade agreement. This is because the Fabric Division purchases the majority of its goods in Europe and makes 20% of its sales in Europe.

The Group does not have any significant exposure to the Euro Sterling exchange rate as there is a natural hedge between Euro costs and revenues.

## STRATEGIC REPORT

The average and closing US dollar and Euro rates were as follows:

|                   | 2017 | 2016 | % change |
|-------------------|------|------|----------|
| US dollar average | 1.29 | 1.50 | 14.0%    |
| US dollar closing | 1.29 | 1.47 | 12.2%    |
| Euro average      | 1.18 | 1.36 | 13.2%    |
| Euro closing      | 1.19 | 1.27 | 6.2%     |

#### *Operating Profit Margin*

Group operating profit decreased by 41.8% to £2.94 million (2016: £5.01 million) representing an operating profit margin of 3.6% (2016: 6.5%). Excluding hedging losses the operating margin would have been £4.92 million or 6.1%. The main reason for the decline in the operating margin was the 6% decline in Fabric Division sales on a constant currency basis. This highlights the extent to which the Group's profits are operationally geared. Relatively small increases or decreases in sales can have a significant impact on profits.

The Decorating Division made a profit of £108,000 compared to £221,000 last year. The profit includes compensation of £494,000 for the termination of the Brook Street lease although this income was largely offset by move costs including double rent and rates during the build out of the new showroom, stamp duty and legal costs.

Next year the Group's operating margin will benefit from a reduction in hedging losses but the most important factor will be whether we see a return to growth in our core US market.

#### *Earnings Per Share*

Earnings per share reduced to 18.6p (2016: 32.2p) in line with the decline in operating profit. There was a decrease of 5% in the weighted average number of shares in issue during the year due to share buybacks in the current and prior year. However, this benefit was offset by a 4% increase in the corporation tax rate from 31% to 35% due to the proportion of profits made in the US market. Next year the tax rate is expected to return to last year's levels.

The Board remains committed to a policy of returning surplus cash to shareholders by way of share buybacks provided it enhances shareholder value. Since September 1999 the Group has returned over £24 million to shareholders through its share buyback program. At this year's AGM on the 14 September 2017 the Group will be seeking to renew its authority to make annual share buybacks of up to 15% of the issued share capital. As David Green currently owns over 30% of the company any share buyback would increase his stake and under Rule 9 of the Takeover Code require him to make a bid for the entire issued share capital of the company. The Group will therefore hold an Extraordinary General Meeting after the AGM to seek approval for a waiver of Rule 9. A Circular will be sent to shareholders with the Annual Report and Accounts.

#### *Operating Cash flow*

The Group's operating cash flow was £4.18 million (2016: £7.19 million) compared to profit before tax of £2.94 million. The decrease compared to last year is mainly due to the reduction in operating profit but also an increase in inventory of £1.14 million (2016: £127,000). The increase in inventory was largely due to the increased cost of Euro purchases following the 12% devaluation of Sterling after the Brexit Referendum. Including movements in debtors and creditors there was a net increase in working capital of £1.46 million compared to just £5,000 in 2016. Depreciation amounted to £2.72 million (2016: £2.19 million) compared to net capital expenditure of £4.08 million. The high capital expenditure was due to new US showrooms in Boston and Atlanta and the new Decorating Division showroom in Belgravia. Next year capital expenditure is expected to return to more normal levels and be below the annual depreciation charge.

The Group ended the year with net cash of £6.7 million compared to £10.1 million last year. The reduction in cash compares to post tax profits of £1.9 million and is mainly explained by the exceptionally high capital expenditure of £4.08 million compared to depreciation of £2.72 million, an increase in working capital of £1.46 million, share buybacks of £2.58 million and dividend payments of £478,000.

## STRATEGIC REPORT

### **Principal Risks and Uncertainties**

The Group has put in place controls to identify, monitor and manage the principal risks and uncertainties faced by the Group. Risks are ranked according to their potential financial impact and probability and a Group Risk Assessment Report is presented bi-annually to the Audit Committee. The Group's Executive Directors provide input into the risk assessment process where relevant.

The principal risks can be summarized into business risks, financial risks and operational risks.

#### *Business risks*

The main internal business risk relates to the market reaction to new product investment. The risk is mitigated by employing talented and experienced design studio staff together with tight budgetary controls over new product investment and regular feedback and financial analysis.

The main external business risk is a downturn in the high end housing market. The business is not immune to economic cycles and in particular it tends to lag changes in the strength of the housing market. Both the number of high end transactions and the level of price inflation are important. The main control for responding to changes in the housing market is the amount of new product investment.

#### *Financial risks*

There are two major financial risks facing the Group. The first is the US Dollar exchange rate against Sterling. This can have a material impact on profitability because every one cent movement in the exchange rate impacts Group profits by approximately £95,000. The Group seeks to hedge against fluctuations in the US Dollar exchange rate by taking out forward contracts to sell US dollars at rates close to or better than the annual budgeted rate.

The second major financial risk relates to obsolete inventory. Each fabric brand consists of hundreds of individual fabric and wallpaper options and as a result the largest component of the balance sheet is finished goods stock amounting to approximately £13.6 million. There are substantial fluctuations in inventory levels during the year relating to the timing of new product launches. Obsolete stock arises due to surpluses resulting from supplier minimum orders, risks associated with new product introduction and product discontinuations. Some obsolete inventory is an inevitable feature of the business but the Board seeks to mitigate the risk of obsolete inventory through tight purchasing controls and budgetary controls over new product investment.

#### *Operational risks*

There are two main operational risks. The first relates to the loss or failure of the Group's IT system in the UK or the US. The nature of the Fabric Division business is that it involves large numbers of stock items, large numbers of customers and a high volume of transactions. As a result the Group is highly dependent on its IT systems and the main way that the Group mitigates this risk is through real-time backup procedures in the UK and the US. In addition the Group has full business interruption insurance.

The second main operational risk relates to loss or damage to the Group's warehouse and operations facilities in the US and the UK including loss or damage to inventory. The risk is spread by having three warehouse buildings in the UK and one in the US. The main way that the Group mitigates this risk is by having alarm systems and disaster recovery plans as well as full inventory insurance and business interruption insurance.

The above report was approved by the Directors on 24 July 2017 and signed on its behalf by



R. M. Barker BSc ACA  
Group Finance Director

DIRECTORS, BANKERS AND ADVISERS

**Directors**

D. B. Green, *Chairman and Chief Executive*  
R. M. Barker BSc ACA, *Finance Director*  
W. Nicholls, *Decorating Managing Director*  
K. Hall, *Chief Executive Officer – USA*  
A. K. P. Smith, *Non-Executive Director*

**Secretary and Registered Office**

R. M. Barker BSc ACA  
19-23 Grosvenor Hill  
London W1K 3QD

Registered in England No. 1870320

**Nominated Advisers and Stockbrokers**

Peel Hunt LLP  
Moor House  
120 London Wall  
London EC2Y 5ET

**Auditors**

BDO LLP  
55 Baker Street  
London W1U 7EU

**Solicitors**

Keystone Law  
48 Chancery Lane  
London WC2A 1JF

**Bankers**

HSBC Bank plc  
31 Holborn  
London EC1N 2HR

HSBC Bank USA  
452 Fifth Avenue  
New York  
NY 10018  
U.S.A.

JP Morgan Chase Bank  
270 Park Avenue  
41 Floor  
New York  
NY 10017  
U.S.A.

**Registrars and Transfer Office**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZY

## DIRECTORS' REPORT

### Principal Activities

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

### Review of the Business and Future Developments

Details of the Group's activities during the year, key performance indicators and future plans are contained in the Chairman's Statement on pages 2 and 3, and in the Strategic Report on pages 4 to 7.

### Share Capital

At the forthcoming Annual General Meeting, certain resolutions are to be proposed relating to the allotment of shares.

Resolution Number 6, proposed as an ordinary resolution, would authorise the Directors to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum of one third of the issued 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 occurs first.

In addition, Resolution Number 6 would also authorise the Directors to allot equity securities in connection with a rights issue up to a maximum of one third of the issued 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 occurs first.

Resolution Number 7, proposed as a special resolution, would authorise the Directors to allot shares for cash, on rights issues and other issues to existing shareholders in proportion to their existing holdings and also allows issues of sales other than to existing shareholders 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 occurs first.

Resolution Number 8, proposed as a special resolution, would authorise the Directors to purchase up to a total nominal value of £153,300 of the Company's ordinary shares, representing 15% of the issued share capital at 24 July 2017, at prices from 10p up to a maximum of 5% above the middle market quotations for the preceding five business days. This power will only be exercised by the Board when it is satisfied that any purchase would have a beneficial impact on earnings per share, would not have a material adverse impact upon attributable assets and would be in the interests of the shareholders.

### Purchase of Own Shares

The Board is committed to a strategy of utilising surplus cash for share buybacks provided they enhance shareholder value through their effect on earnings per share and return on capital employed. During the year, the Company repurchased 537,000 shares at an average price of 479.1p.

### Results and Dividends

The Group's profit after tax was £1,895,000 (2016 – £3,461,000). An interim dividend of 2.30p (2016 – 2.20p) per share was paid to shareholders on 10 April 2017. The Directors recommend the payment of a final dividend of 2.50p (2016 – 2.40p) per share to be paid on 10 October 2017 to shareholders on the register at the close of business on 8 September 2017. The proposed final dividend has not been accrued for because the dividend was declared after the year end and is yet to be approved at the Annual General Meeting. The total dividend for the year is 4.80p (2016 – 4.60p) per share and the total of the interim and proposed final dividend is £488,000 (2016 – £492,000).

### 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.

The Group believes in a policy of equal opportunities. Recruitment and promotion are undertaken on the basis of merit, regardless of gender, race, age, marital status, sexual orientation, religion, nationality, colour and disability.

## DIRECTORS' REPORT

**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.

**Events after the Reporting Date**

No significant events have occurred since 30 April 2017 at the date of these financial statements.

**Financial Risk Management**

Detail of the use of financial instruments and financial risk management are contained in note 20 to the financial statements.

**Freehold Property**

The Group's freehold property was last valued on 28 April 2011 on an open market value basis by qualified valuers from Drew Pearce, an independent firm of chartered surveyors. The valuation was carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. The market value determined under this basis was £850,000.

The net book value of the Group's freehold property, on a historical cost basis was £168,000 at 30 April 2017 (2016 – £167,000).

**Directors**

The Directors listed on page 8 have held office throughout the year to 30 April 2017.

In accordance with Article 14.1 of the Company's Articles of Association, R. Barker will retire by rotation at the Annual General meeting. Resolution 5 proposes his re-election as Director. R. Barker has a service contract which is terminable by one year's notice by either the Company or the Director.

**Non-Executive Directors**

A.K.P. Smith was appointed as non-executive Director in February 1994.

**Directors' Remuneration**

|                          | Salary and<br>fees<br>£'000 | Bonus<br>£'000 | Benefits<br>in kind<br>£'000 | Pension<br>contributions<br>£'000 | 2017<br>Total<br>£'000 | 2016<br>Total<br>£'000 |
|--------------------------|-----------------------------|----------------|------------------------------|-----------------------------------|------------------------|------------------------|
| Executive Directors:     |                             |                |                              |                                   |                        |                        |
| D. B. Green              | 630                         | –              | 49                           | –                                 | 679                    | 705                    |
| R. M. Barker             | 225                         | –              | 2                            | –                                 | 227                    | 229                    |
| W. Nicholls              | 187                         | 13             | 25                           | –                                 | 225                    | 222                    |
| K. Hall                  | 347                         | –              | –                            | 23                                | 370                    | 309                    |
| Non-executive Directors: |                             |                |                              |                                   |                        |                        |
| A. K. P. Smith           | 24                          | –              | –                            | –                                 | 24                     | 19                     |
|                          | <u>1,413</u>                | <u>13</u>      | <u>76</u>                    | <u>23</u>                         | <u>1,525</u>           | <u>1,484</u>           |

**Substantial Shareholdings**

|                                        | Number of shares | %    |
|----------------------------------------|------------------|------|
| D. B. Green                            | 3,148,681        | 30.8 |
| Rights and Issues Investment Trust plc | 2,436,979        | 23.8 |
| Schroder plc                           | 1,938,234        | 18.9 |

## DIRECTORS' REPORT

**Directors' Interests**

The Directors' interests in the share capital of the Company at the end of the financial year were as follows:

|                | Ordinary shares of 10p each |           |
|----------------|-----------------------------|-----------|
|                | 2017                        | 2016      |
| D. B. Green    | 3,148,681                   | 3,648,681 |
| R. M. Barker   | 218,102                     | 218,102   |
| W. Nicholls    | 97,350                      | 97,350    |
| K. Hall        | 161,100                     | 161,100   |
| A. K. P. Smith | 45,000                      | 45,000    |

No Director has interests in the shares of any subsidiary company.

**Share Options**

There are no options outstanding in respect of the Colefax Group plc Employee Share Ownership Plan Trust.

The market price of the Company's shares at 30 April 2017 was 460p. The range of market prices during the financial year was between 445p and 540p.

**Corporate Governance**

As the Company is listed on the Alternative Investment Market it is not formally required to comply with the UK Corporate Governance Code. However, the Board seeks to apply the principles of good corporate governance wherever practical given the confines of a smaller company. The whole Board acts as a Nomination Committee. The Board has identified the principal business and financial risks facing the Group and documented the key control procedures that are in place to manage these risks. This document is subject to review by the Audit Committee and updated on a regular basis.

**Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



R. M. Barker BSc ACA  
Secretary  
24 July 2017

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

### **Directors' responsibilities**

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Website publication**

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC

We have audited the financial statements of Colefax Group plc for the year ended 30 April 2017 which comprise the group income statement and statement of comprehensive income, the group and company statement of financial position, the group and company statement of cash flows, the group and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**BDO LLP**  
Anthony Perkins (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London, United Kingdom  
24 July 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## GROUP INCOME STATEMENT

For the year ended 30 April 2017

|                                                                         | Notes | 2017<br>£'000  | 2016<br>£'000 |
|-------------------------------------------------------------------------|-------|----------------|---------------|
| <b>Revenue</b>                                                          | 3     | <b>80,475</b>  | 76,879        |
| Cost of sales                                                           |       | <b>36,119</b>  | 33,587        |
| <b>Gross profit</b>                                                     |       | <b>44,356</b>  | 43,292        |
| Operating expenses                                                      | 5     | <b>41,419</b>  | 38,279        |
| <b>Profit from operations</b>                                           | 6     | <b>2,937</b>   | 5,013         |
| Finance income                                                          | 8     | <b>1</b>       | 3             |
| Finance expense                                                         | 8     | <b>(1)</b>     | –             |
| <b>Profit before taxation</b>                                           |       | <b>2,937</b>   | 5,016         |
| Tax expense                                                             |       |                |               |
| – UK                                                                    |       | <b>39</b>      | (502)         |
| – Overseas                                                              |       | <b>(1,081)</b> | (1,053)       |
|                                                                         | 9     | <b>(1,042)</b> | (1,555)       |
| <b>Profit for the year attributable to equity holders of the parent</b> |       | <b>1,895</b>   | 3,461         |
| Basic earnings per share                                                | 11    | <b>18.6p</b>   | 32.2p         |
| Diluted earnings per share                                              | 11    | <b>18.6p</b>   | 32.2p         |

The notes on pages 21 to 40 form part of these Consolidated financial statements.

## GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2017

|                                                                                             | Notes | 2017<br>£'000  | 2016<br>£'000 |
|---------------------------------------------------------------------------------------------|-------|----------------|---------------|
| <b>Profit for the year</b>                                                                  |       | <b>1,895</b>   | <b>3,461</b>  |
| <b>Other comprehensive income/(expense):</b>                                                |       |                |               |
| <b>Items that will not be reclassified to profit and loss:</b>                              |       |                |               |
| Exchange differences on translation of foreign operations                                   |       | <b>1,628</b>   | 642           |
| Remeasurement of defined benefit pension scheme                                             |       | <b>101</b>     | (100)         |
| Tax relating to items that will not be reclassified to profit and loss                      | 19    | <b>(449)</b>   | (106)         |
|                                                                                             |       | <b>1,280</b>   | 436           |
| <b>Items that will or may be reclassified to profit and loss:</b>                           |       |                |               |
| Cash flow hedges:                                                                           |       |                |               |
| Losses recognised directly in equity                                                        |       | <b>(2,611)</b> | (805)         |
| Transferred to profit and loss for the year                                                 |       | <b>2,006</b>   | 144           |
| Tax relating to items that will or may be reclassified to profit and loss                   | 19    | <b>109</b>     | 132           |
|                                                                                             |       | <b>(496)</b>   | (529)         |
| <b>Total other comprehensive income/(expense)</b>                                           |       | <b>784</b>     | (93)          |
| <b>Total comprehensive income for the year attributable to equity holders of the parent</b> |       | <b>2,679</b>   | <b>3,368</b>  |

*The notes on pages 21 to 40 form part of these Consolidated financial statements.*

## GROUP STATEMENT OF FINANCIAL POSITION

At 30 April 2017

|                                                                            | Notes | 2017<br>£'000 | 2016<br>£'000 |
|----------------------------------------------------------------------------|-------|---------------|---------------|
| <b>Non-current assets:</b>                                                 |       |               |               |
| Property, plant and equipment                                              | 12    | 9,669         | 7,551         |
| Deferred tax asset                                                         | 19    | 386           | 35            |
|                                                                            |       | <b>10,055</b> | <b>7,586</b>  |
| <b>Current assets:</b>                                                     |       |               |               |
| Inventories and work in progress                                           | 14    | 13,938        | 12,518        |
| Trade and other receivables                                                | 15    | 11,805        | 9,179         |
| Current corporation tax                                                    | 17    | 170           | –             |
| Cash and cash equivalents                                                  | 16    | 6,710         | 10,085        |
|                                                                            |       | <b>32,623</b> | <b>31,782</b> |
| <b>Current liabilities:</b>                                                |       |               |               |
| Trade and other payables                                                   |       | 13,961        | 11,258        |
| Current corporation tax                                                    |       | –             | 163           |
|                                                                            | 17    | <b>13,961</b> | <b>11,421</b> |
| <b>Net current assets</b>                                                  |       | <b>18,662</b> | <b>20,361</b> |
| <b>Total assets less current liabilities</b>                               |       | <b>28,717</b> | <b>27,947</b> |
| <b>Non-current liabilities:</b>                                            |       |               |               |
| Deferred rent                                                              | 18    | 1,992         | 1,459         |
| Deferred tax liability                                                     | 19    | 734           | –             |
| Pension liability                                                          | 24    | 55            | 170           |
| <b>Net assets</b>                                                          |       | <b>25,936</b> | <b>26,318</b> |
| <b>Capital and reserves attributable to equity holders of the Company:</b> |       |               |               |
| Called up share capital                                                    | 21    | 1,022         | 1,076         |
| Share premium account                                                      | 22    | 11,148        | 11,148        |
| Capital redemption reserve                                                 | 22    | 1,852         | 1,798         |
| ESOP share reserve                                                         | 22    | (113)         | (113)         |
| Foreign exchange reserve                                                   | 22    | 2,779         | 1,559         |
| Cash flow hedge reserve                                                    | 22    | (979)         | (483)         |
| Retained earnings                                                          | 22    | 10,227        | 11,333        |
| <b>Total equity</b>                                                        |       | <b>25,936</b> | <b>26,318</b> |

The financial statements were approved by the Board of Directors and authorised for issue on 24 July 2017.

D. B. Green Director  
R. M. Barker Director



The notes on pages 21 to 40 form part of these Consolidated financial statements.

Company No. 1870320

## COMPANY STATEMENT OF FINANCIAL POSITION

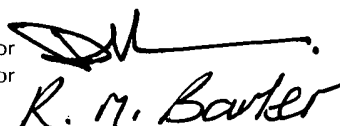
At 30 April 2017

|                                                                            | Notes | 2017<br>£'000 | 2016<br>£'000 |
|----------------------------------------------------------------------------|-------|---------------|---------------|
| <b>Non-current assets:</b>                                                 |       |               |               |
| Investments                                                                | 13    | 27,093        | 27,093        |
| <b>Current assets:</b>                                                     |       |               |               |
| Trade and other receivables                                                | 15    | 3,941         | 4,267         |
|                                                                            |       | <u>3,941</u>  | <u>4,267</u>  |
| <b>Current liabilities:</b>                                                |       |               |               |
| Trade and other payables                                                   | 17    | 2,507         | 1,499         |
| <b>Net current assets</b>                                                  |       | <u>1,434</u>  | <u>2,768</u>  |
| <b>Net assets</b>                                                          |       | <u>28,527</u> | <u>29,861</u> |
| <b>Capital and reserves attributable to equity holders of the Company:</b> |       |               |               |
| Called up share capital                                                    | 21    | 1,022         | 1,076         |
| Share premium account                                                      | 22    | 11,148        | 11,148        |
| Merger reserve                                                             | 22    | 10,762        | 10,762        |
| Capital redemption reserve                                                 | 22    | 1,852         | 1,798         |
| Retained earnings                                                          | 22    | 3,743         | 5,077         |
| <b>Total equity</b>                                                        |       | <u>28,527</u> | <u>29,861</u> |

The Company profit for the year was £1,727,000 (2016 – £2,988,000).

The financial statements were approved by the board of directors and authorised for issue on 24 July 2017.

D. B. Green Director  
R. M. Barker Director



R. M. Barker

The notes on pages 21 to 40 form part of these Consolidated financial statements.

Company No. 1870320

## GROUP STATEMENT OF CASH FLOWS

For the year ended 30 April 2017

|                                                                     | Notes | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------------------------------------------------|-------|---------------|---------------|
| <b>Operating activities</b>                                         |       |               |               |
| Profit before taxation                                              |       | 2,937         | 5,016         |
| Finance income                                                      |       | (1)           | (3)           |
| Finance expense                                                     |       | 1             | –             |
| Depreciation                                                        | 12    | 2,720         | 2,187         |
| <b>Cash flows from operations before changes in working capital</b> |       | 5,657         | 7,200         |
| Increase in inventories and work in progress                        |       | (1,140)       | (127)         |
| (Increase)/decrease in trade and other receivables                  |       | (2,172)       | 704           |
| Increase/(decrease) in trade and other payables                     |       | 1,835         | (582)         |
| <b>Cash generated from operations</b>                               |       | 4,180         | 7,195         |
| <b>Taxation paid</b>                                                |       |               |               |
| UK corporation tax paid                                             |       | (224)         | (556)         |
| Overseas tax paid                                                   |       | (1,141)       | (781)         |
|                                                                     |       | (1,365)       | (1,337)       |
| <b>Net cash inflow from operating activities</b>                    |       | 2,815         | 5,858         |
| <b>Investing activities</b>                                         |       |               |               |
| Payments to acquire property, plant and equipment                   | 12    | (4,126)       | (2,278)       |
| Receipts from sales of property, plant and equipment                |       | 40            | 24            |
| Interest received                                                   |       | 1             | 2             |
| <b>Net cash outflow from investing</b>                              |       | (4,085)       | (2,252)       |
| <b>Financing activities</b>                                         |       |               |               |
| Purchase of own shares                                              |       | (2,583)       | (324)         |
| Interest paid                                                       |       | (1)           | (1)           |
| Equity dividends paid                                               | 10    | (478)         | (483)         |
| <b>Net cash outflow from financing</b>                              |       | (3,062)       | (808)         |
| <b>Net increase in cash and cash equivalents</b>                    |       | (4,332)       | 2,798         |
| Cash and cash equivalents at beginning of year                      |       | 10,085        | 6,861         |
| Exchange gains/(losses) on cash and cash equivalents                |       | 957           | 426           |
| <b>Cash and cash equivalents at end of year</b>                     | 16    | 6,710         | 10,085        |

The notes on pages 21 to 40 form part of these Consolidated financial statements.

## COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 April 2017

|                                                                     | Notes | 2017<br>£'000  | 2016<br>£'000 |
|---------------------------------------------------------------------|-------|----------------|---------------|
| <b>Operating activities</b>                                         |       |                |               |
| Profit before taxation                                              |       | 1,727          | 3,136         |
| Dividend income for the year                                        |       | (1,598)        | (3,000)       |
| Finance income                                                      |       | (146)          | (152)         |
| Finance expense                                                     |       | —              | —             |
| <b>Cash flows from operations before changes in working capital</b> |       | <b>(17)</b>    | <b>(16)</b>   |
| (Increase)/decrease in trade and other receivables                  |       | (152)          | 693           |
| (Decrease)/increase in trade and other payables                     |       | (807)          | 801           |
| <b>Cash generated from operations</b>                               |       | <b>(976)</b>   | <b>1,478</b>  |
| <b>Taxation paid</b>                                                |       |                |               |
| UK corporation tax paid                                             |       | (224)          | (556)         |
| <b>Net cash (outflow)/inflow from operating activities</b>          |       | <b>(1,200)</b> | <b>922</b>    |
| <b>Investing activities</b>                                         |       |                |               |
| Interest received                                                   |       | 146            | 150           |
| Dividends received from subsidiaries                                |       | 2,300          | 2,000         |
| <b>Net cash inflow from investing</b>                               |       | <b>2,446</b>   | <b>2,150</b>  |
| <b>Financing activities</b>                                         |       |                |               |
| Purchase of own shares                                              |       | (2,583)        | (324)         |
| Interest paid                                                       |       | —              | (1)           |
| Equity dividends paid                                               | 10    | (478)          | (483)         |
| <b>Net cash outflow from financing</b>                              |       | <b>(3,061)</b> | <b>(808)</b>  |
| <b>Net increase in cash and cash equivalents</b>                    |       | <b>(1,815)</b> | <b>2,264</b>  |
| Cash and cash equivalents at beginning of year                      |       | (677)          | (2,941)       |
| <b>Cash and cash equivalents at end of year</b>                     | 16    | <b>(2,492)</b> | <b>(677)</b>  |

The notes on pages 21 to 40 form part of these Consolidated financial statements.

## GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2017

|                                                 | Share capital<br>£'000 | Share premium account<br>£'000 | Capital redemption reserve<br>£'000 | ESOP share reserve<br>£'000 | Foreign exchange reserve<br>£'000 | Cash flow hedge reserve<br>£'000 | Retained earnings<br>£'000 | Total equity<br>£'000 |
|-------------------------------------------------|------------------------|--------------------------------|-------------------------------------|-----------------------------|-----------------------------------|----------------------------------|----------------------------|-----------------------|
| At 1 May 2016                                   | 1,076                  | 11,148                         | 1,798                               | (113)                       | 1,559                             | (483)                            | 11,333                     | 26,318                |
| Profit for the year                             | -                      | -                              | -                                   | -                           | -                                 | -                                | 1,895                      | 1,895                 |
| Foreign exchange                                | -                      | -                              | -                                   | -                           | 1,628                             | -                                | -                          | 1,628                 |
| Remeasurement of defined benefit pension scheme | -                      | -                              | -                                   | -                           | -                                 | -                                | 101                        | 101                   |
| Cash flow hedges:                               |                        |                                |                                     |                             |                                   |                                  |                            |                       |
| Losses                                          | -                      | -                              | -                                   | -                           | -                                 | (2,611)                          | -                          | (2,611)               |
| Transfers                                       | -                      | -                              | -                                   | -                           | -                                 | 2,006                            | -                          | 2,006                 |
| Tax on other comprehensive income               | -                      | -                              | -                                   | -                           | (408)                             | 109                              | (41)                       | (340)                 |
| <b>Total comprehensive income for the year</b>  | -                      | -                              | -                                   | -                           | 1,220                             | (496)                            | 1,955                      | 2,679                 |
| Share buybacks                                  | (54)                   | -                              | 54                                  | -                           | -                                 | -                                | (2,583)                    | (2,583)               |
| Dividends paid                                  | -                      | -                              | -                                   | -                           | -                                 | -                                | (478)                      | (478)                 |
| <b>At 30 April 2017</b>                         | <b>1,022</b>           | <b>11,148</b>                  | <b>1,852</b>                        | <b>(113)</b>                | <b>2,779</b>                      | <b>(979)</b>                     | <b>10,227</b>              | <b>25,936</b>         |
| At 1 May 2015                                   | 1,083                  | 11,148                         | 1,791                               | (113)                       | 1,062                             | 46                               | 8,740                      | 23,757                |
| Profit for the year                             | -                      | -                              | -                                   | -                           | -                                 | -                                | 3,461                      | 3,461                 |
| Foreign exchange                                | -                      | -                              | -                                   | -                           | 642                               | -                                | -                          | 642                   |
| Remeasurement of defined benefit pension scheme | -                      | -                              | -                                   | -                           | -                                 | -                                | (100)                      | (100)                 |
| Cash flow hedges:                               |                        |                                |                                     |                             |                                   |                                  |                            |                       |
| Losses                                          | -                      | -                              | -                                   | -                           | -                                 | (805)                            | -                          | (805)                 |
| Transfers                                       | -                      | -                              | -                                   | -                           | -                                 | 144                              | -                          | 144                   |
| Tax on other comprehensive income               | -                      | -                              | -                                   | -                           | (145)                             | 132                              | 39                         | 26                    |
| <b>Total comprehensive income for the year</b>  | -                      | -                              | -                                   | -                           | 497                               | (529)                            | 3,400                      | 3,368                 |
| Share buybacks                                  | (7)                    | -                              | 7                                   | -                           | -                                 | -                                | (324)                      | (324)                 |
| Dividends paid                                  | -                      | -                              | -                                   | -                           | -                                 | -                                | (483)                      | (483)                 |
| <b>At 30 April 2016</b>                         | <b>1,076</b>           | <b>11,148</b>                  | <b>1,798</b>                        | <b>(113)</b>                | <b>1,559</b>                      | <b>(483)</b>                     | <b>11,333</b>              | <b>26,318</b>         |

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2017

|                                                    | Share capital<br>£'000 | Share premium reserve<br>£'000 | Merger reserve<br>£'000 | Capital redemption reserve<br>£'000 | Retained earnings<br>£'000 | Total equity<br>£'000 |
|----------------------------------------------------|------------------------|--------------------------------|-------------------------|-------------------------------------|----------------------------|-----------------------|
| At 1 May 2016                                      | 1,076                  | 11,148                         | 10,762                  | 1,798                               | 5,077                      | 29,861                |
| Profit and total comprehensive income for the year | -                      | -                              | -                       | -                                   | 1,727                      | 1,727                 |
| Share buybacks                                     | (54)                   | -                              | -                       | 54                                  | (2,583)                    | (2,583)               |
| Dividends paid                                     | -                      | -                              | -                       | -                                   | (478)                      | (478)                 |
| <b>At 30 April 2017</b>                            | <b>1,022</b>           | <b>11,148</b>                  | <b>10,762</b>           | <b>1,852</b>                        | <b>3,743</b>               | <b>28,527</b>         |
| At 1 May 2015                                      | 1,083                  | 11,148                         | 10,762                  | 1,791                               | 2,896                      | 27,680                |
| Profit and total comprehensive income for the year | -                      | -                              | -                       | -                                   | 2,988                      | 2,988                 |
| Share buybacks                                     | (7)                    | -                              | -                       | 7                                   | (324)                      | (324)                 |
| Dividends paid                                     | -                      | -                              | -                       | -                                   | (483)                      | (483)                 |
| <b>At 30 April 2016</b>                            | <b>1,076</b>           | <b>11,148</b>                  | <b>10,762</b>           | <b>1,798</b>                        | <b>5,077</b>               | <b>29,861</b>         |

The notes on pages 21 to 40 form part of these Consolidated financial statements.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

## 1. Accounting policies

**General Information**

Colefax Group Plc is a public limited company (Company No. 1870320) incorporated and domiciled in the United Kingdom and listed on the Alternative Investment Market. The principal activity of the Company is to act as a holding company for the Group's trading subsidiaries. The address of its registered office and principal place of business are disclosed on page 8. The principal activities of the Group are the design, marketing, distribution and retailing of furnishing fabrics, wallpapers, trimmings, related products and upholstered furniture in the UK and overseas and the sale of antiques, interior and architectural design, project management, decorating and furnishing for private individuals and commercial firms.

**Basis of Preparation**

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The policies have been applied to the Group and Company, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("EU adopted IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements in accordance with IFRS.

**Changes in Accounting Policies**

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position for the current reporting period:

- *Annual Improvements to IFRSs (2012-2014 Cycle)* – These amendments were endorsed for use in the EU on 20 December 2015.
- *Amendment to IAS 1 'Disclosure Initiative'* (effective for accounting periods beginning on or after 1 January 2016). This amendment is designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. These amendments were endorsed for use in the EU on 23 December 2015.
- *Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception'* (effective for accounting periods beginning on or after 1 January 2016). These amendments introduce clarifications to the requirements when accounting for investment entities. These amendments were endorsed for use in the EU on 22 September 2016.
- *Amendment to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'* (effective for accounting periods beginning on or after 1 January 2016). This amendment requires the acquirer of an interest in a joint operation to apply the key principles for accounting for business combinations in IFRS 3. This amendment was endorsed for use in the EU on 28 November 2015.
- *Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'* (effective for accounting periods beginning on or after 1 January 2016). These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. These amendments were endorsed for use in the EU on 7 December 2015.
- *Amendment to IAS 27 'Equity Method in Separate Financial Statements'* (effective for accounting periods beginning on or after 1 January 2016). The amendment introduces an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. These amendments were endorsed for use in the EU on 27 December 2015.

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Group as these are not effective for the current year. The Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods:

- *IFRS 15 'Revenue from Contracts with Customers'* (effective for accounting periods beginning on or after 1 January 2018). This standard is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This amendment has been endorsed for use in the EU.
- *Amendment to IFRS 15 'Revenue from Contracts with Customers.'* This clarification has not yet been endorsed for use in the EU.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

1. Accounting policies  
continued

– *IFRS 9 'Financial Instruments'* (effective for accounting periods beginning on or after 1 January 2018). This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety, using a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. The recognition and de-recognition requirements for financial assets and financial liabilities are unchanged from IAS 39. The new hedge accounting model is more principles-based, less complex and allows entities to apply hedge accounting more broadly to manage profit and loss mismatches, and as a result reduce 'artificial' hedge ineffectiveness that can arise under IAS 39. This standard has been endorsed for use in the EU.

– *IFRS 16 'Leases'* (effective for accounting periods beginning on or after 1 January 2019). This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. The IFRS eliminates the classification of leases as either operating or finance as required by IAS 17, and instead introduces a single lessee accounting model. This standard has not yet been endorsed for use in the EU.

– *Amendments to IAS 12 'Income taxes'* (effective for accounting periods beginning on or after 1 January 2017). The amendments to IAS 12 are intended to clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instrument financial assets measured at fair value. This amendment has not yet been endorsed for use in the EU.

– *Amendments to IAS 7 'Statement of Cash Flows'* (effective for accounting period beginning on or after 1 January 2017). The amendments are intended to improve the information provided to users of financial statements about changes in liabilities arising from an entity's financing activities. This amendment has not yet been endorsed for use in the EU.

Annual improvements to IFRS (2014-2016 Cycle). These amendments have not yet been endorsed for use in the EU.

The following amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) which are not yet effective in the current financial year and which the Group does not believe will have an impact on the presentation of its consolidated results in future periods:

– *Amendment to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'* (effective for accounting periods beginning on or after 1 January 2018).

– *Amendment to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'* (effective for accounting periods beginning on or after 1 January 2018).

– *IFRIC 22 'Foreign Currency Transactions and Advance Consideration'* (effective for accounting periods beginning on or after 1 January 2018).

– *Amendments to IAS 40 'Transfers of Investment Property'* (effective for accounting periods beginning on or after 1 January 2018).

– *IFRIC 23 'Uncertainty over Income Tax Treatments'* (effective for accounting periods beginning on or after 1 January 2019).

The following principal accounting policies have been applied consistently in the preparation of the financial statements:

**Basis of Consolidation**

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the Company to use its power to affect those variable returns. The consolidated financial statements present the results of Colefax Group Plc and its subsidiaries as if they formed a single entity.

No income statement is presented for the Company as provided in S.408 of the Companies Act 2006. The profit dealt within the financial statements of Company was £2,988,000 (2015 – £1,058,000). Total comprehensive income relating to the year for the Company consists of the profit for the year only.

Business combinations are accounted for using the acquisition method. Under the acquisition method the results of subsidiary undertakings are included from the date of acquisition.

Where merger accounting was used in business combinations prior to 1 May 2006 (transition date), the investment is still recorded in the Company's statement of financial position at the nominal value of the shares issued, together with the fair value of any additional consideration paid as the Group has applied the IFRS 1 'First-time Adoption of International Financial Reporting Standards' exemption relating to business combinations.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

**1. Accounting policies**  
*continued*

In the Group Financial Statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. Any difference between the nominal value of the shares acquired by the Group and those issued by the company to acquire them is taken to reserves.

**Goodwill**

Goodwill arising on acquisitions prior to 30 April 1998 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated upon transition to IFRS.

**Investments in Subsidiaries**

Investments in subsidiaries in the Company statement of financial position are stated at cost less any provision for impairment.

**Revenue Recognition**

Revenue, which excludes value added taxes, represents the amounts receivable from customers for goods and services supplied including disbursements. Sales of goods are recognised when goods are delivered and title has passed. Revenue for services, principally interior design and decorating services, is recognised in the period in which they are rendered. Where projects are ongoing at the year end, revenue is recognised on a stage of completion basis, when the Group has a right to consideration for those services.

**Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price and costs directly incurred in bringing the asset into use. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all property, plant and equipment other than freehold land at rates calculated to write off the cost less estimated residual value evenly over its expected useful life, as follows:

|                                   |                                                                    |
|-----------------------------------|--------------------------------------------------------------------|
| Freehold property                 | 50 years                                                           |
| Leasehold improvements            | over the shorter of the life of the lease or the life of the asset |
| Furniture, fixtures and equipment | 5 – 10 years                                                       |
| Motor vehicles                    | 4 years                                                            |
| Screens and originations          | 4 years                                                            |

**Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition, with the majority of inventories being valued on a weighted average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Provision is made for obsolete and slow moving stocks.

**Work in Progress**

Work in progress is valued at cost less progress payments received and receivable. Cost includes all direct expenditure on material and external services that have been incurred in bringing the work in progress to its present location and condition. Provision is made for any losses expected to arise on completion of the work entered into at the date of the statement of financial position.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current Tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

1. Accounting policies  
*continued**Deferred Taxation*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

*Current and Deferred Tax for the year*

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to other comprehensive income or equity, in which case the tax is also recognised directly in other comprehensive income or equity.

**Lease Commitments and Incentives**

Leases where substantially all of the risks and rewards incidental to ownership of a leased asset are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the lease term. Lease incentives and inducements are recognised in current and non-current liabilities as appropriate and released on a straight line basis over the lease term.

**Retirement Benefits***Defined Contribution Schemes*

The Group operates defined contribution pension schemes which are externally administered. Payments made to the funds are charged when payable to the income statement as part of employment costs. There are no outstanding or prepaid contributions at the year end.

*Defined Benefit Schemes*

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. The scheme was closed to new members on 31 December 1997.

The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit credit method are recognised in the Group's statement of financial position as a pension asset or liability as appropriate. Any related deferred tax is recognised within the Group's deferred tax asset or liability following the principles described in the deferred tax accounting policy note.

Changes in the defined benefit pension scheme asset or liability arising from actuarial gains and losses in scheme liabilities and the movements on the valuation of scheme assets are recognised in the Statement of comprehensive income.

**Foreign Currency**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Great British Pounds ('GBP'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

*Group*

The assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the date of the statement of financial position and the results of overseas subsidiaries are translated at the average rate of exchange for the year. The exchange differences arising on the retranslation of opening net assets and on loans which form part of the net investment are taken directly to translation reserves. Loans are designated as part of the net investment, when settlement is neither planned nor likely to occur in the foreseeable future.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

1. Accounting policies  
*continued**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 including loans to subsidiaries are retranslated at the rate of exchange ruling at the date of the statement of financial position. All differences are taken to the income statement.

**Financial Instruments***Cash and Cash Equivalents*

Cash equivalents are defined as including short term deposits with original maturity within 3 months. For the purposes of the statements of cash flow, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts held.

*Trade and Other Receivables*

Trade and other receivables do not carry interest and are stated at their nominal (invoiced) value as reduced by appropriate allowances for estimated irrecoverable amounts. When a trade receivable is considered uncollectable, it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against the allowance. Changes in the carrying amount of the allowance are recognised in the income statement.

*Trade and Other Payables*

Trade and other payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

*Forward Foreign Currency Contracts*

The Group uses forward foreign currency contracts to hedge its risk associated with foreign currency fluctuations. Such forward foreign currency contracts are stated at fair value which is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

It is the Group's policy not to hold forward foreign currency contracts for speculative purposes.

Hedge accounting can be applied to financial assets and financial liabilities only where all of the relevant hedging criteria under IAS 39 are met. The Group accounts for forward foreign currency contracts as a cash flow hedge. The effective part of the contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from highly probable forecast transactions, are measured at fair value with changes in fair value recognised directly in equity (the "cash flow hedge reserve").

The cumulative gain or loss initially recognised in equity is recycled through the consolidated income statement at the same time as the hedged transaction affects the income statement, and reported within the cost of sales line of the income statement. If, at any point, the hedged transaction is no longer expected to occur, the cumulative gain or loss is recycled through the consolidated income statement immediately.

**Dividends**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is in the year in which they are paid. Final dividends are not accrued until the proposed dividend has been approved by the shareholders at the Annual General Meeting.

**Segmental Reporting**

For internal management purposes the Group reports by 'product division' and 'decorating division'.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

**2. Critical accounting estimates and judgements**

In preparation of consolidated financial statements under IFRS the Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Inventories*

The Group reviews the net realisable value of, and demand for, its inventories (see note 14) to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include the success of future collections, competitor actions, supplier prices and economic trends.

*Trade Receivables*

As described in note 15, the Group reviews its trade receivables to provide assurance that their carrying value is reduced by an appropriate allowance for irrecoverable amounts. Factors which are considered as part of that review include the age of the receivable and the creditworthiness of the customer.

*Pension Assumptions*

The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 24. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated income statement and the statement of financial position.

*Income Taxes*

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due, as described in note 19. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact current and deferred tax expenses and balances in the period in which such determination is made.

*Financial Instruments*

As described in note 20, the Board use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

For forward foreign currency contracts, assumptions are based on quoted market rates adjusted for specific features of the contract. Details of the assumptions used are provided in note 20.

|            |                       | 2017<br>£'000 | 2016<br>£'000 |
|------------|-----------------------|---------------|---------------|
| 3. Revenue | Revenue arises from:  |               |               |
|            | Sale of goods         | 79,740        | 75,764        |
|            | Provision of services | 735           | 1,115         |
|            |                       | <u>80,475</u> | <u>76,879</u> |

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

4. **Segmental analysis** The Board of Colefax Group Plc manages the operations of the Group as two divisions:
- Product division – This division is involved in the design and distribution of furnishing fabrics, wallpapers, upholstered furniture and related products;
- Decorating division – This division is involved in interior and architectural design and decoration, primarily for private individuals.
- The reportable segments are distinct business units each run by a separate management team. The financial performance of each division is reported separately to the Board and forms the basis of strategic decision making.

| Business segments                                                       | Product division |               | Decorating division |              | Total         |               |
|-------------------------------------------------------------------------|------------------|---------------|---------------------|--------------|---------------|---------------|
|                                                                         | 2017             | 2016          | 2017                | 2016         | 2017          | 2016          |
|                                                                         | £'000            | £'000         | £'000               | £'000        | £'000         | £'000         |
| <b>Revenue:</b>                                                         |                  |               |                     |              |               |               |
| Total revenue                                                           | 72,535           | 69,135        | 8,059               | 7,858        | 80,594        | 76,993        |
| Inter-segment revenue                                                   | (119)            | (114)         | –                   | –            | (119)         | (114)         |
| <b>Revenue from external customers</b>                                  | <b>72,416</b>    | <b>69,021</b> | <b>8,059</b>        | <b>7,858</b> | <b>80,475</b> | <b>76,879</b> |
| <b>Segment result:</b>                                                  |                  |               |                     |              |               |               |
| Profit from operations                                                  | 2,829            | 4,792         | 108                 | 221          | 2,937         | 5,013         |
| Finance income                                                          | 1                | 2             | –                   | 1            | 1             | 3             |
| Finance expense                                                         | (1)              | –             | –                   | –            | (1)           | –             |
| <b>Profit before taxation</b>                                           | <b>2,829</b>     | <b>4,794</b>  | <b>108</b>          | <b>222</b>   | <b>2,937</b>  | <b>5,016</b>  |
| Tax expense/(credit)                                                    | 968              | 1,496         | 74                  | 59           | 1,042         | 1,555         |
| <b>Profit for the year attributable to equity holders of the parent</b> | <b>1,861</b>     | <b>3,298</b>  | <b>34</b>           | <b>163</b>   | <b>1,895</b>  | <b>3,461</b>  |
| Total assets                                                            | 36,303           | 35,013        | 5,819               | 4,355        | 42,122        | 39,368        |
| Total liabilities                                                       | 12,435           | 10,729        | 3,751               | 2,321        | 16,186        | 13,050        |
| <b>Net assets</b>                                                       | <b>23,868</b>    | <b>24,284</b> | <b>2,068</b>        | <b>2,034</b> | <b>25,936</b> | <b>26,318</b> |
| Capital expenditure                                                     | 3,133            | 2,191         | 993                 | 87           | 4,126         | 2,278         |
| Depreciation                                                            | 2,582            | 2,093         | 138                 | 94           | 2,720         | 2,187         |

No one single external customer contributes to a significant proportion of the Group's revenues.

| Geographical segments | External revenue by location of customers |               | Non-current assets by location of assets |              |
|-----------------------|-------------------------------------------|---------------|------------------------------------------|--------------|
|                       | 2017                                      | 2016          | 2017                                     | 2016         |
|                       | £'000                                     | £'000         | £'000                                    | £'000        |
| United Kingdom        | 21,019                                    | 20,221        | 2,705                                    | 1,875        |
| United States         | 41,133                                    | 39,168        | 5,713                                    | 4,665        |
| Europe                | 14,791                                    | 14,076        | 903                                      | 1,046        |
| Rest of World         | 3,532                                     | 3,414         | –                                        | –            |
|                       | <b>80,475</b>                             | <b>76,879</b> | <b>9,321</b>                             | <b>7,586</b> |
|                       |                                           |               | 2017                                     | 2016         |
|                       |                                           |               | £'000                                    | £'000        |

5. **Operating expenses**
- |                                  |               |               |
|----------------------------------|---------------|---------------|
| Distribution and marketing costs | 28,374        | 25,971        |
| Administrative costs             | 13,045        | 12,308        |
| <b>Total operating expenses</b>  | <b>41,419</b> | <b>38,279</b> |

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

|                           |                                                                | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------|----------------------------------------------------------------|---------------|---------------|
| 6. Profit from operations | This has been arrived at after charging/(crediting):           |               |               |
|                           | Audit services – group                                         | 41            | 42            |
|                           | Audit services – subsidiaries                                  | 124           | 113           |
|                           | Non-audit services – taxation compliance                       | 93            | 89            |
|                           | Non-audit services – pensions                                  | 10            | 8             |
|                           | Depreciation of owned property, plant and equipment            | 2,720         | 2,187         |
|                           | Operating lease rentals – land and buildings                   | 5,232         | 4,493         |
|                           | Operating lease rentals – plant and machinery                  | 76            | 76            |
|                           | (Profit)/loss on the disposal of property, plant and equipment | (21)          | 65            |
|                           | Exchange losses                                                | 2,205         | 328           |
|                           | Pension costs (see note 24)                                    | 396           | 379           |
|                           | Compensation for surrender of Brook Street lease               | (494)         | –             |
|                           | Brook Street move related costs                                | 434           | –             |

|                |                                                              | 2017<br>£'000 | 2016<br>£'000 |
|----------------|--------------------------------------------------------------|---------------|---------------|
| 7. Staff costs | Staff costs, including Executive Directors, were as follows: |               |               |
|                | Wages and salaries                                           | 15,745        | 14,124        |
|                | Social security costs                                        | 1,839         | 1,712         |
|                | Pension costs                                                | 396           | 379           |
|                |                                                              | <u>17,980</u> | <u>16,215</u> |

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

|                            | No.        | No.        |
|----------------------------|------------|------------|
| Distribution and marketing |            |            |
| Executive directors        | 2          | 2          |
| Other employees            | 285        | 295        |
| Administration             |            |            |
| Executive directors        | 2          | 2          |
| Other employees            | 54         | 50         |
|                            | <u>343</u> | <u>349</u> |

The holding Company directors received their remuneration, as detailed in the Directors' Report, from other group companies. The holding Company had no other employees during the year (2016 – nil).

|                                                                    | 2017<br>£'000 | 2016<br>£'000 |
|--------------------------------------------------------------------|---------------|---------------|
| Directors' (key management personnel) remuneration was as follows: |               |               |
| Emoluments                                                         | 1,502         | 1,449         |
| Pension contributions                                              | 23            | 35            |
| Employers social security costs on directors' emoluments           | 168           | 168           |
|                                                                    | <u>1,693</u>  | <u>1,652</u>  |
| Emoluments of the highest paid director:                           |               |               |
| Emoluments                                                         | 679           | 705           |

A full analysis of Directors' remuneration is provided on page 10 in the Directors' Report.

As the directors have the authority and responsibility for planning, directing and controlling the activities of the Group they are seen to be key management.

One director participated in Group defined contribution pension schemes in 2017 (2016 – two). No directors participated in Group defined benefit pension schemes in 2017 (2016 – nil).

No directors (2016 – nil) exercised options in the year and no options were granted to directors in the year (2016 – nil).

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

|                               |                                                                                                            | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------|------------------------------------------------------------------------------------------------------------|---------------|---------------|
| 8. Finance income and expense | Finance expense:                                                                                           |               |               |
|                               | Bank loans and overdrafts repayable within five years                                                      | 1             | –             |
|                               | Finance income:                                                                                            |               |               |
|                               | Bank and other interest receivable                                                                         | 1             | 3             |
|                               |                                                                                                            | <u>–</u>      | <u>3</u>      |
|                               |                                                                                                            | 2017<br>£'000 | 2016<br>£'000 |
| 9. Tax expense                | (a) Analysis of charge for the year                                                                        |               |               |
|                               | UK corporation tax                                                                                         |               |               |
|                               | UK corporation tax on profits of the year                                                                  | (97)          | 453           |
|                               | Adjustments in respect of previous years                                                                   | 13            | 4             |
|                               |                                                                                                            | <u>(84)</u>   | <u>457</u>    |
|                               | Overseas tax                                                                                               |               |               |
|                               | Overseas tax on profits of the year                                                                        | 1,123         | 773           |
|                               | Adjustments in respect of previous years                                                                   | (7)           | 43            |
|                               |                                                                                                            | <u>1,116</u>  | <u>816</u>    |
|                               | Total current tax                                                                                          | <u>1,032</u>  | <u>1,273</u>  |
|                               | UK deferred tax                                                                                            |               |               |
|                               | Origination and reversal of temporary differences                                                          | 32            | 44            |
|                               | Adjustments in respect of previous years                                                                   | 13            | –             |
|                               |                                                                                                            | <u>45</u>     | <u>44</u>     |
|                               | Overseas deferred tax                                                                                      |               |               |
|                               | Origination and reversal of temporary differences                                                          | (35)          | 238           |
|                               | Total deferred tax                                                                                         | <u>10</u>     | <u>282</u>    |
|                               | Total income tax expense                                                                                   | <u>1,042</u>  | <u>1,555</u>  |
|                               | (b) Factors affecting the tax charge for the year                                                          |               |               |
|                               | The tax assessed for the year is higher than the standard rate of corporation tax in the UK.               |               |               |
|                               | The differences are explained below:                                                                       |               |               |
|                               |                                                                                                            | 2017<br>£'000 | 2016<br>£'000 |
|                               | Profit before taxation                                                                                     | <u>2,937</u>  | <u>5,016</u>  |
|                               | Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.92% (2016 – 20%) | <u>585</u>    | <u>1,003</u>  |
|                               | Effect of:                                                                                                 |               |               |
|                               | Disallowed expenses and non-taxable income                                                                 | (58)          | 24            |
|                               | Adjustments in respect of prior period (current tax)                                                       | 6             | 47            |
|                               | Adjustments in respect of prior period (deferred tax)                                                      | 13            | (4)           |
|                               | Rate differences                                                                                           | <u>496</u>    | <u>485</u>    |
|                               | Total tax expense                                                                                          | <u>1,042</u>  | <u>1,555</u>  |

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

|               |                                                             | 2017       | 2016       |
|---------------|-------------------------------------------------------------|------------|------------|
|               |                                                             | £'000      | £'000      |
| 10. Dividends | Final (paid) of 2.4p (2015 – 2.30p) on 9 October 2016       | 244        | 248        |
|               | Interim (paid) of 2.3p (2016 – 2.20) on 10 April 2017       | 234        | 235        |
|               |                                                             | <u>478</u> | <u>483</u> |
|               | Final dividend proposed for the year of 2.5p (2016 – 2.40p) | <u>254</u> | <u>257</u> |

The proposed final dividend has not been accrued for because the dividend was declared after the year end and is yet to be approved at the Annual General Meeting.

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11. Earnings per share | Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £1,895,000 (2016 – £3,461,000) and on 10,185,206 (2016 – 10,750,549) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Shares owned by the Colefax Group Plc Employees' Share Ownership Plan (ESOP) Trust are excluded from the basic earnings per share calculation. |
|                        | Diluted earnings per share have been calculated on the basis of profit on ordinary activities after tax of £1,895,000 (2016 – £3,461,000) and on 10,185,206 (2016 – 10,750,549) being the weighted average number of shares in issue during the year.                                                                                                                                                                        |

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

|                                          | Freehold<br>property<br>£'000 | Leasehold<br>improvements<br>£'000 | Furniture,<br>fixtures<br>and<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Screens<br>and<br>originations<br>£'000 | Total<br>£'000 |
|------------------------------------------|-------------------------------|------------------------------------|-----------------------------------------------------|----------------------------|-----------------------------------------|----------------|
| <b>12. Property, plant and equipment</b> |                               |                                    |                                                     |                            |                                         |                |
| Group Cost:                              |                               |                                    |                                                     |                            |                                         |                |
| At 1 May 2016                            | 235                           | 8,094                              | 5,808                                               | 385                        | 8,990                                   | 23,512         |
| Exchange adjustment                      | –                             | 808                                | 485                                                 | –                          | 1,120                                   | 2,413          |
| Additions                                | 5                             | 1,481                              | 1,166                                               | 124                        | 1,350                                   | 4,126          |
| Disposals                                | –                             | (648)                              | (791)                                               | (87)                       | (166)                                   | (1,692)        |
| <b>At 30 April 2017</b>                  | <b>240</b>                    | <b>9,735</b>                       | <b>6,668</b>                                        | <b>422</b>                 | <b>11,294</b>                           | <b>28,359</b>  |
| Depreciation:                            |                               |                                    |                                                     |                            |                                         |                |
| At 1 May 2016                            | 68                            | 5,101                              | 4,262                                               | 240                        | 6,290                                   | 15,961         |
| Exchange adjustment                      | –                             | 494                                | 391                                                 | –                          | 797                                     | 1,682          |
| Charge for the year                      | 4                             | 623                                | 566                                                 | 85                         | 1,442                                   | 2,720          |
| Disposals                                | –                             | (648)                              | (777)                                               | (82)                       | (166)                                   | (1,673)        |
| <b>At 30 April 2017</b>                  | <b>72</b>                     | <b>5,570</b>                       | <b>4,442</b>                                        | <b>243</b>                 | <b>8,363</b>                            | <b>18,690</b>  |
| Net Book Value:                          |                               |                                    |                                                     |                            |                                         |                |
| <b>At 30 April 2017</b>                  | <b>168</b>                    | <b>4,165</b>                       | <b>2,226</b>                                        | <b>179</b>                 | <b>2,931</b>                            | <b>9,669</b>   |
| At 1 May 2016                            | 167                           | 2,993                              | 1,546                                               | 145                        | 2,700                                   | 7,551          |
| At 1 May 2015                            | 234                           | 7,586                              | 5,588                                               | 374                        | 7,134                                   | 20,916         |
| Exchange adjustment                      | –                             | 297                                | 223                                                 | –                          | 342                                     | 862            |
| Additions                                | 1                             | 211                                | 359                                                 | 87                         | 1,620                                   | 2,278          |
| Disposals                                | –                             | –                                  | (362)                                               | (76)                       | (106)                                   | (544)          |
| <b>At 30 April 2016</b>                  | <b>235</b>                    | <b>8,094</b>                       | <b>5,808</b>                                        | <b>385</b>                 | <b>8,990</b>                            | <b>23,512</b>  |
| Depreciation:                            |                               |                                    |                                                     |                            |                                         |                |
| At 1 May 2015                            | 65                            | 4,411                              | 3,942                                               | 223                        | 5,018                                   | 13,659         |
| Exchange adjustment                      | –                             | 166                                | 159                                                 | –                          | 245                                     | 570            |
| Charge for the year                      | 3                             | 524                                | 434                                                 | 93                         | 1,133                                   | 2,187          |
| Disposals                                | –                             | –                                  | (273)                                               | (76)                       | (106)                                   | (455)          |
| <b>At 30 April 2016</b>                  | <b>68</b>                     | <b>5,101</b>                       | <b>4,262</b>                                        | <b>240</b>                 | <b>6,290</b>                            | <b>15,961</b>  |
| Net Book Value:                          |                               |                                    |                                                     |                            |                                         |                |
| <b>At 30 April 2016</b>                  | <b>167</b>                    | <b>2,993</b>                       | <b>1,546</b>                                        | <b>145</b>                 | <b>2,700</b>                            | <b>7,551</b>   |
| At 1 May 2015                            | 169                           | 3,175                              | 1,646                                               | 151                        | 2,116                                   | 7,257          |

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

|                 |                                             | Shares<br>£'000 | Loans<br>£'000 | Total<br>£'000 |
|-----------------|---------------------------------------------|-----------------|----------------|----------------|
| 13. Investments | Company:<br>At 1 May 2016 and 30 April 2017 | 19,443          | 7,650          | 27,093         |

The subsidiaries of the Group, all of which have been included in these consolidated financial statements, are as follows:

| Name of Company                     | Notes | Principal Products                            | Registered Address                      |
|-------------------------------------|-------|-----------------------------------------------|-----------------------------------------|
| Colefax and Fowler Limited          | *,1   | Fabrics and Wallpapers                        | 19-23 Grosvenor Hill,<br>London W1K 3QD |
| Sibyl Colefax & John Fowler Limited | *,1   | Interior & Architectural<br>Design            | 19-23 Grosvenor Hill,<br>London W1K 3QD |
| Kingcome Sofas Limited              | *,1   | Upholstered Furniture                         | 19-23 Grosvenor Hill,<br>London W1K 3QD |
| Colefax and Fowler Holdings Limited | *,1   | Holding Company for<br>Colefax and Fowler Inc | 19-23 Grosvenor Hill,<br>London W1K 3QD |
| Manuel Canovas Limited              | *,1   | Dormant                                       | 19-23 Grosvenor Hill,<br>London W1K 3QD |
| Jane Churchill Limited              | *,1   | Dormant                                       | 19-23 Grosvenor Hill,<br>London W1K 3QD |
| Colefax and Fowler Incorporated     | 2     | Holding Company for<br>Cowtan and Tout Inc    | 205, Hudson St,<br>New York, NY 10013   |
| Cowtan and Tout Incorporated        | 2     | Fabrics and Wallpapers                        | 205, Hudson St,<br>New York, NY 10013   |
| Manuel Canovas SAS                  | 3     | Fabrics and Wallpapers                        | 23, Rue Royale,<br>75008 Paris          |
| Colefax and Fowler GmbH             | 4     | Fabrics and Wallpapers                        | 13, Ottostrasse,<br>80333 Munich        |
| Colefax and Fowler Srl              | 5     | Fabrics and Wallpapers                        | 8 Via Palermo,<br>20121 Milan           |

(\*) Owned directly by parent company

(1) Incorporation/Principal Country of Operation is England and Wales.

(2) Incorporation/Principal Country of Operation is USA.

(3) Incorporation/Principal Country of Operation is France.

(4) Incorporation/Principal Country of Operation is Germany.

(5) Incorporation/Principal Country of Operation is Italy.

The effective percentage of issued Share Capital held by the Group is 100% for all Group subsidiaries.

There was no movement in the number of shares held in subsidiary undertakings during the year.

At 30 April 2017, the ESOP Trust owned 60,000 (2016 – 60,000) ordinary shares of 10p in the Company at cost, with a market value of £276,000 (2016 – £286,500). Dividends on these shares have been waived.

The ESOP can provide benefits to all employees of the Group.

There were no shares under option in the ESOP at the date of the statement of financial position.

|                                      |                                                 | Group<br>2017<br>£'000 | 2016<br>£'000 |
|--------------------------------------|-------------------------------------------------|------------------------|---------------|
| 14. Inventories and work in progress | Finished goods for resale                       | 13,591                 | 12,387        |
|                                      | Work in progress                                | 1,072                  | 547           |
|                                      | Less: progress payments received and receivable | (725)                  | (416)         |
|                                      |                                                 | <u>13,938</u>          | <u>12,518</u> |

The cost of inventories recognised as an expense and included in cost of sales amounted to £20,948,000 (2016 – £21,142,000). The value of stock impaired/written off in the period amounted to £1,019,000 (2016 – £1,160,000).

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

|                                 |                                         | Group         |               | Company       |               |
|---------------------------------|-----------------------------------------|---------------|---------------|---------------|---------------|
|                                 |                                         | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| 15. Trade and other receivables | Amounts owed by subsidiary undertakings | -             | -             | 3,532         | 3,774         |
|                                 | Trade receivables                       | 7,268         | 6,145         | -             | -             |
|                                 | Other receivables                       | 2,606         | 1,486         | 330           | 316           |
|                                 | Forward foreign currency contracts      | -             | -             | -             | -             |
|                                 | Prepayments and accrued income          | 1,931         | 1,548         | 79            | 177           |
|                                 |                                         | <u>11,805</u> | <u>9,179</u>  | <u>3,941</u>  | <u>4,267</u>  |

Trade receivables and other are considered for impairment based on a number of factors including the age of the receivable and other factors considered to be relevant.

As at 30 April 2017 the Group had trade receivables of £2,513,000 (2016 – £1,559,000) which were past due but not individually impaired. The ageing of these receivables is as follows:

|                         | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------|---------------|---------------|
| Up to 3 months past due | 2,191         | 1,335         |
| 3 to 6 months past due  | 153           | 143           |
| 6 to 12 months past due | 107           | 23            |
| Over 12 months past due | 62            | 58            |
|                         | <u>2,513</u>  | <u>1,559</u>  |

As at 30 April 2017 the Group had trade receivables of £304,000 (2016 – £295,000) which were past due and individually impaired. The ageing of these receivables is as follows:

|                         | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------|---------------|---------------|
| Up to 3 months past due | 103           | 116           |
| 3 to 6 months past due  | 52            | 51            |
| 6 to 12 months past due | 8             | 9             |
| Over 12 months past due | 141           | 119           |
|                         | <u>304</u>    | <u>295</u>    |

Movements in the Group provision for impairment of trade receivables is as follows:

|                                          | 2017<br>£'000 | 2016<br>£'000 |
|------------------------------------------|---------------|---------------|
| At beginning of year                     | 315           | 310           |
| Provided during the year                 | 55            | 45            |
| Receivables written off as uncollectable | (51)          | (20)          |
| Unused amounts reversed                  | (17)          | (29)          |
| Exchange differences                     | 17            | 9             |
| At end of year                           | <u>319</u>    | <u>315</u>    |

The Group's trade receivables are denominated in the following currencies:

|           | 2017<br>£'000 | 2016<br>£'000 |
|-----------|---------------|---------------|
| Sterling  | 3,257         | 2,534         |
| Euro      | 1,936         | 1,453         |
| US Dollar | 1,815         | 1,929         |
| Other     | 260           | 229           |
|           | <u>7,268</u>  | <u>6,145</u>  |

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

16. **Cash and cash equivalents** For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

|                          | Group        |               | Company        |              |
|--------------------------|--------------|---------------|----------------|--------------|
|                          | 2017         | 2016          | 2017           | 2016         |
|                          | £'000        | £'000         | £'000          | £'000        |
| Cash at bank and in hand | 6,710        | 10,085        | –              | –            |
| Bank overdrafts          | –            | –             | (2,492)        | (677)        |
|                          | <u>6,710</u> | <u>10,085</u> | <u>(2,492)</u> | <u>(677)</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents are considered to be their book value.

|                                         | Group         |               | Company      |              |
|-----------------------------------------|---------------|---------------|--------------|--------------|
|                                         | 2017          | 2016          | 2017         | 2016         |
|                                         | £'000         | £'000         | £'000        | £'000        |
| 17. <b>Current liabilities</b>          |               |               |              |              |
| Amounts owed to subsidiary undertakings | –             | –             | –            | 807          |
| Bank overdraft                          | –             | –             | 2,492        | 677          |
| Trade payables                          | 3,433         | 2,962         | –            | –            |
| Accruals                                | 3,514         | 3,368         | 15           | 15           |
| Payments received on account            | 2,559         | 1,143         | –            | –            |
| Corporation tax                         | (170)         | 163           | –            | –            |
| Other taxes and social security costs   | 515           | 711           | –            | –            |
| Other payables                          | 2,731         | 2,470         | –            | –            |
| Forward foreign currency contracts      | 1,209         | 604           | –            | –            |
|                                         | <u>13,791</u> | <u>11,421</u> | <u>2,507</u> | <u>1,499</u> |

The Group's overdraft facilities are secured by an unlimited multilateral company guarantee and a first fixed and floating charge over all assets of the Company.

|                                    | Group |       | Company |       |
|------------------------------------|-------|-------|---------|-------|
|                                    | 2017  | 2016  | 2017    | 2016  |
|                                    | £'000 | £'000 | £'000   | £'000 |
| 18. <b>Non-current liabilities</b> |       |       |         |       |
| Deferred rent                      | 1,992 | 1,459 | –       | –     |

|                                                                                 | Group      |             |
|---------------------------------------------------------------------------------|------------|-------------|
|                                                                                 | 2017       | 2016        |
|                                                                                 | £'000      | £'000       |
| 19. <b>Deferred taxation</b>                                                    |            |             |
| Deferred taxation has been provided as follows:                                 |            |             |
| Accelerated capital allowances on property, plant and equipment                 | 1,592      | 1,253       |
| Excess of depreciation over capital allowances on property, plant and equipment | (46)       | (47)        |
| Short-term temporary differences                                                | (1,198)    | (1,241)     |
|                                                                                 | <u>348</u> | <u>(35)</u> |

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where the directors believe it is probable that the assets are recoverable.

This is made up as follows:

|                                                       |            |             |
|-------------------------------------------------------|------------|-------------|
| Deferred taxation included in non-current assets      | (386)      | (35)        |
| Deferred taxation included in non-current liabilities | 734        | –           |
|                                                       | <u>348</u> | <u>(35)</u> |

|                                                        |       |       |
|--------------------------------------------------------|-------|-------|
| Movements in the deferred tax provision is as follows: | 2017  | 2016  |
|                                                        | £'000 | £'000 |

|                                                           |            |             |
|-----------------------------------------------------------|------------|-------------|
| At 1 May                                                  | (35)       | (285)       |
| Charged to the income statement (note 9)                  | 10         | 282         |
| Charged/(credited) directly to other comprehensive income | 340        | (26)        |
| Translation adjustment                                    | 33         | (6)         |
| At 30 April                                               | <u>348</u> | <u>(35)</u> |

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

19. **Deferred taxation**  
*continued*

The deferred income tax charged/(credited) to other comprehensive income during the year is as follows:

|                                                                   | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------------------------------------------|---------------|---------------|
| Cash flow hedge reserve                                           | (109)         | (132)         |
| Deferred tax on long-term loan foreign currency movements         | 408           | 145           |
| Deferred tax on overseas defined benefit pension scheme movements | 41            | (39)          |
|                                                                   | <u>340</u>    | <u>(26)</u>   |

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the date of the statement of financial position. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

20. **Financial instruments**

The financial instruments of the Group as classified in the financial statements as at 30 April 2017 can be analysed under the following IAS 39 categories:

| Group                              | Assets at fair value through profit or loss      |               | Loans and receivables       |               | Total         |               |
|------------------------------------|--------------------------------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|                                    | 2017<br>£'000                                    | 2016<br>£'000 | 2017<br>£'000               | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Financial assets                   |                                                  |               |                             |               |               |               |
| Trade and other receivables        | 1,345                                            | 926           | 8,529                       | 6,705         | 9,874         | 7,631         |
| Cash and cash equivalents          | –                                                | –             | 6,710                       | 10,085        | 6,710         | 10,085        |
| Total                              | <u>1,345</u>                                     | <u>926</u>    | <u>15,239</u>               | <u>16,790</u> | <u>16,584</u> | <u>17,716</u> |
|                                    | Liabilities at fair value through profit or loss |               | Other financial liabilities |               | Total         |               |
|                                    | 2017<br>£'000                                    | 2016<br>£'000 | 2017<br>£'000               | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Financial liabilities              |                                                  |               |                             |               |               |               |
| Trade and other payables           | 1,366                                            | 941           | 6,947                       | 6,330         | 8,313         | 7,271         |
| Forward foreign currency contracts | 1,209                                            | 604           | –                           | –             | 1,209         | 604           |
| Total                              | <u>2,575</u>                                     | <u>1,545</u>  | <u>6,947</u>                | <u>6,330</u>  | <u>9,522</u>  | <u>7,875</u>  |

The Directors have revisited the nature of certain assets and liabilities relating to deferred compensation and concluded that they should be classified as assets and liabilities at fair value through profit and loss. As a result prior year figures have been reclassified from loans and receivables and other financial liabilities. There is no impact on assets or profits as a result of this reclassification.

The Group's principal financial instruments comprise of cash, short-term deposits, bank overdrafts, bank loans, forward foreign currency contracts and various items such as trade and other receivables and trade and other payables that arise directly from its operations. All trade and other payables disclosed above fall due for payment within one year.

Forward foreign currency contracts are carried at fair value, measured using level 2 of the fair value hierarchy. The deferred compensation plan assets and liabilities are carried at fair value, measured using level 1 of the fair value hierarchy. The fair value hierarchy has the following levels: Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value of forward foreign currency contracts is based on broker quote, derived from the quoted price of similar investments. The fair value of the deferred compensation plan assets and liabilities is based on quoted market prices.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

- 
20. **Financial instruments** The main risks arising from the Group's financial instruments are liquidity risk, credit risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged.

continued

*Liquidity Risk*

The Group's objective is to maintain an appropriate balance between continuity of funding and flexibility through the use of multi-currency overdrafts and bank loans. The Group has various borrowing facilities available to it amounting to £3.0 million (2016 – £3.0 million). The undrawn committed facilities available at 30 April 2017 in respect of which all conditions had been met at that date total £3.0 million (2016 – £3.0 million). Group borrowing facilities are reviewed annually with HSBC.

The Group's trade and short-term creditors all fall due within 60 days. At 30 April 2017 the Group's trade payables were £3.4 million (2016 – £3.0 million) and trade receivables were £7.3 million (2016 – £6.1 million) giving a ratio of 2.1 (2016 – 2.0). This, together with the Group's cash balances and unused borrowing facility, constitutes a very low liquidity risk.

*Credit Risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

In the Product Division credit risk is spread over a large number of customers and historically bad debt experience has been extremely low. In the Decorating Division it is not unusual to undertake large projects which can give rise to significant debtor balances from time to time. Risk is reduced by requiring a 50% deposit at the start of the project and a further 25% deposit prior to completion.

Credit risk also arises from cash and cash equivalents and deposits with banks. For banks, only independently rated parties with minimum rating "A" are accepted.

*Foreign Currency Risk*

Due to the international nature of its operations, the Group faces currency exposures in respect of exchange rate fluctuations against sterling. The most significant of these is the US where revenue in US dollars represents 51% of Group revenue.

The majority of the US subsidiary's revenue from the sale of goods is sourced by imports from the UK and Europe. This revenue is invoiced in US dollars. The Group minimises the currency translation exchange risk by the use of forward foreign currency contracts. The fair value of these contracts at 30 April 2017 is detailed below.

The Group's profit is reduced by approximately £95,000 for every one cent deterioration in the US dollar against Sterling. The Group has a natural hedge between Euro costs and Euro revenues but this is dependent on maintaining Euro revenue at current levels.

About 23% of Group revenue is to customers in countries other than the UK and US. Most of this revenue is invoiced in the currencies of the countries involved. The Group does not hedge currency exposures on this revenue using forward foreign currency contracts as any exchange rate risk is considered to be insignificant due to the offsetting effect of imports.

The Group has continued its policy of not hedging statement of financial position translation exposures except to the extent that overseas liabilities, including borrowings, provide a natural hedge. It is also the Group's policy not to hedge income statement translation exposures.

The statements of financial position of overseas operations are translated into sterling at the closing rates of exchange for the year and any exchange difference is dealt with as a movement in the foreign exchange reserve. The income statements of overseas business are translated at an average rate of exchange.

*Interest Rate Risk*

As the Group has net cash of £6.7 million (2016 – £10.1 million) and interest rates are at historically low levels, the Group does not consider interest rate risk to be a significant risk.

*Forward Foreign Currency Contracts*

The Group uses forward foreign currency contracts to forward-buy and sell foreign currency in order to hedge future transactions and cash flows. The Group is party to forward foreign currency contracts denominated in US dollars to eliminate transactional currency exposures on future expected revenue in the US.

At 30 April 2017, the Group was in multiple forward foreign currency contract arrangements to sell US dollars. The hedged transactions are expected to occur in 2017/18.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

20. **Financial instruments** The fair value of the Group's forward foreign currency contracts at the date of the statement of financial position is as follows:

continued

|                                                                      | 2017<br>£'000 | 2016<br>£'000 |
|----------------------------------------------------------------------|---------------|---------------|
| Fair value of forward foreign currency contracts – (liability)/asset | (1,209)       | (604)         |

*Capital Disclosures*

The directors consider the Group's capital to consist of its share capital and reserves.

The Group's objective when maintaining capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

To the extent that the Group considers it has surplus capital it has been Group policy to return this to shareholders through share buy backs.

*Other Financial Instruments*

The book amount for trade and other receivables, cash and cash equivalents, bank overdrafts, and trade and other payables with an expected life of 12 months or less, is considered to reflect its fair value.

The financial instruments of the Company as classified in the financial statements at 30 April 2017 can be analysed under the following IAS 39 categories:

|                             | Loans and receivables       |               | Total         |               |
|-----------------------------|-----------------------------|---------------|---------------|---------------|
|                             | 2017<br>£'000               | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Company                     |                             |               |               |               |
| Financial assets            |                             |               |               |               |
| Trade and other receivables | 3,862                       | 4,090         | 3,862         | 4,090         |
| <b>Total</b>                | <b>3,862</b>                | <b>4,090</b>  | <b>3,862</b>  | <b>4,090</b>  |
|                             | Other financial liabilities |               | Total         |               |
|                             | 2017<br>£'000               | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Financial liabilities       |                             |               |               |               |
| Trade and other payables    | –                           | 807           | –             | 807           |
| Bank overdrafts             | 2,492                       | 677           | 2,492         | 677           |
| <b>Total</b>                | <b>2,492</b>                | <b>1,484</b>  | <b>2,492</b>  | <b>1,484</b>  |

The Company acts as a holding company for the Group's subsidiaries and does not trade. Its financial instruments comprise cash, bank overdraft, amounts receivable and payable from subsidiary undertakings and other receivables and payables.

The Company faces interest rate risk on its bank overdraft and liquidity risk on managing cash flows from its subsidiary undertakings. The Company participates in a Group wide multi-currency overdraft facility of £3.0 million (2016 – £3.0 million) which is available to the UK companies in the Group.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

|                                         |                             | Authorised                         |                  | Allotted, called up and fully paid |                  |
|-----------------------------------------|-----------------------------|------------------------------------|------------------|------------------------------------|------------------|
|                                         |                             | 2017                               | 2016             | 2017                               | 2016             |
| 21. Share capital                       | Ordinary shares of 10p each | £3,300,000                         | £3,300,000       | £1,022,000                         | £1,075,700       |
|                                         | Number of shares            | 33,000,000                         | 33,000,000       | 10,220,000                         | 10,757,000       |
|                                         |                             | Allotted, called up and fully paid |                  |                                    |                  |
|                                         |                             | 2017<br>Number                     | 2017<br>£        | 2016<br>Number                     | 2016<br>£        |
| Ordinary shares of 10p each             |                             |                                    |                  |                                    |                  |
| At beginning of year                    |                             | 10,757,000                         | 1,075,700        | 10,827,500                         | 1,082,750        |
| Purchase of own shares for cancellation |                             | (537,000)                          | (53,700)         | (70,500)                           | (7,050)          |
| At end of year                          |                             | <u>10,220,000</u>                  | <u>1,022,000</u> | <u>10,757,000</u>                  | <u>1,075,700</u> |

Details of share options and shareholdings of Directors are shown in the Directors' Report on pages 9 to 11.

Share options over the ESOP shares are shown in note 13 on page 32.

| 22. Reserves       | The following describes the nature and purpose of each reserve within owners' equity:                                                                                  |  |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Reserve            | Description and purpose                                                                                                                                                |  |
| Share capital      | Amount subscribed for share capital at nominal value.                                                                                                                  |  |
| Share premium      | Amount subscribed for share capital in excess of nominal value.                                                                                                        |  |
| Capital redemption | Amounts transferred from share capital on redemption of issued shares.                                                                                                 |  |
| ESOP share         | Weighted average cost of own shares held by the ESOP trust.                                                                                                            |  |
| Merger             | Premium on shares issued to fund acquisitions prior to 1999, which was used for write-off of goodwill on consolidation.                                                |  |
| Retained earnings  | Cumulative net gains and losses recognised in the consolidated income statement less distributions made.                                                               |  |
| Foreign exchange   | Unrealised cumulative net gains and losses arising on the retranslation of the opening net assets and loans of overseas subsidiary undertakings.                       |  |
| Cash flow hedge    | Unrealised gains and losses, net of deferred tax, arising on the revaluation of forward foreign currency contracts at the date of the statement of financial position. |  |

|                                        |                                                                                                     |
|----------------------------------------|-----------------------------------------------------------------------------------------------------|
| 23. Commitments under operating leases | At 30 April 2017 the Group had total commitments under non-cancellable operating leases as follows: |
|----------------------------------------|-----------------------------------------------------------------------------------------------------|

|                            | 2017                        |                | 2016                        |                |
|----------------------------|-----------------------------|----------------|-----------------------------|----------------|
|                            | Land and Buildings<br>£'000 | Other<br>£'000 | Land and Buildings<br>£'000 | Other<br>£'000 |
| Within one year            | 4,992                       | 56             | 4,717                       | 66             |
| Between two and five years | 15,569                      | 33             | 14,895                      | 64             |
| Over five years            | 12,410                      | –              | 13,441                      | –              |
|                            | <u>32,971</u>               | <u>89</u>      | <u>33,053</u>               | <u>130</u>     |

The majority of leases of land and buildings are subject to rent reviews every 5 years.

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2017

- 24. Pension commitments** Group companies make pension contributions for eligible employees to group personal pension schemes. These schemes are independently administered. The pension cost charge represents contributions payable by Group companies to the schemes during the year and amounted to £396,000 (2016 – £379,000).

The Group's US subsidiary Cowtan & Tout Incorporated operates a funded defined benefit pension scheme. This scheme relates to the acquisition of Jack Lenor Larsen on 1 July 1997. The scheme was closed to new members on 31 December 1997. Existing members' current pension contributions were transferred to a defined contribution scheme and hence all future benefits became fixed on the date the scheme was closed. The most recent actuarial valuation of the fund was on 30 April 2016 using the projected unit credit method. As the scheme is closed to new members and all benefits have been frozen, assumptions concerning inflation and the rate of increase of salaries, pensions and deferred pensions are not applicable. The rate used to discount scheme liabilities was 3.6% (2016 – 3.37%, 2015 – 4%). The market value of investments at 30 April 2017 was £1,007,000 (2016 – £851,000, 2015 – £854,000), all of which have an expected long term rate of return of 5% (2016 – 5%, 2015 – 5%). Due to the nature of the investments, the actuarial value of the assets and the market value are the same. The present value of scheme liabilities at 30 April 2017 was £1,062,000 (2016 – £1,021,000, 2015 – £1,002,000), resulting in a net pension liability of £55,000 (2016 – £170,000, 2015 – £148,000). An accrual of £55,000 (2016 – £170,000, 2015 – £148,000) covering the unfunded actuarial accrued liability is included in the Group statement of financial position together with a related deferred tax asset of £22,000 (2016 – £68,000, 2015 – £59,000). The expected group contributions to the scheme for the year ended 30 April 2018 is £10,000.

The fair value of the assets in the scheme and the expected rate of return at 30 April 2017 were:

|                                     | 2017<br>£'000 | 2016<br>£'000 | 2015<br>£'000 | 2014<br>£'000 | 2013<br>£'000 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash and cash equivalents           | –             | –             | –             | –             | –             |
| Fixed income                        | 196           | 144           | 137           | 121           | 278           |
| Equities                            | 811           | 707           | 717           | 641           | 483           |
| Total market value of assets        | 1,007         | 851           | 854           | 762           | 761           |
| Present value of scheme liabilities | (1,062)       | (1,021)       | (1,002)       | (879)         | (1,026)       |
| Net pension liability               | (55)          | (170)         | (148)         | (117)         | (265)         |

## Reconciliation of plan assets:

|                        | 2017<br>£'000 | 2016<br>£'000 |
|------------------------|---------------|---------------|
| At beginning of year   | 851           | 854           |
| Exchange gain          | 146           | 69            |
| Contributions by Group | 52            | 90            |
| Benefits paid          | (107)         | (98)          |
| Actuarial (loss)/gain  | 65            | (64)          |
| At end of year         | 1,007         | 851           |

## Reconciliation of plan liabilities:

|                               | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------|---------------|---------------|
| At beginning of year          | 1,021         | 1,002         |
| Exchange increase             | 147           | 48            |
| Interest cost                 | 37            | 33            |
| Benefits paid                 | (107)         | (98)          |
| Actuarial (decrease)/increase | (36)          | 36            |
| At end of year                | 1,062         | 1,021         |

## NOTES TO THE ACCOUNTS

For the year ended 30 April 2016

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |        |        |       |      |      |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|-------|------|------|
| 24. <b>Pension commitments</b><br><i>continued</i> | History of experience gains and losses:                                                                                                                                                                                                                                                                                                                                                                                                                              | 2017   | 2016   | 2015  | 2014 | 2013 |
|                                                    | Actuarial return on scheme assets (£'000)                                                                                                                                                                                                                                                                                                                                                                                                                            | 65     | (63)   | 20    | 55   | 18   |
|                                                    | As a % of plan assets                                                                                                                                                                                                                                                                                                                                                                                                                                                | 6.8%   | -7.5%  | -2.4% | 2.3% | 2.3% |
|                                                    | Actuarial (increases)/reductions on scheme liabilities (£'000)                                                                                                                                                                                                                                                                                                                                                                                                       | 36     | (36)   | (92)  | 10   | (77) |
|                                                    | As a % of plan liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                           | -2.6%  | 3.6%   | 9.0%  | 1.1% | 7.5% |
|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |        |        |       |      |      |
| 25. <b>Guarantees</b>                              | The Company has given an unlimited guarantee to HSBC Bank plc to secure all the present and future indebtedness and liabilities to the Bank of the Company, 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. At 30 April 2017, the value of subsidiary overdrafts covered by the guarantee amounted to £nil (2016 – £nil). |        |        |       |      |      |
| 26. <b>Related party transactions</b>              | The Company undertook the following transactions with its subsidiary undertakings in the year:                                                                                                                                                                                                                                                                                                                                                                       |        |        |       |      |      |
|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2017   | 2016   |       |      |      |
|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | £'000  | £'000  |       |      |      |
|                                                    | Interest charged on long-term loans to Colefax and Fowler Holdings Limited                                                                                                                                                                                                                                                                                                                                                                                           | 146    | 150    |       |      |      |
|                                                    | At the year end the following amounts were owed to/(by) the Company by/(to) its subsidiaries:                                                                                                                                                                                                                                                                                                                                                                        |        |        |       |      |      |
|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2017   | 2016   |       |      |      |
|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | £'000  | £'000  |       |      |      |
|                                                    | Colefax and Fowler Holdings Limited                                                                                                                                                                                                                                                                                                                                                                                                                                  | 8,093  | 7,947  |       |      |      |
|                                                    | Colefax and Fowler Limited                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2,985  | 3,471  |       |      |      |
|                                                    | Sibyl Colefax and John Fowler Limited                                                                                                                                                                                                                                                                                                                                                                                                                                | 50     | (807)  |       |      |      |
|                                                    | Kingcome Sofas Limited                                                                                                                                                                                                                                                                                                                                                                                                                                               | 54     | 6      |       |      |      |
|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 11,182 | 10,617 |       |      |      |

The Company received dividend income from subsidiaries in the year of £1,598,000 (2016 – £3,000,000).

## FIVE YEAR REVIEW

|                                                       | <b>2017</b>   | 2016   | 2015   | 2014   | 2013   |
|-------------------------------------------------------|---------------|--------|--------|--------|--------|
|                                                       | <b>£'000</b>  | £'000  | £'000  | £'000  | £'000  |
| Revenue from continuing operations                    | <b>80,475</b> | 76,879 | 76,796 | 78,035 | 70,619 |
| Profit from continuing operations                     | <b>2,937</b>  | 5,013  | 5,037  | 4,922  | 3,547  |
| Profit before taxation from continuing operations     | <b>2,937</b>  | 5,016  | 5,029  | 4,885  | 3,547  |
| Profit attributable to shareholders                   | <b>1,895</b>  | 3,461  | 3,542  | 3,353  | 2,334  |
| Basic earnings per share from continuing operations   | <b>18.6p</b>  | 32.2p  | 32.2p  | 27.9p  | 18.2p  |
| Diluted earnings per share from continuing operations | <b>18.6p</b>  | 32.2p  | 32.2p  | 27.9p  | 18.2p  |
| Dividends per share                                   | <b>4.80p</b>  | 4.60p  | 4.40p  | 4.20p  | 4.00p  |
| Equity                                                | <b>25,936</b> | 26,318 | 23,757 | 22,211 | 24,283 |
| Operating cash flow                                   | <b>4,180</b>  | 7,195  | 8,741  | 4,867  | 6,035  |
| Cash and cash equivalents                             | <b>6,710</b>  | 10,085 | 6,861  | 4,057  | 7,630  |

## NOTICE OF MEETING

Notice is hereby given that the 2017 Annual General Meeting of Colefax Group Plc will be held at 19-23 Grosvenor Hill, London W1K 3QD on 14 September 2017 at 11.00 a.m. to transact the following business:

### Ordinary Business

1. To receive, and if thought fit, to adopt the audited Annual Accounts of the Company for the year ended 30 April 2017, together with the reports of the Directors and of the auditors thereon.
2. To declare a final dividend of 2.5p per ordinary share.
3. To re-appoint BDO LLP as auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
4. To authorise the Directors to determine the remuneration of the auditors.
5. To re-elect R. Barker, who retires by rotation, as a Director.

### Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 6 will be proposed as an ordinary resolution and resolutions 7 and 8 will be proposed as special resolutions.

6. THAT in place of all existing authorities (save to the extent relied upon prior to the passing of this resolution), the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act"):
  - (a) to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum nominal amount of £340,666 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the earlier of the date falling 15 months following the date of the Annual General Meeting and the end of the next annual general meeting of the Company, save that the Company may before expiry of this authority make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after expiry of this authority and the Directors may allot shares, or grant rights to subscribe for or convert any security into shares, in pursuance of that offer or agreement as if this authority had not expired; and
  - (b) in addition, to allot equity securities (within the meaning of section 560 of the Act) in connection with a rights issue in favour of holders of ordinary shares in proportion (as nearly as may be) to their respective holdings of ordinary shares (but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with treasury shares, fractional entitlements or any legal or practical problems arising under the laws or regulations of, or the requirements of any regulatory body or stock exchange in, any territory) up to a maximum nominal amount of £340,666 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the earlier of the date falling 15 months following the date of the Annual General Meeting and the end of the next annual general meeting of the Company, save that the Company may before expiry of this authority make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the Directors may allot equity securities in pursuance of that offer or agreement as if this authority had not expired.
7. THAT, subject to the passing of resolution 6 above and in place of all existing powers, the Directors be generally and unconditionally authorised pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 6 above as if section 561 of the Act did not apply to any such allotment. This power shall be limited to:
  - (a) the allotment of equity securities in connection with an offer of such securities or an invitation to apply to subscribe for such securities (whether by way of rights issue, open offer or otherwise) in favour of holders of ordinary shares in proportion (as nearly as may be) to their respective holdings of ordinary shares but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with treasury shares, fractional entitlements or legal or practical issues under the laws of any jurisdiction or territory or the

## NOTICE OF MEETING

regulations or requirements of any regulatory or stock exchange authority in any jurisdiction or territory; and

- (b) the allotment (other than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £51,100.

This power shall expire on the earlier of the date falling 15 months following the date of the Annual General Meeting and the conclusion of the next annual general meeting of the Company, but the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired.

This power also applies in relation to a sale of treasury shares, which is an allotment of equity securities by virtue of section 560(3) of the Act as if in the first paragraph of this resolution the words "subject to the passing of resolution 6 above" and "pursuant to the authority granted by resolution 6 above" were omitted.

- 8. THAT the Company be generally and unconditionally authorised in accordance with Section 701 of the Companies Act (the "Act") to make one or more market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:
  - (a) the maximum aggregate number of ordinary shares authorised to be purchased is 1,533,000 representing 15% of the issued ordinary share capital;
  - (b) the minimum price which may be paid for an ordinary share is 10p;
  - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;
  - (d) this authority expires on the fifth anniversary of the date of the passing of the resolution; and
  - (e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

**By order of the Board**  
R. M. Barker BSc ACA  
Secretary  
24 July 2017

**Registered Office**  
19-23 Grosvenor Hill  
London W1K 3QD

## NOTICE OF MEETING

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend, to speak and, both on a show of hands and on a poll, to vote in his or her stead at the meeting. A proxy need not be a member of the company but must attend the meeting in person. The appointment of a proxy does not preclude a member from attending and voting in person at the meeting should he or she subsequently decide to do so. A form of proxy which may be used is attached.
2. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her.
3. To be valid, a form of proxy together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be received by Computershare Investor Services plc at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 11.00 a.m. on 12th September 2017.
4. The company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the company as at 6.00 p.m. on 12th September 2017 shall be entitled to attend or vote (whether on a show of hands or on a poll) at the meeting in respect of the number of shares registered in their name at the time. Changes to entries on the register after 6.00 p.m. on 12th September 2017 (or after 6.00 p.m. on the day which is two days before any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. As at 24 July 2017 (being the last business day prior to the date of this notice) the company's issued share capital consisted of 10,220,000 ordinary shares each carrying one vote per share. Accordingly the total number of voting rights in the company as at 24 July 2017 were 10,220,000.
6. CREST members who wish to appoint a proxy or proxies for the meeting or any adjournment thereof by utilising the CREST electronic proxy appointment service may do so by following the procedures described in the CREST Manual ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

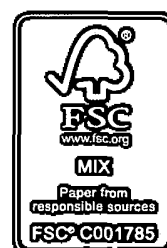
In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. Any member attending the meeting has the right to ask questions.
8. If a shareholder has a general query about the Annual General Meeting or wishes to give the Company prior notification of any question he wishes to ask at the Annual General Meeting, he should call our shareholder helpline on 0870 889 3295 if calling within the United Kingdom or +44 870 889 3295 if calling from outside the United Kingdom. The Shareholder Helpline is available from 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays). The cost of calls to the helpline vary depending on the service provider. Calls to the helpline from outside the United Kingdom will be charged at applicable international rates. Calls may be recorded and monitored for security and training purposes.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.  
Printed by Park Communications on FSC® certified paper.





HEAD OFFICE: 19/23 CROSSLAND ROAD, TONGKONG WILKINSON

TEL: (020) 7-093 2231 FAX: (020) 7-093 3623