COLEFAX GROUP PLC

Annual Report and Accounts 2018

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.

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THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT
COLEFAX & FOWLER LTD

FINANCIAL HIGHLIGHTS

	2018 £'000	2017 £'000	Increase
Revenue	**86,052**	80,475	7%
Profit from operations	**4,721**	2,937	61%
Profit before taxation	**4,719**	2,937	61%
Profit attributable to shareholders	**3,832**	1,895	102%
Basic earnings per share	**38.1p**	18.6p	105%
Diluted earnings per share	**38.1p**	18.6p	105%
Dividends per share	**5.00p**	4.80p	4%
Equity	**27,419**	25,936	6%
Operating cash flow	**8,909**	4,180	113%
Cash and cash equivalents	**9,177**	6,710	37%

CHAIRMAN'S STATEMENT

Financial Results

Group sales for the year to 30 April 2018 increased by 6.9% to £86.05 million (2017: £80.48 million) and by 8.6% on a constant currency basis. Pre-tax profits increased by 60.7% to £4.72 million (2017: £2.94 million) and earnings per share increased by 105% to 38.1p (2017: 18.6p). The Group ended the year with net cash of £9.2 million (2017: £6.7 million).

The Board is proposing to increase the final dividend by 4% to 2.60p per share (2017: 2.50p) making a total for the year of 5.00p (2017: 4.80p), an increase of 4%. This increase is in line with the Group's progressive dividend policy and preferred strategy of returning surplus cash to shareholders via share buybacks. The final dividend, which is subject to shareholder approval, will be paid on 10 October 2018 to shareholders on the register at the close of business on 7 September 2018.

During the year the Group returned £2.17 million (2017 – £2.58 million) to shareholders through the purchase of 413,000 shares at an average price of £5.25 per share and representing 4.2% of the issued share capital of the Company.

The improvement in our profit was for three main reasons. Firstly, losses on hedging put in place prior to the Brexit vote reduced to £959,000 from £2.0 million last year and have now come to an end. Secondly, our Decorating Division delivered an exceptional performance making a profit before tax of £901,000 compared to a profit of £108,000 last year. Thirdly, in our core Fabric Division, sales in our main US market increased by 6.2% on a constant currency basis.

Excluding share buybacks and dividend payments the Group generated cash of £5.5 million during the year (2017 – £1.3 million outflow). This improvement was due to a combination of increased profitability, significantly lower capital expenditure and tight control of working capital.

Capital expenditure during the year was £2.38 million compared to an exceptional £4.1 million last year when we opened our own US showrooms in Atlanta and Boston and moved our UK based Decorating Division to a new showroom and offices in Belgravia. The benefit of these investments is reflected in our current year performance.

The 105% increase in earnings per share compared to the 60.7% increase in pre-tax profits is mainly due to a significantly lower Group tax charge of 19% compared to 35% last year. This includes a one-off deferred tax benefit of £350,000 relating to a reduction in the US corporate tax rate. From January 2018 US federal corporate tax rates reduced from 35% to 21% and the Group will realise the full benefit of this change in future years.

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 83% of Group turnover, were up by 1.5% to £71.11 million (2017 – £70.05 million) and up by 3.3% on a constant currency basis. Operating profit increased by 31.8% to £3.69 million (2017 – £2.80 million) but excluding hedging losses was down by 3.1% to £4.65 million (2017 £4.80 million) reflecting a weaker US Dollar average rate of $1.34 compared to $1.29 last year.

The main reason for the increase in Fabric Division sales on a constant currency basis was an improvement in trading conditions in our core US market which represents 59% of the Fabric Division's turnover. US sales increased by 6.2% compared to a decline of 7.7% last year. Sales in the second half of the year increased by 7.8% compared to 4.3% for the first half. The improving trend reflects the strength of the US economy and in particular the housing market. Following the opening of our own showrooms in Atlanta and Boston last year, over 75% of US sales come from territories where we lease our own showroom as opposed to showrooms operated by agents. We believe this is the right balance for our business at the present time. In the current year we are planning the refurbishment of our existing Los Angeles showroom. As our largest and most important market the US will remain our main focus for future capital investment.

Sales in the UK, which represent 18% of the Fabric Division's turnover increased by 1% during the year despite increasingly challenging trading conditions at the top end of the market. High rates of stamp duty continue to weigh on the number of housing transactions and the situation is not being helped by Brexit uncertainty. We believe that our sales are closely correlated with the health of the high end housing market and would like to see the top rates of stamp duty reduced to levels where they are not depressing the market. We are currently refurbishing our trade showroom in Chelsea Harbour and this project will be completed at the end of August.

CHAIRMAN'S STATEMENT

Sales in Continental Europe, which represent 21% of the Fabric Division's turnover, increased by 3.5% in reported terms but were flat on a constant currency basis. Despite increased optimism in the first half of the year, overall market conditions in Europe have remained difficult and seem unlikely to improve in the short term. This is especially true in our major markets, France, Germany and Italy, and despite some improvement in the wider economy caused by significant monetary stimulus. In France which is our largest market, sales decreased by 2%. In Germany sales were flat and in Italy sales declined by 1%. Each country in Europe has its own economic and political issues and our strategy will be to tailor our approach to each market and focus our investment on countries with the most potential.

Sales in the Rest of the World which represent just under 3% of the Fabric Division's turnover, decreased by 8% during the year. The main markets are the Middle East, Australia, China and Russia. The decline in sales was mainly due to the Middle East where contract orders can cause significant sales fluctuations from year to year.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which represent 3% of Product Division sales increased by 11% to £2.62 million (2017 – £2.35 million). Operating profit was £130,000 compared to £23,000 last year. This business is the Group's only manufacturing activity and profits are particularly sensitive to fluctuations in sales due to the relatively high fixed cost base. The increase in sales and profit was achieved despite challenging market conditions in the UK and the order book at the year end was significantly ahead of the prior year. Export sales account for just 13% of total furniture sales and this represents a growth opportunity especially given the current weakness of Sterling.

Interior Decorating Division

Decorating sales, which account for 14% of Group turnover, increased by 53% to £12.33 million (2017 – £8.06 million) and profits before tax increased to £901,000 compared to a profit of £108,000 for the prior year. Last year the Decorating Division moved from 39 Brook Street to a new showroom and offices at 89-91 Pimlico Road in Belgravia. This is the first full year of operation at the new premises and we are very pleased with the overall performance. The new showroom is popular with customers and although we have less space for antiques a more selective approach means that sales have exceeded expectations. Sales and profits in the Decorating Division can vary significantly according to the timing of contracts. Several major projects were completed during the year and although customer deposits remain healthy we expect activity to return to more normal levels next year. The business continues to benefit from the weakness of Sterling and we have seen an increase in the proportion of overseas work.

Prospects

The Group has made good progress over the last twelve months despite generally difficult trading conditions in most of our major markets. Our largest market, the US, is showing signs of continued growth and this should underpin our performance in the current year. In addition we no longer have any hedging contracts put in place prior to the Brexit referendum and will benefit from the current weakness of Sterling. However, any significant fluctuations in the Sterling US Dollar exchange rate are likely to have a material effect on Group profits. In our other major markets, the UK and Europe, we are experiencing increasingly difficult trading conditions and we expect this to offset some of the anticipated growth in the US. In addition we expect our Decorating Division to return to a more normal level of activity following an exceptional performance last year.

The Group has a strong balance sheet with net cash of £9.2 million and we will continue to invest with confidence in our portfolio of luxury brands and our worldwide distribution network.

Our results reflect the talent, hard work and loyalty of all our staff throughout the Group and I would like to thank them for their contribution to our performance and their commitment to the future success of the Group.

David Green

David Green
Chairman
25 July 2018

STRATEGIC REPORT

Strategy and Business Model

The strategy and business model of the Group has remained relatively stable in recent years. The core business is the design and distribution of luxury furnishing fabrics and wallpapers sold through a 'portfolio' of luxury brands. The rationale behind the portfolio approach 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. By far the largest and most important market for the Group is the US which accounts for approximately 59% of fabric and wallpaper sales. As a result the US market is the main focus for capital investment and new product investment.

An important part of the Group's strategy is that it does not manufacture any fabrics and wallpapers and they are sourced from over 100 different high end manufacturers based primarily in Italy, France, Belgium the UK and India. This broad supplier base avoids the complexity and capital intensive nature of manufacturing and enables the Group to respond rapidly to changing market tastes.

The Group's fabric and wallpapers are sold in over 50 countries worldwide although the US and the UK together account for 77% of Fabric Division sales. The third largest individual country is France which accounts for 6% of total sales. An important part of the Group's strategy is that it has no significant retail activity and this avoids the costs and complexity of retail operations. The Group sells primarily to interior designers and retail fabric and wallpaper shops (the 'trade') and operates one flagship retail outlet at 110 Fulham Road in London which accounts for just over 1% of sales. 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 small or complex markets the Group uses exclusive 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 is potentially interested to acquire additional fabric and wallpaper brands provided they complement the existing portfolio and offer geographical and operational synergies. The industry is still relatively fragmented with a large number of independent competitors. The ongoing challenge with acquisitions is finding vendors who are prepared to sell at a realistic price. A cheaper and equally valid alternative to acquisitions is to start a new brand from scratch or develop a sub-brand. However, we believe there are still good opportunities for organic growth within the Group's existing brand portfolio and the advantage of this lower risk strategy has been surplus cash generation which can be returned to shareholders through our long running share buyback programme.

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 complemented 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 products 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 ensuing 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 Newton Abbot, Devon which employs 35 highly skilled staff and this is the Group's only manufacturing activity. All furniture is made to order backed by customer deposits. It is a relatively small part of the Group accounting for 3.0% 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 14% of Group sales. The business undertakes interior design

STRATEGIC REPORT

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.

The Decorating Division includes a decorative antiques business which accounts for about 7% of its sales. Although antique sales are a relatively small part of the total they are strategically important to the Decorating Division. In recent years the market for antiques has been relatively challenging due to changing consumer tastes and following the move to new premises at 89-91 Pimlico Road we have taken a more selective approach to antiques focusing on fewer individual items. This has resulted in improved margins and stock turn.

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. This is important for investors to understand because it 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:

	2018	2017
Constant Currency Sales Growth	**8.6%**	-5.3%
Gross Profit Margin	**53.7%**	55.1%
Operating Profit Margin	**5.5%**	3.6%
Earnings Per Share	**38.1p**	18.6p
Operating Cash Flow	**£8.9m**	£4.2m

Sales Growth

Group sales were up by 6.9% in reported terms to £86.05 million (2017 – £80.47 million) and up by 8.6% on a constant currency basis. The sales increase was mainly due to the Decorating Division where sales increased by £4.2 million or 53% to £12.3 million (2017 £8.1 million). This was an exceptionally strong performance by Decorating and reflects the completion of a number of major projects during the year. Customer deposits remain healthy but activity is likely to return to more normal levels next year.

In our core Fabric Division sales increased by 1.5% in reported terms and by 3.3% on a constant currency basis. Most of the growth came from the US where sales increased by 6.1% largely reversing a 7.7% decline last year. In the UK sales increased by 0.5% following a 1% decline last year and in Europe constant currency sales decreased by 0.1% following a 6.0% decline last year. These changes are discussed in more detail in the Chairman's Statement. In terms of trends the growth in the US looks likely to continue this year whereas trading in the UK and Europe looks increasingly difficult.

Gross Profit Margin

The overall gross profit margin decreased from 55.1% to 53.7%. The main reason for the 1.4 percentage point decline was a significant increase in the proportion of Decorating Division sales where gross profit margins are much lower than the Fabric Division.

In the Fabric Division the gross margin achieved is heavily influenced by the Sterling – US Dollar exchange rate. This is because approximately 60% of sales are invoiced in US Dollars but the majority of goods sold are purchased from suppliers in Sterling or Euros. Every one cent movement in the Sterling Dollar exchange rate affects gross margin by approximately £95,000.

The sensitivity of profits to the US Dollar rate is the reason why the Group has typically hedged a proportion of its exposure in the form of forward contracts to sell US Dollars at its budgeted rate. The decision to hedge the US Dollar prior to the Brexit vote resulted in losses of £2 million in 2017 and £959,000 in 2018. These pre-Brexit contracts which were mostly at a rate of $1.50 have now ended which means the Group will benefit fully from the post Brexit weakness of Sterling.

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.

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

	2018	2017	% change
US dollar average	**1.34**	1.29	-3.9%
US dollar closing	**1.38**	1.29	-7.0%
Euro average	**1.13**	1.18	4.2%
Euro closing	**1.14**	1.19	4.2%

Operating Profit Margin
Group operating profit increased by 60.7% to £4.72 million (2017 – £2.94 million) representing an operating profit margin of 5.5% (2017 – 3.6%). Excluding hedging losses the operating margin would have been £5.68 million or 6.6%. The main reasons for the increase in operating profit were a £1.04 million reduction in hedging losses resulting from a lower level of cover and a £0.8 million increase in Decorating Division profits. However, the average US Dollar exchange rate for the year was less favourable at $1.34 compared to $1.29 and the impact of this was largely offset by a 6.2% increase in US sales.

An important feature of the Group is that profits are highly operationally geared. Gross margins are relatively high and our cost base is relatively fixed with the result that operating margins are very sensitive to small fluctuations in sales. Over the last twelve months the main pressure on our cost base has come from premises costs. Apart from our Kingcome Sofas freehold factory in Devon all of the Group's showrooms, offices and warehouses are leasehold. In the UK in particular new rating assessments and rent reviews have led to some unwelcome cost increases.

As noted last year the Group faces ongoing uncertainty over Brexit and in particular whether or not the UK will agree a free trade deal with the EU. Tariff free trade with Europe is important to the Group because a majority of the Fabric Division's products are purchased in the EU and 21% of sales are made in the EU.

Earnings Per Share
Earnings per share increased by 105% to 38.1p (2017 – 18.6p) reflecting the 61% increase in operating profit as well as a significant reduction in the effective tax rate from 35.5% to 19%. The reduction in the Group corporate tax rate is for two main reasons. Firstly corporate tax rates are only 19% in the UK and a higher proportion of profits were made in the UK due to lower hedging losses and a strong performance from the Decorating Division. Secondly from January 2018 US federal corporate tax rates reduced from 35% to 21% benefitting apportioned profits for the last four months of the year. Although the lower US rate was only for four months there was a one off deferred tax credit of £350,000. This increased earnings per share by 3.5p relating to a reduction in our net US deferred tax liability. For the current year we expect the Group's effective tax rate to be around 26%.

Earnings per share also benefitted from a small decrease of 1.1% in the weighted average number of shares in issue during the year due to share buybacks in the current and prior year.

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 £30.77 million to shareholders through its share buyback program.

Operating Cash Flow
The Group's operating cash flow increased by £4.5 million to £8.67 million (2017 – £4.18 million) compared to profit from operations of £4.72 million. The increase compared to last year reflects higher profitability and tight control of working capital which reduced by £1.2 million compared to an increase of £1.48 million last year. Most of the change in working capital was due to the unwinding of unrealized hedging losses recorded under current liabilities. Depreciation amounted to £2.74 million (2017 – £2.72 million) compared to net capital expenditure of £2.33 million. Next year we are planning to refurbish our Chelsea Harbour showroom in London and our US showroom in Los Angeles and expect capital expenditure to be broadly in line with depreciation.

The Group ended the year with net cash of £9.2 million compared to £6.7 million last year. This increase of £2.5 million is after share buybacks of £2.2 million and dividend payments of £488,000. Excluding these items cash generation was £5.13 million.

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 high end housing market. The main control for responding to changes in the housing market is the amount of new product investment.

The Group faces significant risks from Brexit if the UK leaves the Customs Union and does not agree on a free trade deal with Europe for goods. This is because the Fabric Division purchases the majority of its goods from suppliers in Europe and makes 21% of its sales to customers in Europe. Customs duty on European purchases would adversely affect costs and customs duty on European sales would adversely affect revenues.

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 £13.5 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 25 July 2018 and signed on its behalf by

R. M. Barker

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

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Registrars and Transfer Office

Computershare Investor Services PLC
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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.

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 413,000 shares at an average price of 525p.

Results and Dividends
The Group's profit after tax was £3,832,000 (2017 – £1,895,000). An interim dividend of 2.4p (2017 – 2.30p) per share was paid to shareholders on 9 April 2018. The Directors recommend the payment of a final dividend of 2.6p (2017 – 2.50p) per share to be paid on 10 October 2018 to shareholders on the register at the close of business on 7 September 2018. 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 5.00p (2017 – 4.80p) per share and the total of the interim and proposed final dividend is £486,000 (2017 – £488,000).

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.

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 2018 at the date of these financial statements.

DIRECTORS' REPORT

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 £163,000 at 30 April 2018 (2017 – £168,000).

Directors
The Directors listed on page 8 have held office throughout the year to 30 April 2018.

In accordance with Article 14.1 of the Company's Articles of Association, A. K. P. Smith will retire by rotation at the Annual General meeting. Resolution 5 proposes his re-election as Director. A. K. P. Smith 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 fees £'000	Bonus £'000	Benefits in kind £'000	Pension contributions £'000	**2018 Total £'000**	2017 Total £'000
Executive Directors:						
D. B. Green	655	32	28	–	**715**	679
R. M. Barker	225	10	2	–	**237**	227
W. Nicholls	190	10	28	–	**228**	225
K. Hall	332	17	–	22	**371**	370
Non-executive Directors:						
A. K. P. Smith	24	–	–	–	**24**	24
	1,426	69	58	22	**1,575**	1,525

Substantial Shareholdings as at 30 April 2018

	Number of shares	%
D. B. Green	2,718,681	27.7
Rights and Issues Investment Trust plc	2,250,000	22.9
Schroder plc	1,918,234	19.6

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	
	2018	2017
D. B. Green	**2,718,681**	3,148,681
R. M. Barker	**212,902**	218,102
W. Nicholls	**87,350**	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 2018 was 496.5p. The range of market prices during the financial year was between 460p and 545p.

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

R. M. Barker BSc ACA
Secretary
25 July 2018

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 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

Opinion
We have audited the financial statements of Colefax Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2018 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of cash flows, the company statement of cash flows, the group statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2018 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 financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC (CONTINUED)

Key Audit Matter	How we addressed the matter in our audit
Revenue recognition A potential risk to the correct cut-off of revenue arises with respect to recording revenue for decorating contracts where work continues across the year end. Judgement is required in determining the extent of work completed. The group's accounting policy for revenue recognition is disclosed in note 1 and the financial statements disclose further detail concerning the group's revenues in notes 3 and 4.	Our audit procedures included: • Assessment of decorating contracts with significant work in progress balances to identify contracts where significant work has been completed at the year-end date; • Review of invoices raised post year to identify contracts where significant work has been completed at the year-end date in order to inform our conclusions on the work completed at the year-end date; and • Selection of a sample of contracts and agreeing the details of these transactions to the underlying contractual information or other supporting documentation which demonstrated the timing of when obligations under the contract had been fulfilled.
Inventory valuation Inventory is held at the lower of cost and net realisable value and the determination of net realisable value involves the exercise of significant judgement. Given the size of the inventory balance, and the level of provisioning required, we consider the provision calculation to be an area of material judgement. Hence there is a risk that the inventory valuation is inappropriate. The group's accounting policy for inventory is disclosed in note 1 and the financial statements disclose further detail concerning the group's inventory in note 14.	Our audit procedures included: • Challenging the appropriateness of management's assumptions within the provision calculation, including reviewing the level of historic stock write offs; • Obtaining management's calculations and re-calculating the provision value; and • Testing the amounts included in the provision on a sample basis.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Level of materiality applied and rationale

We consider Adjusted Profit Before Tax, excluding the impact of gains or losses arising on foreign exchange hedging contracts, to be the most appropriate performance measure for the basis of materiality in respect of the audit of the group as this measure reflects the group's underlying trading profitability. Adjusted Profit Before Tax is calculated for this purpose as Net Income for the Year Before Taxes adjusted for gains or losses on foreign currency hedging contracts. Using this benchmark, we set materiality at £450k (2017: £500k) being 7.9% of Adjusted Profit Before Tax (2017: 10% of Adjusted Profit Before Tax).

Materiality in respect of the audit of the parent company has been set at £350k based on the net assets of the company, capped at 78% of group materiality.

Performance materiality was set at 75% (2017: 75%) of materiality. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

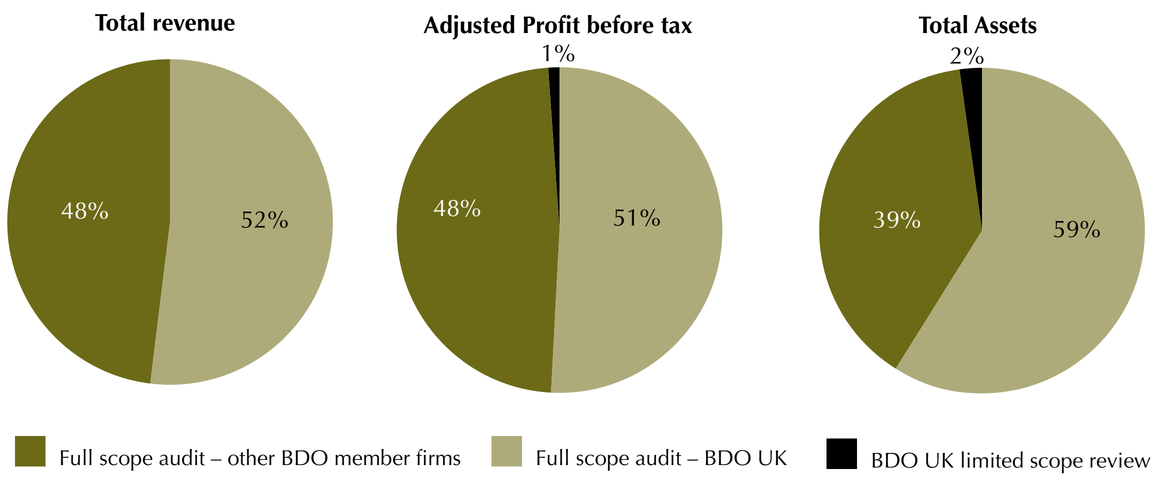
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC (CONTINUED)

Component materiality
Where financial information from components was audited separately, component materiality levels were set for this purpose at lower levels up to a maximum of 80% of group materiality. In the audit of each component, we further applied a performance materiality level of 75% of the component materiality level to our testing to ensure that the aggregation risk of errors exceeding component materiality was appropriately mitigated.

Agreement with the Audit Committee
We agreed with the Audit Committee that we would report on all differences individually in excess of £22,500 (2017: £25,000). We also report to the Audit Committee on financial statement disclosure matters identified when assessing the overall consistency and presentation of the consolidated financial statements.

An overview of the scope of our audit
We tailored the scope of our audit to ensure that enough work was performed to be able to issue an opinion on the financial statements as a whole, whilst taking into consideration the structure of the group, the accounting processes and controls, and the industry in which the group operates.

During the planning of our group audit we confirmed our strategy for the procedures to be performed across the group's three significant components. All audit work was undertaken by the group engagement team with the exception of Cowtan and Tout Inc and Manuel Canovas SAS where we engaged with component auditors BDO USA and BDO France. Our strategy is summarised as follows:



In relation to the component auditor's work on the above mentioned overseas components, we determined the level of involvement required by us to determine whether sufficient appropriate audit evidence had been obtained. We discussed the planned procedures ahead of the audit, examined the conduct, results and findings of their audits and discussed and challenged the findings of their audits.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC (CONTINUED)

Opinions 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 the 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 in relation to which 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement as set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC (CONTINUED)

Use of our report

This report is made solely to the parent 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 parent company's members those matters we are required to state to them in an auditor's 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anthony Perkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
25 July 2018

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 2018

	Notes	2018 £'000	2017 £'000
Revenue	3	**86,052**	80,475
Cost of sales		**39,811**	36,119
Gross profit		**46,241**	44,356
Operating expenses	5	**41,520**	41,419
Profit from operations	6	**4,721**	2,937
Finance income	8	**1**	1
Finance expense	8	**(3)**	(1)
Profit before taxation		**4,719**	2,937
Tax expense			
– UK		**(508)**	39
– Overseas		**(379)**	(1,081)
	9	**(887)**	(1,042)
Profit for the year attributable to equity holders of the parent		**3,832**	1,895
Basic earnings per share	11	**38.1p**	18.6p
Diluted earnings per share	11	**38.1p**	18.6p

The notes on pages 25 to 43 form part of these Consolidated financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2018

	Notes	2018 £'000	2017 £'000
Profit for the year		**3,832**	1,895
Other comprehensive income/(expense):			
Items that will not be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		**(743)**	1,628
Remeasurement of defined benefit pension scheme		**31**	101
Tax relating to items that will not be reclassfied to profit and loss	19	**76**	(449)
		(636)	1,280
Items that will or may be reclassified to profit and loss:			
Cash flow hedges:			
Gains/(losses) recognised directly in equity		**210**	(2,611)
Transferred to profit and loss for the year		**959**	2,006
Tax relating to items that will or may be reclassified to profit and loss	19	**(222)**	109
		947	(496)
Total other comprehensive income		**311**	784
Total comprehensive income for the year attributable to equity holders of the parent		**4,143**	2,679

The notes on pages 25 to 43 form part of these Consolidated financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

At 30 April 2018

	Notes	2018 £'000	2017 £'000
Non-current assets:			
Property, plant and equipment	12	**8,692**	9,669
Deferred tax asset	19	**173**	386
Pension asset	24	**34**	–
		8,899	10,055
Current assets:			
Inventories and work in progress	14	**14,086**	13,938
Trade and other receivables	15	**11,130**	11,805
Current corporation tax	17	**–**	170
Cash and cash equivalents	16	**9,177**	6,710
		34,393	32,623
Current liabilities:			
Trade and other payables		**13,678**	13,961
Current corporation tax		**306**	–
	17	**13,984**	13,961
Net current assets		**20,409**	18,662
Total assets less current liabilities		**29,308**	28,717
Non-current liabilities:			
Deferred rent	18	**1,878**	1,992
Deferred tax liability	19	**11**	734
Pension liability	24	**–**	55
Net assets		**27,419**	25,936
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	21	**981**	1,022
Share premium account	22	**11,148**	11,148
Capital redemption reserve	22	**1,893**	1,852
ESOP share reserve	22	**(113)**	(113)
Foreign exchange reserve	22	**2,158**	2,779
Cash flow hedge reserve	22	**(32)**	(979)
Retained earnings	22	**11,384**	10,227
Total equity		**27,419**	25,936

The financial statements were approved by the Board of Directors and authorised for issue on 25 July 2018.

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

The notes on pages 25 to 43 form part of these Consolidated financial statements.

Company No. 1870320

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 April 2018

	Notes	**2018 £'000**	2017 £'000
Non-current assets:			
Investments	13	**26,443**	27,093
Current assets:			
Trade and other receivables	15	**5,214**	3,941
		5,214	3,941
Current liabilities:			
Trade and other payables	17	**1,719**	2,507
Net current assets		**3,495**	1,434
Net assets		**29,938**	28,527
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	21	**981**	1,022
Share premium account	22	**11,148**	11,148
Merger reserve	22	**10,762**	10,762
Capital redemption reserve	22	**1,893**	1,852
Retained earnings	22	**5,154**	3,743
Total equity		**29,938**	28,527

The Company profit for the year was £4,071,000 (2017 – £1,727,000). Total comprehensive income relating to the year for the Company consists of the profit for the year only.

The financial statements were approved by the board of directors and authorised for issue on 25 July 2018.

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

The notes on pages 25 to 43 form part of these Consolidated financial statements.

Company No. 1870320

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 April 2018

	Notes	**2018 £'000**	2017 £'000
Operating activities			
Profit before taxation		**4,719**	2,937
Finance income		**(1)**	(1)
Finance expense		**3**	1
Loss on disposal of property, plant and equipment		**235**	–
Depreciation	12	**2,735**	2,720
Cash flows from operations before changes in working capital		**7,691**	5,657
Increase in inventories and work in progress		**(301)**	(1,140)
Decrease/(increase) in trade and other receivables		**463**	(2,172)
Increase in trade and other payables		**1,056**	1,835
Cash generated from operations		**8,909**	4,180
Taxation paid			
UK corporation tax paid		**(350)**	(224)
Overseas tax paid		**(679)**	(1,141)
		(1,029)	(1,365)
Net cash inflow from operating activities		**7,880**	2,815
Investing activities			
Payments to acquire property, plant and equipment	12	**(2,382)**	(4,126)
Receipts from sales of property, plant and equipment		**49**	40
Interest received		**–**	1
Net cash outflow from investing		**(2,333)**	(4,085)
Financing activities			
Purchase of own shares	21	**(2,172)**	(2,583)
Interest paid		**(3)**	(1)
Equity dividends paid	10	**(488)**	(478)
Net cash outflow from financing		**(2,663)**	(3,062)
Net increase/(decrease) in cash and cash equivalents		**2,884**	(4,332)
Cash and cash equivalents at beginning of year		**6,710**	10,085
Exchange (losses)/gains on cash and cash equivalents		**(417)**	957
Cash and cash equivalents at end of year	16	**9,177**	6,710

The notes on pages 25 to 43 form part of these Consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 April 2018

	Notes	2018 £'000	2017 £'000
Operating activities			
Profit before taxation		**4,219**	1,727
Dividend income for the year		**(4,103)**	(1,598)
Finance income		**(133)**	(146)
Cash flows from operations before changes in working capital		**(17)**	(17)
Increase in trade and other receivables		**(937)**	(152)
Increase/(decrease) in trade and other payables		**15**	(807)
Cash consumed by operations		**(939)**	(976)
Taxation paid			
UK corporation tax paid		**(350)**	(224)
Net cash outflow from operating activities		**(1,289)**	(1,200)
Investing activities			
Interest received		**499**	146
Loan payment received from subsidiary		**650**	–
Dividends received from subsidiaries		**3,603**	2,300
Net cash inflow from investing		**4,752**	2,446
Financing activities			
Purchase of own shares	21	**(2,172)**	(2,583)
Equity dividends paid	10	**(488)**	(478)
Net cash outflow from financing		**(2,660)**	(3,061)
Net increase/(decrease) in cash and cash equivalents		**803**	(1,815)
Cash and cash equivalents at beginning of year		**(2,492)**	(677)
Cash and cash equivalents at end of year	16	**(1,689)**	**(2,492)**

The notes on pages 25 to 43 form part of these Consolidated financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	ESOP share reserve £'000	Foreign exchange reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2017	1,022	11,148	1,852	(113)	2,779	(979)	10,227	25,936
Profit for the year	–	–	–	–	–	–	3,832	3,832
Foreign exchange	–	–	–	–	(743)	–	–	(734)
Remeasurement of defined benefit pension scheme	–	–	–	–	–	–	31	31
Cash flow hedges:								
Gains	–	–	–	–	–	210	–	210
Transfers	–	–	–	–	–	959	–	959
Tax on other comprehensive income	–	–	–	–	122	(222)	(46)	(146)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(621)**	**947**	**3,817**	**4,143**
Share buybacks	(41)	–	41	–	–	–	(2,172)	(2,172)
Dividends paid	–	–	–	–	–	–	(488)	(488)
At 30 April 2018	**981**	**11,148**	**1,893**	**(113)**	**2,158**	**(32)**	**11,384**	**27,419**
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)
Total comprehensive income for the year	–	–	–	–	1,220	(496)	1,955	2,679
Share buybacks	(54)	–	54	–	–	–	(2,583)	(2,583)
Dividends paid	–	–	–	–	–	–	(478)	(478)
At 30 April 2017	1,022	11,148	1,852	(113)	2,779	(979)	10,227	25,936

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2018

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2017	1,022	11,148	10,762	1,852	3,743	28,527
Profit and total comprehensive income for the year	–	–	–	–	4,071	4,071
Share buybacks	(41)	–	–	41	(2,172)	(2,172)
Dividends paid	–	–	–	–	(488)	(488)
At 30 April 2018	**981**	**11,148**	**10,762**	**1,893**	**5,154**	**29,938**
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)
At 30 April 2017	1,022	11,148	10,762	1,852	3,743	28,527

The notes on pages 25 to 43 form part of these Consolidated financial statements.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

1. Accounting policies

General Information

Colefax Group Plc is a public limited company (Company No. 1870320) incorporated and domiciled in England and Wales 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

There has been no significant impact on the consolidated results or financial position of the group, as a result of new standards and interpretations issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) becoming effective for the first time in the current financial year.

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.

– *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, including the introduction of an expected credit loss method for 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.

The Group considers that the implementation of IFRS 9 and 15 will not have a material impact on the Group's financial statements. The Group has a significant number of property leases and therefore IFRS 16 will have a material impact on the Group's financial statements. The Group is still evaluating the extent of the impact of IFRS 16.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

1. **Accounting policies** *continued*

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.

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.

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 net of rebates and discounts provided. 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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

1. **Accounting policies** *continued*

Work in Progress
Work in progress is valued at cost less progress payments received. Cost includes all direct expenditure on physical goods and materials acquired in advance of installation.

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 in the territories in which the taxable income is earned by the date of the statement of financial position.

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.

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.

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 as deferred rent 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 to the income statement as part of employment costs in the period to which they relate.

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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

1. **Accounting policies** *continued*

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 recognised in the Statement of other Comprehensive Income and taken 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.

Company and all subsidiaries

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

Financial assets comprise cash and cash equivalents and trade and other receivables.

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.

Financial Assets and Liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss consist of a deferred compensation plan for selected US employees. Plan assets and related liabilities are valued by reference to observable quoted prices in active markets.

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").

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

1. **Accounting policies** *continued*

The cumulative gain or loss is initially recognised in other comprehensive income and accumulated in the cash flow hedge reserve. It is subsequently 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'.

2. **Critical accounting estimates and judgements**

In preparation of consolidated financial statements under IFRS the Group makes estimates and assumptions regarding the future. There are considered to be no critical accounting judgements. Estimates 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.

Revenue

In the Decorating Division, the Group reviews all material contracts in progress at the year end and accrues revenue and profit for all work completed or installed as prescribed by IAS 18. Next year the Group will adopt IFRS 15, but the Group does not believe this will have a material impact on the financial statements.

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.

3. **Revenue**

	2018 £'000	2017 £'000
Revenue arises from:		
Sale of goods	**84,736**	79,740
Provision of services	**1,316**	735
	86,052	80,475

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

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.

	Product division		Decorating division		Total	
	2018	2017	**2018**	2017	**2018**	2017
Business segments	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue:						
Total revenue	**73,901**	72,535	**12,326**	8,059	**86,227**	80,594
Inter-segment revenue	**(175)**	(119)	**–**	–	**(175)**	(119)
Revenue from external customers	**73,726**	72,416	**12,326**	8,059	**86,052**	80,475
Segment result:						
Profit from operations	**3,820**	2,829	**901**	108	**4,721**	2,937
Finance income	**1**	1	**–**	–	**1**	1
Finance expense	**(3)**	(1)	**–**	–	**(3)**	(1)
Profit before taxation	**3,818**	2,829	**901**	108	**4,719**	2,937
Tax expense/(credit)	**1,049**	968	**188**	74	**1,237**	1,042
Profit for the year attributable to equity holders of the parent	**2,769**	1,861	**713**	34	**3,482**	1,895
Total assets	**37,126**	36,303	**6,167**	5,819	**43,293**	42,122
Total liabilities	**11,988**	12,435	**3,886**	3,751	**15,874**	16,186
Net assets	**25,138**	23,868	**2,281**	2,068	**27,419**	25,936
Capital expenditure	**2,067**	3,133	**315**	993	**2,382**	4,126
Depreciation	**2,555**	2,582	**180**	138	**2,735**	2,720

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

	External revenue by location of customers		Non-current assets by location of assets	
	2018	2017	**2018**	2017
Geographical segments	**£'000**	£'000	**£'000**	£'000
United Kingdom	**22,131**	21,019	**2,746**	2,705
United States	**41,417**	41,133	**5,414**	5,713
Europe	**16,097**	14,791	**532**	903
Rest of World	**6,407**	3,532	**–**	–
	86,052	80,475	**8,692**	9,321

5. Operating expenses

	2018	2017
	£'000	£'000
Distribution and marketing costs	**28,163**	28,374
Administrative costs	**13,357**	13,045
Total operating expenses	**41,520**	41,419

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

		2018 £'000	2017 £'000
6. **Profit from operations**	This has been arrived at after charging/(crediting):		
	Audit services – group	**47**	41
	Audit services – subsidiaries	**122**	124
	Non-audit services – taxation compliance	**129**	93
	Non-audit services – pensions	**9**	10
	Depreciation of owned property, plant and equipment	**2,735**	2,720
	Operating lease rentals – land and buildings	**5,183**	5,232
	Operating lease rentals – plant and machinery	**83**	76
	(Profit)/loss on the disposal of property, plant and equipment	**235**	(21)
	Exchange losses	**916**	2,205
	Pension costs (see note 24)	**410**	396
	Compensation for surrender of Brook Street lease	**–**	(494)
	Brook Street move related costs	**–**	434

		2018 £'000	2017 £'000
7. **Staff costs**	Staff costs, including Executive Directors, were as follows:		
	Wages and salaries	**16,279**	15,745
	Social security costs	**1,960**	1,839
	Pension costs	**410**	396
		18,649	17,980

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	**290**	285
Administration		
Executive directors	**2**	2
Other employees	**53**	54
	347	343

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 (2017 – nil).

	2018 £'000	2017 £'000
Directors' (key management personnel) remuneration was as follows:		
Emoluments	**1,553**	1,502
Pension contributions	**22**	23
Employers social security costs on directors' emoluments	**174**	168
	1,749	1,693
Emoluments of the highest paid director:		
Emoluments	**715**	679

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 2018 (2017 – one). No directors participated in Group defined benefit pension schemes in 2018 (2017 – nil).

No directors (2017 – nil) exercised options in the year and no options were granted to directors in the year (2017 – nil).

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

		2018 £'000	2017 £'000
8. **Finance income and expense**	Finance expense:		
	Bank loans and overdrafts repayable within five years	**3**	1
	Finance income:		
	Bank and other interest receivable	**1**	1
		2	0

		2018 £'000	2017 £'000
9. **Tax expense**	(a) Analysis of charge for the year		
	UK corporation tax		
	UK corporation tax on profits of the year	**535**	(97)
	Adjustments in respect of previous years	**–**	13
		535	(84)
	Overseas tax		
	Overseas tax on profits of the year	**988**	1,123
	Adjustments in respect of previous years	**(14)**	(7)
		974	1,116
	Total current tax	**1,509**	1,032
	UK deferred tax		
	Origination and reversal of temporary differences	**(20)**	32
	Adjustments in respect of previous years	**(7)**	13
		(27)	45
	Overseas deferred tax		
	Origination and reversal of temporary differences	**(245)**	(35)
	Impact of overseas tax rate changes	**(350)**	–
		(595)	(35)
	Total deferred tax	**(622)**	10
	Total income tax expense	**887**	1,042

(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.

	2018 £'000	2017 £'000
Profit before taxation	**4,719**	2,937
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017 – 19.92%)	**897**	585
Effect of:		
Disallowed expenses and non-taxable income	**33**	(58)
Adjustments in respect of prior period (current tax)	**(14)**	6
Adjustments in respect of prior period (deferred tax)	**(7)**	13
Rate differences	**(22)**	496
Total tax expense	**887**	1,042

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

		2018 £'000	2017 £'000
10. **Dividends**	Final (paid) of 2.5p (2016 – 2.4p) on 10 October 2017	**254**	244
	Interim (paid) of 2.4p (2017 – 2.3p) on 9 April 2018	**234**	234
		488	478
	Final dividend proposed for the year of 2.6p (2017 – 2.5p)	**252**	254

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 £3,832,000 (2017 – £1,895,000) and on 10,067,216 (2017 – 10,185,206) 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 £3,832,000 (2017 – £1,895,000) and on 10,067,216 (2017 – 10,185,206) being the weighted average number of shares in issue during the year.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

12. Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Motor vehicles £'000	Screens and originations £'000	Total £'000
Group						
Cost:						
At 1 May 2017	240	9,735	6,668	422	11,294	28,359
Exchange adjustment	–	(454)	(154)	–	(555)	(1,163)
Additions	–	111	931	60	1,280	2,382
Disposals	–	(273)	(735)	(143)	(5,307)	(6,458)
At 30 April 2018	**240**	**9,119**	**6,710**	**339**	**6,712**	**23,120**
Depreciation:						
At 1 May 2017	72	5,570	4,442	243	8,363	18,690
Exchange adjustment	–	(271)	(155)	–	(398)	(824)
Charge for the year	5	655	581	78	1,416	2,735
Disposals	–	(273)	(450)	(143)	(5,307)	(6,173)
At 30 April 2018	**77**	**5,681**	**4,418**	**178**	**4,074**	**14,428**
Net Book Value:						
At 30 April 2018	**163**	**3,438**	**2,292**	**161**	**2,638**	**8,692**
At 1 May 2017	168	4,165	2,226	179	2,931	9,669
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)
At 30 April 2017	240	9,735	6,668	422	11,294	28,359
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)
At 30 April 2017	72	5,570	4,442	243	8,363	18,690
Net Book Value:						
At 30 April 2017	168	4,165	2,226	179	2,931	9,669
At 1 May 2016	167	2,993	1,546	145	2,700	7,551

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

13. Investments

	Shares £'000	Loans £'000	Total £'000
Company:			
At 30 April 2017	19,443	7,650	27,093
Loan repayment by subsidiary	–	(650)	(650)
At 30 April 2018	**19,443**	**7,000**	**26,443**

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, London W1K 3QD
Sibyl Colefax & John Fowler Limited	*,1	Interior & Architectural Design	19-23 Grosvenor Hill, London W1K 3QD
Kingcome Sofas Limited	*,1	Upholstered Furniture	19-23 Grosvenor Hill, London W1K 3QD
Colefax and Fowler Holdings Limited	*,1	Holding Company for Colefax and Fowler Inc	19-23 Grosvenor Hill, London W1K 3QD
Manuel Canovas Limited	*,1	Dormant	19-23 Grosvenor Hill, London W1K 3QD
Jane Churchill Limited	*,1	Dormant	19-23 Grosvenor Hill, London W1K 3QD
Colefax and Fowler Incorporated	2	Holding Company for Cowtan and Tout Inc	205, Hudson St, New York, NY 10013
Cowtan and Tout Incorporated	2	Fabrics and Wallpapers	205, Hudson St, New York, NY 10013
Manuel Canovas SAS	3	Fabrics and Wallpapers	23, Rue Royale, 75008 Paris
Colefax and Fowler GmbH	4	Fabrics and Wallpapers	13, Ottostrasse, 80333 Munich
Colefax and Fowler Srl	5	Fabrics and Wallpapers	8 Via Palermo, 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 2018, the ESOP Trust owned 60,000 (2017 – 60,000) ordinary shares of 10p in the Company at cost, with a market value of £298,000 (2017 – £276,000). 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.

14. Inventories and work in progress

	Group **2018 £'000**	Group 2017 £'000
Finished goods for resale	**13,537**	13,591
Work in progress	**3,015**	1,072
Less: progress payments received and receivable	**(2,466)**	(725)
	14,086	13,938

The cost of inventories recognised as an expense and included in cost of sales amounted to £21,873,000 (2017 – £20,948,000). The value of stock impaired/written off in the period amounted to £1,120,000 (2017 – £1,019,000).

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

15. Trade and other receivables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Amounts owed by subsidiary undertakings	**–**	–	**4,606**	3,532
Trade receivables	**6,807**	7,268	**–**	–
Other receivables	**2,201**	2,606	**326**	330
Prepayments and accrued income	**2,122**	1,931	**282**	79
	11,130	11,805	**5,214**	3,941

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 2018 the Group had trade receivables of £2,481,000 (2017 – £2,513,000) which were past due but not individually impaired. The ageing of these receivables is as follows:

	2018 £'000	2017 £'000
Up to 3 months past due	**2,053**	2,191
3 to 6 months past due	**258**	153
6 to 12 months past due	**84**	107
Over 12 months past due	**86**	62
	2,481	**2,513**

As at 30 April 2018 the Group had trade receivables of £392,000 (2017 – £304,000) which were past due and individually impaired. A receivable is considered to be impaired if it is considered to be irrecoverable. This may be due to the age of the receivable or the creditworthiness of the customer. The ageing of these receivables is as follows:

	2018 £'000	2017 £'000
Up to 3 months past due	**156**	103
3 to 6 months past due	**39**	52
6 to 12 months past due	**37**	8
Over 12 months past due	**175**	141
	407	304

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

	2018 £'000	2017 £'000
At beginning of year	**319**	315
Provided during the year	**191**	55
Receivables written off as uncollectable	**(91)**	(51)
Unused amounts reversed	**(11)**	(17)
Exchange differences	**(1)**	17
At end of year	**407**	319

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

	2018 £'000	2017 £'000
Sterling	**3,332**	3,257
Euro	**1,175**	1,936
US Dollar	**2,077**	1,815
Other	**223**	260
	6,807	7,268

NOTES TO THE ACCOUNTS
For the year ended 30 April 2018

16. Cash and cash equivalents

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

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash at bank and in hand	**9,177**	6,710	**–**	–
Bank overdrafts	**–**	–	**(1,689)**	(2,492)
	9,177	6,710	**(1,689)**	(2,492)

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.

17. Current liabilities

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Amounts owed to subsidiary undertakings	**–**	–	**–**	–
Bank overdraft	**–**	–	**1,689**	2,492
Trade payables	**3,952**	3,433	**–**	–
Accruals	**4,248**	3,514	**30**	15
Payments received on account	**2,073**	2,559	**–**	–
Corporation tax	**306**	(170)	**–**	–
Other taxes and social security costs	**642**	515	**–**	–
Other payables	**2,723**	2,731	**–**	–
Forward foreign currency contracts	**40**	1,209	**–**	–
	13,984	13,791	**1,719**	2,507

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.

18. Non-current liabilities

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Deferred rent	**1,878**	1,992	**–**	–

19. Deferred taxation

	Group 2018 £'000	Group 2017 £'000
Deferred taxation has been provided as follows:		
Accelerated capital allowances on property, plant and equipment	**834**	1,592
Excess of depreciation over capital allowances on property, plant and equipment	**(56)**	(46)
Short-term temporary differences	**(940)**	(1,198)
	(162)	348

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	**(173)**	(386)
Deferred taxation included in non-current liabilities	**11**	734
	(162)	348

Movements in the deferred tax provision is as follows:	2018 £'000	2017 £'000
At 1 May	**348**	(35)
Charged to the income statement (note 9)	**(622)**	10
Charged/(credited) directly to other comprehensive income	**146**	340
Translation adjustment	**(34)**	33
At 30 April	**(162)**	348

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

19. **Deferred taxation** *continued*

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

	2018 £'000	2017 £'000
Cash flow hedge reserve	**222**	(109)
Deferred tax on long-term loan foreign currency movements	**(122)**	408
Deferred tax on overseas defined benefit pension scheme movements	**8**	41
Other movements in deferred tax	**38**	–
	146	340

20. **Financial instruments**

The financial instruments of the Group as classified in the financial statements as at 30 April 2018 can be analysed under the following IAS 39 categories:

Group	Assets at fair value through profit or loss **2018 £'000**	2017 £'000	Loans and receivables **2018 £'000**	2017 £'000	Total **2018 £'000**	2017 £'000
Financial assets						
Trade and other receivables	**1,424**	1,345	**7,583**	8,529	**9,007**	9,874
Cash and cash equivalents	**–**	–	**9,177**	6,710	**9,177**	6,710
Total	**1,424**	1,345	**16,760**	15,239	**18,184**	16,584

	Liabilities at fair value through profit or loss **2018 £'000**	2017 £'000	Other financial liabilities **2018 £'000**	2017 £'000	Total **2018 £'000**	2017 £'000
Financial liabilities						
Trade and other payables	**1,438**	1,366	**8,201**	6,947	**9,639**	8,313
Forward foreign currency contracts	**40**	1,209	**–**	–	**40**	1,209
Total	**1,478**	2,575	**8,201**	6,947	**9,679**	9,522

The Group's principal financial instruments comprise of cash, short-term deposits, bank overdrafts, 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.

Financial assets and liabilities at fair value through profit and loss consist of a deferred compensation plan for selected US employees. Plan assets and liabilities are valued by reference to observable quoted prices in active markets.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

20. **Financial instruments** *continued*

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.

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 million (2017 – £3.0 million). The undrawn committed facilities available at 30 April 2018 in respect of which all conditions had been met at that date total £3 million (2017 – £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 2018 the Group's trade payables were £4.0 million (2017 – £3.4 million) and trade receivables were £6.8 million (2016 – £7.3 million) giving a ratio of 1.7 (2017 – 2.1). 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 48% 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 2018 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 26% 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 £9.2 million (2017 – £6.7 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 2018, the Group was in multiple forward foreign currency contract arrangements to sell US dollars. The hedged transactions are expected to occur in 2018/19.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

20. **Financial instruments** *continued*

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

	2018 **£'000**	2017 £'000
Fair value of forward foreign currency contracts – (liability)/asset	**(40)**	(1,209)

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 2018 can be analysed under the following IAS 39 categories:

	Loans and receivables		Total	
Company	**2018** **£'000**	2017 £'000	**2018** **£'000**	2017 £'000
Financial assets				
Trade and other receivables	**4,932**	3,862	**4,932**	3,862
Total	**4,932**	3,862	**4,932**	3,862

	Other financial liabilities		Total	
	2018 **£'000**	2017 £'000	**2018** **£'000**	2017 £'000
Financial liabilities				
Bank overdrafts	**1,689**	2,492	**1,689**	2,492
Total	**1,689**	2,492	**1,689**	2,492

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 (2017 – £3.0 million) which is available to the UK companies in the Group.

NOTES TO THE ACCOUNTS
For the year ended 30 April 2018

21. Share capital

	Authorised 2018	Authorised 2017	Allotted, called up and fully paid 2018	Allotted, called up and fully paid 2017
Ordinary shares of 10p each	**£3,300,000**	£3,300,000	**£980,700**	£1,022,000
Number of shares	**33,000,000**	33,000,000	**9,807,000**	10,220,000

	Allotted, called up and fully paid			
	2018 Number	**2018 £**	2017 Number	2017 £
Ordinary shares of 10p each				
At beginning of year	**10,220,000**	**1,022,000**	10,757,000	1,075,700
Purchase of own shares for cancellation	**(413,000)**	**(41,300)**	(537,000)	(53,700)
At end of year	**9,807,000**	**980,700**	10,220,000	1,022,000

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 35.

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 2018 the Group had minimum lease payments under non-cancellable operating leases as follows:

	2018		2017	
	Land and Buildings £'000	**Other £'000**	Land and Buildings £'000	Other £'000
Within one year	**4,941**	**46**	4,992	56
Between two and five years	**15,113**	**33**	15,569	33
Over five years	**10,052**	**–**	12,410	–
	30,106	**79**	32,971	89

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 2018

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 £410,000 (2017 – £396,000).

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 3.85% (2017 – 3.6%, 2016 – 3.37%). The market value of investments at 30 April 2018 was £986,000 (2017 – £1,007,000, 2016 – £851,000), all of which have an expected long term rate of return of 6.5% (2017 – 5%, 2016 – 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 2018 was £952,000 (2017 – £1,062,000, 2016 – £1,021,000), resulting in a net pension asset of £34,000 (2017 – (£55,000), 2016 – (£170,000)). An asset of £34,000 (2017 – (£55,000), 2016 – (£170,000)) covering the overfunded actuarial accrued liability is included in the Group statement of financial position together with a related deferred tax liability of £8k (2017 – (£22,000), 2016 – (£68,000)). The expected group rebate from the scheme for the year ended 30 April 2019 is £7,000.

The fair value of the assets in the scheme and the expected rate of return at 30 April 2018 were:

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Cash and cash equivalents	**–**	–	–	–	–
Fixed income	**321**	196	144	137	121
Equities	**665**	811	707	717	641
Total market value of assets	**986**	1,007	851	854	762
Present value of scheme liabilities	**(952)**	(1,062)	(1,021)	(1,002)	(879)
Net pension liability	**34**	(55)	(170)	(148)	(117)

Reconciliation of plan assets:

	2018 £'000	2017 £'000
At beginning of year	**1,007**	851
Exchange gain	**37**	146
Contributions by Group	**50**	52
Benefits paid	**(100)**	(107)
Actuarial (loss)/gain	**(8)**	65
At end of year	**986**	1,007

Reconciliation of plan liabilities:

	2018 £'000	2017 £'000
At beginning of year	**1,062**	1,021
Exchange increase	**(5)**	147
Interest cost	**35**	37
Benefits paid	**(100)**	(107)
Actuarial (decrease)/increase	**(40)**	(36)
At end of year	**952**	1,062

NOTES TO THE ACCOUNTS

For the year ended 30 April 2018

24. Pension commitments *continued*

History of experience gains and losses:

	2018	2017	2016	2015	2014
Actuarial return on scheme assets (£'000)	**(8)**	65	(63)	20	55
As a % of plan assets	**-0.8%**	6.8%	-7.5%	-2.4%	2.3%
Actuarial (increases)/reductions on scheme liabilities (£'000)	**(40)**	36	(36)	(92)	10
As a % of plan liabilities	**4.2%**	-2.6%	3.6%	9.0%	1.1%

25. Guarantees

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 UK subsidiaries in respect of their overdraft facilities. At 30 April 2018, the value of subsidiary overdrafts covered by the guarantee amounted to £nil (2017 – £nil).

26. Related party transactions

The Company undertook the following transactions with its subsidiary undertakings in the year:

	2018 £'000	2017 £'000
Interest charged on long-term loans to Colefax and Fowler Holdings Limited	**133**	146

At the year end the following amounts were owed to/(by) the Company by/(to) its subsidiaries:

	2018 £'000	2017 £'000
Colefax and Fowler Holdings Limited	**7,076**	8,093
Colefax and Fowler Limited	**4,037**	2,985
Sibyl Colefax and John Fowler Limited	**493**	50
Kingcome Sofas Limited	**–**	54
	11,606	11,182

The Company received dividend income from subsidiaries in the year of £4,103,000 (2017 – £1,598,000).

FIVE YEAR REVIEW

	2018 **£'000**	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Revenue from continuing operations	**86,052**	80,475	76,879	76,796	78,035
Profit from continuing operations	**4,721**	2,937	5,013	5,037	4,922
Profit before taxation from continuing operations	**4,719**	2,937	5,016	5,029	4,885
Profit attributable to shareholders	**3,832**	1,895	3,461	3,542	3,353
Basic earnings per share from continuing operations	**38.1p**	18.6p	32.2p	32.2p	27.9p
Diluted earnings per share from continuing operations	**38.1p**	18.6p	32.2p	32.2p	27.9p
Dividends per share	**5.00p**	4.80p	4.60p	4.40p	4.20p
Equity	**27,419**	25,936	26,318	23,757	22,211
Operating cash flow	**8,909**	4,180	7,195	8,741	4,867
Cash and cash equivalents	**9,177**	6,710	10,085	6,861	4,057

NOTICE OF MEETING

Notice is hereby given that the 2018 Annual General Meeting of Colefax Group Plc will be held at 19-23 Grosvenor Hill, London W1K 3QD on 13 September 2018 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 2018, together with the reports of the Directors and of the auditors thereon.
2. To declare a final dividend of 2.6p 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 A. K. P. Smith, 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 resolution 7 will be proposed as a special resolution.

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 £326,900 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 £326,900 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 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 regulations or requirements of any regulatory or stock exchange authority in any jurisdiction or territory; and

NOTICE OF MEETING

(b) the allotment (other than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £49,035.

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.

By order of the Board
R. M. Barker BSc ACA
Secretary
25 July 2018

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 11 September 2018.
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 11 September 2018 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 11 September 2018 (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 2018 (being the last business day prior to the date of this notice) the company's issued share capital consisted of 9,807,000 ordinary shares each carrying one vote per share. Accordingly the total number of voting rights in the company as at 24 July 2018 were 9,807,000.
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). 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.

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