COLEFAX GROUP PLC

Annual Report and Accounts 2020

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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COLEFAX & FOWLER LTD

FINANCIAL HIGHLIGHTS

	2020 £'000	2019 £'000	Increase/ (Decrease)
Revenue	**78,364**	86,355	(9)%
Profit from operations*	**3,387**	5,070	(33)%
Profit before taxation*	**2,176**	5,095	(57)%
Profit attributable to shareholders*	**1,920**	3,830	(50)%
Basic earnings per share*	**21.4p**	39.3p	(46)%
Diluted earnings per share*	**21.4p**	39.3p	(46)%
Dividends per share	**0.0p**	5.20p	(100)%
Equity	**28,210**	26,439	7%
Operating cash flow*	**10,579**	7,907	34%
Net cash	**11,538**	9,458	22%

* Current year figures reflect the adoption of IFRS 16 Leases – see Note 14 to the Accounts

CHAIRMAN'S STATEMENT

Financial Results

Group sales for the year to 30 April 2020 decreased by 9.3% to £78.36 million (2019 – £86.36 million) and decreased by 10.5% on a constant currency basis. Pre-tax profits decreased by 57.3% to £2.18 million (2019 – £5.10 million) and earnings per share decreased by 46% to 21.4p (2019 – 39.3p). The pre-tax profit for the year includes one-off charges of £714,000 relating to the integration of our UK and US Fabric Division operations of which £645,000 was non-cash. In addition the adoption of IFRS 16 Leases resulted in extra non-cash charges of £705,000. Excluding these two items pre-tax profit reduced by 29% to £3.60 million.

Our financial year-end on 30 April 2020 was in the middle of worldwide lockdowns to control the Covid-19 pandemic. As far as possible the Group has remained operational throughout the crisis but with the majority of our showrooms, customers and suppliers closed for varying periods of time the lockdowns inevitably had a significant impact on sales. In the last six weeks of our financial year sales in our core Fabric Division were down by £4.2 million or 45% on a like for like basis. The Group utilised government support where appropriate and £280,000 of furlough income is included in the income statement under other operating income. This helped to offset some of the losses arising from the restrictions put in place to control the virus.

Part of the reduction in Group sales and profit before tax was due to our Decorating Division which made a profit of £121,000 (2019 – £1.1 million) on sales of £8.9 million (2019 – £12.5 million). The prior performance was exceptional and the £974,000 reduction in Decorating Division profit was not due to the impact of Covid-19.

When the likely sales impact of the lockdown measures first became apparent the Board took action to conserve cash including cancelling the interim dividend of 2.6p payable on 9 April 2020. Given the adverse impact of Covid-19 on profitability and ongoing uncertainty over the extent of the post lockdown recovery, the Board have decided not to propose a final dividend for the year ended 30 April 2020.

The Group ended the year with cash of £11.5 million (2019 – £9.5 million). This balance includes a US loan receipt of £968,000 under the corona virus related CARES Act. Allowing for this loan the Group started the current year with net cash of £10.6 million (2019 – £9.5 million) and is in a strong position to manage the adverse consequences of the coronavirus pandemic.

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 86% of Group turnover, decreased by 5.8% to £67.03 million (2019 – £71.15 million) but decreased by 7.3% on a constant currency basis. Most of the sales decline took place in the last six weeks of the financial year during worldwide lockdowns to control Covid-19. For the ten months to February 2019 Fabric Division sales were down by 2.2% on a constant currency basis. Trading was in line with expectations in the first two weeks of March but in the last six weeks of the financial year sales declined by £4.2 million or 45% on a constant currency basis.

Pre-tax profit decreased by 46.1% to £2.0 million (2019 – £3.71 million). Excluding one-off UK-US operational integration costs of £714,000 and a non cash cost of £679,000 from adopting IFRS 16 Leases, pre-tax profits decreased by 9% to £3.4 million. The profit impact of the decline in sales was partly offset by a stronger US Dollar exchange rate which averaged $1.26 during the year and improved gross profit margins in the US by £427,000.

As a result of the Covid-19 pandemic sales trends prior to the virus are no longer a helpful guide to the future. It is more meaningful to look at the rate at which sales are recovering as lockdown measures are eased. Not surprisingly this varies significantly by market and reflects differences in the timing of the lockdowns and their subsequent easing.

Sales in the US, which represent 62% of the Fabric Division's turnover, decreased by 2.0% and by 4.8% on a constant currency basis. For the ten months to the end of February sales were down by 0.5%. Like for like sales in March were down by 7% and April sales were down by 47%. Since the year end like for like sales were down by 36% in May, 20% in June and 3% in July and 4% in August.

In February 2020 we completed the refurbishment of our Los Angeles showroom and although we will not now see an immediate benefit we believe it will help to grow sales in the future. Operationally we have started to run-down fabric stocks at our US warehouse as part of the transfer of the majority of our warehouse operations to the UK. This project will be completed in the second half of the current year

Sales in the UK, which represent 17% of the Fabric Division's turnover, decreased by 10.6%. For the ten months to the end of February sales were down by 4% reflecting fairly difficult trading conditions linked to a weak high end

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housing market. In March when the UK lockdown started sales were down by 19% and in April sales were down by 73%. Since the year end like for like sales were down by 67% in May, 34% in June but encouragingly were up by 8% in July and 3% in August.

Sales in Continental Europe, which represent 19% of the Fabric Division's turnover, decreased by 11.1% and by 10.7% on a constant currency basis. For the ten months to the end of February sales in Europe were down by 3.6% reflecting weak economic conditions in most countries. The lockdowns in much of Europe started slightly earlier than the UK and sales in March were down by 24% and in April by 67%. Since the year end like for like sales were down by 35% in May and by 20% in June but were up by 14% in July and 8% in August. This is ahead of the US and UK and we attribute this to the earlier lockdowns that took place in Europe.

Sales in the Rest of the World, which represent just 2% of the Fabric Division's turnover, decreased by 12.1% during the year. Our major markets in the Rest of the World are the Middle East, China and Australia and we expect these territories to remain a small proportion of total Fabric Division sales.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which represent 3% of Product Division sales, decreased by 12.1% to £2.37 million (2019 – £2.70 million). Operating profit reduced by 62% to £100,000 (2019 – £262,000). At the end of February Kingcome was on course for another good year with sales up by 4% for the first ten months. When the lockdown started our London showroom closed and the majority of staff at our Devon factory were furloughed for three weeks after which production was restarted with a skeleton team. Sales are recognised when orders are delivered to the customer and very little furniture could be delivered during the April lockdown reducing sales by 69% compared to the prior year.. The order book at the end of the year was only down by 1% but this was mainly due to the factory shutdown in April. The Kingcome Sofas showroom reopened in mid-June. Orders were down by 62% in May, 38% in June but up by 8% in July and 2% in August, in line with the recovery pattern seen in the UK Fabric Division.

Interior Decorating Division

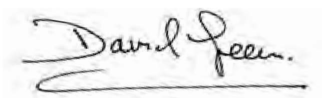
Decorating sales, which account for 11% of Group turnover, decreased by 28.3% to £8.96 million (2019 – £12.50 million) and profits decreased to £121,000 (2019 – £1.1 million). This result follows two years of exceptional performance by the Decorating Division and although activity levels were significantly restricted in the last six weeks of the year the lockdowns were not the main reason for the reduction in sales and profit. The Decorating Division has a relatively fixed cost base and significant fluctuations in sales and profits are a feature of the business due to variations in the timing of major projects. During the lockdowns it was not possible to travel overseas or visit new and existing clients. This will inevitably have some knock on impact on the timing of projects and the volume of work that can be carried out in the current year. Restrictions on overseas travel are a particular concern because typically around 40% of Decorating Division sales relate to overseas projects.

Prospects

The Covid-19 pandemic started to have a major impact on the Group in the last six weeks of the financial year ended 30 April 2020 and continued into the current year. The timing of our year end means that two financial years will be significantly affected by the worldwide actions taken to contain the virus. The most significant impact on sales was during the total lockdown period and as the worldwide lockdowns have been eased we have seen a good recovery in core Fabric Division sales. Current sales trends are ahead of our initial expectations at the start of the pandemic. Sales in July and August were ahead of the prior year and we believe that this is not simply due to deferred sales but also reflects new business arising as a result of the lockdowns.

We have taken action to reduce costs wherever possible including salary cuts. The Group has a strong balance sheet with net cash at the start of the year of £10.6 million and is well placed to navigate even a severe recession and take advantage of any opportunities that may arise.

Throughout the pandemic our priority has been the health and safety of our staff, customers and suppliers. Our staff in particular have made an extraordinary effort to respond to the challenges we have faced and I am extremely grateful to every one of them for the sacrifices they have made and for their hard work and loyalty to the Group



David Green
Chairman
11 September 2020

STRATEGIC REPORT

Strategy and Business Model

The Group's core business is the design and distribution of luxury furnishing fabrics and wallpapers sold through a 'portfolio' of luxury brands. Each brand has a particular look and price point and caters to a particular segment of the market. The Group's brands have different strengths in different markets and product categories and this enables the Group to maximise sales through its worldwide distribution network.

The strategic rationale behind the Group's portfolio of brands is that each brand has a separate design studio but shares 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 keeps the identity of each brand distinct and separate in the market.

The Group's core skills are design and distribution. A key component of the Fabric Division's business model is that it does not involve any manufacturing activity. Fabrics and wallpapers and are sourced from over 100 different high end manufacturers around the world but based primarily in Italy, France, Belgium, the UK and India. This broad supplier base enables the Group to respond rapidly to changing market tastes and avoids the complexity and capital intensive nature of manufacturing.

The largest and most important market for the Group is the US which accounts for approximately 62% of Fabric Division sales. The interior design industry is well developed in the US due to the very high number of luxury homes and high net worth individuals. As a result the US market continues to be the main focus for capital investment and new product investment.

The Group's fabric and wallpapers are sold in over 50 countries worldwide although the US and the UK together account for 79% of Fabric Division sales. The third largest individual country is France which accounts for 6% of total sales. The Group mainly sells to interior designers and retail fabric shops (the 'trade') supported by a network of 8 trade showrooms in the US and 4 in the UK and Europe. An important part of the Group's business model is that it has no significant retail activity and this avoids the complexity of retail operations. The Group operates one retail showroom 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 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 high end fabric industry is still relatively fragmented with a large number of independent competitors. The Group's existing brand portfolio was built through acquisitions and the Group is interested to acquire additional fabric and wallpaper brands. The core criteria are that they must complement the existing portfolio and offer geographical and operational synergies. 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.

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 fabric brand. Cowtan and Tout is a very high end luxury US brand sold exclusively in the US market.

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

In addition to the Group's core fabric and wallpaper brands (the Fabric Division) the Group owns a UK based luxury sofa manufacturer Kingcome Sofas (the Furniture Division). Production takes place at a freehold factory in Newton Abbot, Devon which employs 43 highly skilled staff and this is the Group's only manufacturing activity. The majority of furniture is made to order and financed by customer deposits. It is a relatively small part of the Group accounting for 3% of sales. Although a distinct activity the furniture company is grouped with the fabric and wallpaper brands to make up the 'Product Division'.

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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 11% of Group sales. The business undertakes interior design and decoration projects primarily for high end residential customers. All projects are funded by customer deposits. There are four Design Directors and five 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 10% of its sales. Although antique sales are a relatively small part of the total they are strategically important to the Decorating Division. The relatively low number but high value project based nature of decorating means that, depending on the timing of projects, there can be significant fluctuations in profits from year to year which sometimes have a material impact on the Group's results.

Financial Performance

Changes in Accounting Policies

The Group adopted IFRS 16 'Leases' from 1 May 2019. Under the transition provisions permitted by IFRS 16, the Group has applied the modified retrospective approach and not restated prior year comparatives. Due to the nature of the Group's business IFRS 16 has had a significant impact on the content and classification of assets liabilities and costs in the Group's income statement, statement of financial position and statement of cash flows. Property leases which were previously expensed as rent on a straight line basis over the life of the lease are now recorded in the statement of financial position as a right of use asset and a corresponding lease liability. Rent expensed in the income statement has been replaced by an amortisation charge on the right of use asset and a notional finance charge on the lease liability.

The adoption of IFRS 16 resulted in the recognition of initial right of use assets of £21.9 million and corresponding lease liabilities of £23.7 million. The difference between the two figures is mainly due to deferred rent liabilities recorded in the balance sheet at the date of transition. The high value of the right of use asset reflects the fact that trade showrooms form a central part of the Group's Fabric Division business. There are 8 trade showrooms in the US and also showrooms in London, Paris, Munch and Milan. The Group also leases offices and warehouses in the UK and US, a design studio in Paris and a retail shop in London.

In the income statement the replacement of rent expense with amortisation of right of use assets has resulted in an increase in operating profit of £526,000. Notional interest charges on lease liabilities are recorded below operating profit under finance expense and amount to £1.23 million. The overall impact of IFRS 16 on profit before tax is a charge of £705,000. It is important to point out that the adoption of IFRS 16 has had no impact on cash flow during the year and over the life of each lease there is no impact on profit. The difference in profit from year to year is due to the fact that notional interest charges are highest at the start of the lease when total lease liabilities are highest and decline each year as the lease is repaid. In a large portfolio of leases with different expiry dates these differences would normally even out. However, in the current financial year the Group signed two major new leases, one for 10 years on our flagship New York showroom and another for 15 years on our new warehouse facility in Wandsworth South London. This is the main reason why IFRS 16 has adversely impacted profit before tax by £705,000.

IFRS 16 has also altered the content and appearance of the Group's statement of cash flows effectively removing rent payments from operating cash flows and showing them under financing activities as lease repayments. This has had the effect of increasing the Group's operating cash flow by £4.88 million.

The Group also applied IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23) for the first time this year but it has had no material impact on the Groups consolidated results or financial position for both the current and prior year.

Financial Impact of Covid-19

The lockdowns put in place to control the pandemic resulted in a reduction in Fabric Division sales of £4.2 million in the last six weeks of the financial year compared to the prior year. As a high gross margin business this had a significant adverse effect on profits but the impact was moderated by reductions in variable costs such as sales commissions, freight costs and sampling as well as other sales related costs such as travel. The profit impact was also mitigated by government furlough support, primarily in the UK but also in Europe, amounting to a Group total of £280,000 in the month of April. In the US we successfully applied for a loan under the Covid-19 related CARES Act

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and received a government backed loan funded by our US bank amounting to £968,000. This loan is recorded in our balance sheet under current liabilities and subject to meeting certain criteria can be converted to a grant in the year ended 30 April 2021. The Group ended the year with net cash after deducting the CARES loan, of £10.6 million and together with an unused UK overdraft facility of £3 million has significant cash resources available to deal with the ongoing consequences of the pandemic. Going forward the Group's cash flow in 2020-21 will be helped by a relatively low year for capital expenditure which will be significantly below the Group's annual depreciation charge of approximately £3 million. In addition the Group has a corporation tax repayment due in the US amounting to $911,000.

The lockdown in the UK and elsewhere meant that a significant amount of stock that would normally have been sold in the last six weeks of the year remained in our warehouse. As a result stock levels were temporarily elevated at our year end and amounted to £14.5 million (2019 – £13.5 million).

The Group's priority when the potential impact of the pandemic became apparent was to conserve cash and reduce costs where possible, including salary cuts, but without damaging the long terms prospects of the business. The interim dividend amounting to £240,000 was cancelled and the Board have decided not to pay a final dividend until salary cuts have been restored and there is more certainty around future sales and profits.

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

	2020	2019
Constant Currency Sales Growth	**-10.5%**	-1.1%
Gross Profit Margin	**55.8%**	54.3%
Pre Tax Profit Margin	**2.8%**	5.9%
Earnings Per Share	**21.4p**	39.3p
Operating Cash Flow less lease cash flows	**£5.7m**	£7.9m

During the last six weeks of the financial year the Group's sales were severely impacted by lockdowns put in place to control the Covid-19 pandemic and this is reflected in some of the Key Performance Indicators.

Sales Growth
Group sales decreased by 9.3% to £78.36 million (2019 – £86.36 million) and decreased by 10.5% on a constant currency basis. Further details on the decrease in sales are included in the Chairman's Statement. In our core Fabric Division sales for the ten months to 30 April declined by 2.2% on a constant currency basis but were down by 12% in March and 55% in April.

Historic sales trends are currently less meaningful than the rate at which sales in our Fabric Division are recovering as lockdown measures are eased. Provided current trends continue and there are no more total lockdowns in our core markets, the recovery picture that is emerging is reasonably encouraging. On a like for like basis Fabric Division sales in April at the peak of the lockdowns were down by 55%, In May sales were down by 41%, in June by 22% and in July sales were up by 2%. There has been much debate about whether the lockdowns will result in a surge of 'home' related spending. However, experience from past recessions, suggests that trading conditions could remain difficult for a considerable period of time and much will depend on high end housing market activity in our major markets.

As expected our Decorating Division returned to more normal levels of activity following two years of exceptional performance. Sales declined by £3.5 million to £9.0 million. It is always difficult to forecast decorating sales because there are often changes in the timing of projects, usually for reasons outside of our control and this is likely to be exacerbated by Covid-19 related restrictions especially with regard to overseas travel.

Gross Profit Margin
The overall gross profit margin increased from 54.3% to 55.8%. The main reason for the 1.5 percentage point increase was a significant reduction in lower margin Decorating Division sales relative to high margin Fabric Division sales. Fabric Division margins were also helped by a stronger US dollar average exchange rate of $1.27 compared to $1.30 last year. In the Fabric Division the gross margin achieved is heavily influenced by the Sterling to US Dollar exchange rate. This is because approximately 62% of sales are invoiced in US Dollars but the majority

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of goods sold are purchased from suppliers in Sterling or Euros. Every one cent movement in the Sterling US Dollar exchange rate affects gross margin by approximately £105,000. 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.

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

	2020	2019	% change
US dollar average	**1.27**	1.30	2.3%
US dollar closing	**1.25**	1.30	3.8%
Euro average	**1.14**	1.14	0%
Euro closing	**1.14**	1.16	1.7%

Pre Tax Profit Margin
Group pre tax profit decreased by 57% to £2.18 million (2019 – £5.10 million) representing a pre tax profit margin of 2.8% (2019 – 5.9%). A significant reason for the decline in operating profit and margin was a £974,000 reduction in Decorating Division profits following an exceptional performance in the prior year. In addition, the Group incurred exceptional costs of £714,000 relating to the integration of our US fabric operations into our new UK warehouse facility and the adoption of IFRS 16 resulted in additional non cash charges of £705,000. Excluding exceptional costs and the effect of IFRS 16 the pre tax profit margin was 4.6%.

Earnings Per Share
Earnings per share decreased by 46% to 21.4p (2019 – 39.3p). This compares to a reduction in pre tax profit of 57%. The difference is mainly due to an 8% reduction in the number of shares in issue following the Group's Tender Offer and share buyback at the end of the previous financial year. In addition the Group tax charge is exceptionally low at 11.7% this year compared to a more normal 24.8% last year. The main reason for the exceptionally low tax charge this year is a significant current tax deduction and resulting loss carry back arising from the closure and pay out of a long running deferred compensation plan at our US subsidiary Cowtan and Tout.

Until there is clarity about the longer term impact of the Covid-19 pandemic the Board has no current plans to make further share buybacks. However, 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 £35.1 million to shareholders through its share buyback program.

Operating Cash flow less lease cash flows
The Group's operating cash flow less lease cash flows decreased by £2.2 million to £5.7 million (2019 – £7.9 million). Most of the reduction was due to the decline in profits during the year. Tight control of working capital is the main driver of the Group's cash flow and remains a key financial objective. During the year working capital increased by just £168,000. The significant reduction in sales in the last six weeks of the year meant that there was a substantial reduction in working capital tied up in debtors partly offset by an increase in stock that would otherwise have been sold. In addition other debtors and other creditors both reduced by approximately £1.9 million mainly due to the closure and payout of the deferred compensation plan at our US subsidiary Cowtan and Tout.

Balance Sheet
Although the Covid-19 pandemic started to impact the Group six weeks before the year end the Group ended the year with a strong balance sheet comprising net assets of £28.2 million and cash of £11.5 million. The increase in cash during the year was £2.1 million but this includes a Covid-19 loan receipt in April of £968,000 and excluding this the Group generated cash of £1.2 million during the year and £1.4 million before dividend payments. The most significant change to the balance sheet since last year is due to the adoption of IFRS 16. At the 30 April 2020 right of use assets of £26.1 million and related lease liabilities of £28.4 million are reflected in the balance sheet. Previously lease liabilities were only reported by way of a note to the accounts. Capital expenditure during the year was £3.2 million compared to depreciation of £3.1 million. There were two major non-recurring capital expenditure projects during the year. Firstly, the fit out of our new warehouse facility in South West London and secondly the refurbishment of our Los Angeles showroom. In the year to 30 April 2021, we expect capital expenditure to be significantly below depreciation.

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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 summarised 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.

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

The possibility of a hard Brexit is a major external business risk to sales and profits in the UK and Europe. Although it is difficult to plan for this eventuality the Group's strategy will be to do everything possible to mitigate any additional costs and administrative burdens for customers even if this negatively impacts profits in the short term.

The Coronavirus pandemic is a new and unprecedented business risk that emerged towards the end of the financial year. The Group has conducted stress tests to assess the likely profit and cash flow impact of varying degrees of sales decline due to restrictions put in place to control the pandemic and any subsequent recession. The main controls in place to mitigate the coronavirus risk involve actions to conserve cash and reduce costs and remain operational wherever possible. The impact of a second wave of the pandemic and further lockdowns is difficult to predict, however the Group has been able to successfully navigate the first wave and is well placed to mitigate the impact of further lockdowns.

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 £105,000. 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 Group did not have any hedging contracts in place at 30 April 2020.

The second major financial risk relates to obsolete inventory. Each fabric brand consists of hundreds of individual fabric and wallpaper options and excluding off-setting lease assets and liabilities the largest component of the balance sheet is finished goods stock amounting to approximately £14.5 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.

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Section 172 Statement
The Directors are aware of their responsibility to promote the success of the Company for the benefit of its members as a whole in accordance with section 172 of the Companies Act 2006 and in doing so to have regard to the matters set out in section 172(1)(a-f).

The Board considers that the Group's key stakeholders are its employees, customers, suppliers and shareholders. . The Board recognises that the Group's long term success is closely correlated with strong positive relationships with all stakeholders where no one group is favoured over any other group. This is primarily achieved by promoting an open, honest and fair culture throughout the business and having policies which promote and encourage a mutually high level of loyalty and integrity in all our interactions with stakeholders. All meetings with stakeholders, both formal and informal, are used to obtain feedback on opportunities for improvement.

Having regard to the likely consequences of any decision in the long term
The main long term decisions taken by the Board relate to capital expenditure on showrooms and warehouse facilities to support operational performance and these are carefully balanced against the need to attract and retain long term investors through dividends and share buybacks. The most significant decision taken during the year was to transfer the majority of our US warehouse operations to a new unit adjacent to our existing UK operation in South West London.

Having regard to the Interests of the Company's employees
The Board recognises that the success of the Group is driven by the talent and motivation of its employees and benefits from a high number of long serving employees at all levels throughout the company. The Board works hard to promote a positive and enjoyable working environment for all its employees, pays competitive salaries and wherever possible allows flexible working hours to suit employees individual circumstances. During the current Covid-19 crisis both senior management and our wider team agreed to short term salary reductions, with the objective of preserving people's roles and ensuring the business is well placed for when trading returns to more normal activity levels.

Having regard to the need to foster the Company's business relationships with suppliers, customers and others
Apart from upholstered furniture the Group does not manufacture any of the products that it sells. Our core Fabric Division is dependent on the talent, expertise and service of over one hundred different manufacturers in the UK and overseas. The primary way in which the Group fosters strong positive relationships with suppliers is through regular and open communication and prompt, reliable payment for all goods and services supplied.

The Group's core Fabric Division serves thousands of trade customers throughout the world. As a trade business the Board recognises the importance of building long term relationships in a highly competitive marketplace. The primary way in which the Group seeks to foster close relationships with customers is by providing outstanding quality products and customer service levels which consistently exceed customer expectations.

Having regard to the impact of the Company's operations on the community and the environment
The Group's main Fabric Division operations are located in Wandsworth, South West London. The main way in which the Group supports the local community is by recruiting locally wherever possible which helps the economy and reduces traffic congestion. The Group is always looking to reduce its impact on the environment. The most significant way in which this is achieved is by constantly working on system improvements and procedures to reduce levels of obsolete stock. As a distribution business the Group uses sea and road freight rather than air freight for as many inbound deliveries as possible and also strives to minimise its consumption of packaging materials.

The desirability of the Company maintaining a reputation for high standards of business conduct
The Group seeks the highest standards of openness honesty and integrity in its dealings with all of its stakeholders. This is achieved through regular formal and informal communication and not putting profit before principle. In practice, this means that all stakeholders are fairly treated and rewarded for their contribution to the Group and no one group of stakeholders is favoured over any other.

Having regard to the need to act fairly as between members of the company
The company has just one class of share in issue and so all shareholders benefit from the same rights. As a small quoted company the Group's main methods of communication with shareholders are the Annual and Interim Report, the AGM and RNS announcements. For many years the Group has returned surplus cash to shareholders through share buybacks. The largest share buybacks have always been by way of Tenders Offers such as in 2012, 2014 and 2019 as this ensures that all shareholders are fairly treated and entitled to participate in direct proportion to their holdings.

STRATEGIC REPORT

Streamlined Energy and Carbon Reporting
The Group is pleased to report details of its UK carbon emissions in accordance with UK Government policy on Streamlined Energy and Carbon Reporting (SECR) which takes effect for reporting periods commencing on or after 1 April 2019.

The new reporting requirements aim to increase awareness of energy costs within organisations and provide data to inform the adoption of energy efficiency measures which reduce their impact on climate change. They also seek to provide greater transparency for stakeholders.

The Group's UK energy usage is expressed as an annual quantity of emissions in tonnes of carbon dioxide equivalent (CO2e). The amounts disclosed under SECR relate to the total UK energy use from electricity, gas and from transport where fuel is purchased directly by the company. It is important to point out that transport does not include emissions where the Group pays indirectly for fuel consumption. As an inventory based distribution business the Group uses third party suppliers for all inbound and outbound deliveries.

Energy emissions are divided into three categories:

1. Direct greenhouse gas emissions from UK activities owned or controlled by the Group that release emissions into the atmosphere such as gas heating and fuel for company owned vehicles (scope 1).

2. Indirect greenhouse gas emissions from UK consumption of purchased electricity (scope 2).

3. Other indirect greenhouse gas emissions resulting from UK activities where the source is not directly owned or controlled by the Group such as business travel in private cars (scope 3).

The data used to measure annual gas and electricity emissions is taken directly from utility bills during the year and pro-rated where appropriate. For company vehicles emissions are based on the size, fuel type and annual mileage of each company car during the year. The conversion rates used to calculate CO2e vary according to the type of energy and vehicle and are taken from the UK Government GHG conversion factors for company reporting Version 1.3.

UK Greenhouse gas emissions for the period 1 May 2019 to 30 April 2020 are as follows:

Scope 1 emissions in tonnes of CO2e	
Gas consumption (KWh to CO2e conversion rate used 0.18385 kg/kWh)	145.48
Owned transport - motor vehicles (conversion rate used varies by vehicle)	92.51
Scope 2 emissions in Kg of CO2	
Purchased electricity (conversion rate used 0.2556 kg/kWh)	110.89
Scope 3 emissions in Kg CO2 (not material)	
Total gross emissions in tonnes of CO2e	348.88
Intensity ratio - tonnes of CO2e per UK full time employee	1.67

The Group is keen to reduce its carbon footprint and wherever possible and will continue to strive for efficiency improvements. Most company buildings use smart meters and the company actively encourages the use electric or hybrid vehicles where it is practicable to do so. As a distribution business the Group also considers the energy efficiency of its third part transport providers.

The above report was approved by the Directors on 11 September 2020 and signed on its behalf by:

R. M. Barker BSc
ACA Group Finance Director

DIRECTORS, BANKERS AND ADVISERS

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

Secretary and Registered Office
R. M. Barker BSc ACA
19-23 Grosvenor Hill
London W1K 3QD

Registered in England No. 1870320

Nominated Advisers and Stockbrokers
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Auditors
BDO LLP
55 Baker Street
London W1U 7EU

Solicitors
Keystone Law
48 Chancery Lane
London WC2A 1JF

Bankers
HSBC Bank plc
31 Holborn
London EC1N 2HR

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

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

Registrars and Transfer Office
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

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 10.

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

Resolution Number 5, 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 5 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 6, 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 shares other than to existing shareholders in respect of a maximum of 5% of the existing issued share capital of the Company, for a period again expiring on the date of the next Annual General Meeting or 15 months after the passing of the resolution, whichever occurs first.

Resolution Number 7, proposed as a special resolution, would authorise the Directors to purchase up to a total nominal value of £135,337 of the Company's ordinary shares, representing 15% of the issued share capital at 11 September 2020, at prices from 10p up to a maximum of 5% above the middle market quotations for the preceding five business days. This power will only be exercised by the Board when it is satisfied that any purchase would have a beneficial impact on earnings per share, would not have a material adverse impact upon attributable assets and would be in the interests of the shareholders.

Results and Dividends
The Group's profit after tax was £1,920,000 (2019 – £3,830,000). As a result of the impact of the Covid-19 pandemic, the interim dividend of 2.6p due to be paid on 9 April 2020 was cancelled and the Directors have not recommended the payment of a final dividend (2019 – £2.7p).

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
The Group's year end took place in the middle of worldwide lockdowns to control the coronavirus pandemic. Since the year end the lockdowns have been gradually eased and the recovery in sales in our major markets is documented in the Chairman's Statement.

DIRECTORS' REPORT

Financial Risk Management
Detail of the use of financial instruments and financial risk management are contained in note 21 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 £154,000 at 30 April 2020 (2019 – £158,000).

Directors
The Directors listed on page 11 have held office throughout the year to 30 April 2020 and up to the date of this report.

David Green – Chairman and Chief Executive, Age 74
David Green has been Chief Executive of Colefax Group since 1986 and Chairman and Chief Executive since 1996 with specific responsibility for leadership and strategy. Prior to joining Colefax he was a founder and executive director of Carlton Communications Plc. He was a non-executive director of Carlton Communications from 1986 until 2004. He is a member of the Remuneration Committee.

Robert Barker – Group Finance Director, Age 57
Robert Barker is a graduate of Bristol University and trained as a Chartered Accountant with Arthur Young (now Ernst and Young). He joined Colefax Group Plc in 1989 as Group Chief Accountant. He was Commercial Director of the Fabric Division from 1992 to 1994 and was appointed Group Finance Director in July 1994 with specific responsibility for finance, operations and risk management. He is a member of the Audit Committee.

Key Hall – Chief Executive of Cowtan and Tout Inc, Age 54
Key Hall joined the Group in 1993 to set up and run the company's Los Angeles showroom. Prior to that Key had held various sales positions in the high end fabric industry and has extensive experience in all aspects of product, sales, marketing and operations. She was made Chief Executive of the Group's US subsidiary company Cowtan and Tout in 1999 and joined the Group board in 2000 with specific responsibility for running the US Fabric Division.

Wendy Nicholls – Managing Director Decorating Division, Age 72
Wendy Nicholls joined Colefax and Fowler in 1975 and was made a partner in the Decorating Division in 1979. She has extensive product knowledge, creative expertise and experience in all aspects of interior decoration and project management and has been Managing Director of the Decorating Division and a Group Board Director since 1994.

Alan Smith – Non-Executive Director, Age 79
Alan Smith is a graduate of Edinburgh University and has held a wide variety of executive and non-executive directorships including 15 years as an executive director of Marks and Spencer Plc and two years as Chief Executive of Kingfisher Plc. He has been a non-executive director of Colefax Group Plc since 1994 and is a member of the Remuneration Committee and the Audit Committee.

In accordance with Article 14.1 of the Company's Articles of Association, David Green will retire by rotation at the Annual General Meeting. Resolution 4 proposes his re-election as Director. David Green has a service contract which is terminable by one year's notice by either the Company or the Director.

DIRECTORS' REPORT

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

Directors' and officers' liability insurance
The Group maintains liability insurance for its Directors and Officers.

Directors' Remuneration

	Salary and fees £'000	Bonus £'000	Benefits in kind £'000	Pension contributions £'000	**2020 Total £'000**	2019 Total £'000
Executive Directors:						
D. B. Green	643	0	7	0	**650**	677
R. M. Barker	220	0	1	0	**221**	226
W. Nicholls	191	30	30	0	**251**	247
K. Hall	353	0	0	10	**363**	360
Non-executive Directors:						
A. K. P. Smith	24	0	0	0	**24**	24
	1,431	30	38	10	**1,509**	1,534

Substantial Shareholdings as at 30 April 2020 and up to the date of this report

	Number of Shares	%
D. B. Green	2,501,379	27.7
Rights and Issues Investment Trust plc	2,365,000	26.2
Schroder plc	1,764,776	19.6

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	
	2020	2019
D. B. Green	**2,501,379**	2,501,379
R. M. Barker	**192,680**	192,680
W. Nicholls	**80,362**	80,362
K. Hall	**148,712**	148,712
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 2020 was 325p. The range of market prices during the financial year was between 315p and 535p.

Corporate Governance
The Board is focussed on the long term success of the Group for the benefit of all stakeholders and recognises that good corporate governance is a key enabler of that success. The Board is committed to applying the highest standards of corporate governance and is keen to make improvements as far as it is practical to do so within the confines of a small quoted company. The Chairman's Statement on corporate governance is published in the Corporate Governance section of the Company's website at www.colefaxgroupplc.com. The Group has adopted the QCA Corporate Governance Code as the code best suited to the size and scope of the Group's activities. The QCA code is based on ten corporate governance principles and the way in which the Group has applied the ten principles is set out in the Corporate Governance section of the Company's website. The areas where the Group does not comply fully with the Code are set out below:

- **Board Composition**

The Board works closely as a team and is collectively responsible for the vision and strategy of the Group. It has a Schedule of Matters reserved for its specific approval. The Board comprises one non-executive director and four

DIRECTORS' REPORT

full time executive directors each with specific skills relevant to the business. David Green currently serves as both Chairman and Chief Executive of the Group and Alan Smith is the sole independent non-executive Director. The Group does not currently comply with the QCA requirement for two independent non-executive directors. At the present time the combined Chairman and Chief Executive role together with one independent non-executive director is considered to be the right balance for the Group based on its size and complexity and the fact that the Group's strategy is currently based on one core business activity and a conservative approach to risk. In addition the Group is run in a relatively conservative manner with an emphasis on organic growth, cash generation and share buybacks. The Board has an Audit Committee which meets twice per year and a Remuneration Committee which meets once per year but does not have a Nomination Committee and this function is fulfilled by the whole board. The composition and functioning of the Board is regularly discussed including succession planning and will evolve according to the strategy, size and complexity of the business. There are normally four Board meetings per year attended by all directors but the April 2020 Board Meeting was delayed until June due to the coronavirus pandemic.

- **Board Independence**

Alan Smith has served as the Groups sole non-executive director since 1994 which is considerably longer than the maximum recommended tenure for a non-executive Director but is still considered to be independent as he has not worked in the business. He brings extensive knowledge and expertise to the Board from his wide range of business experience particularly in retail and product based businesses and this is considered a major asset to the Group. However, the Board is actively discussing succession plans for the non-executive director role.

- **Evaluation of Board Effectiveness**

The effectiveness of the board and individual Director performances are evaluated annually according to the collective and individual achievement of key financial targets and strategic objectives. A more in depth evaluation of Board performance was planned for the year ended 30 April 2020 but was been delayed due to the impact of the Covid-19 pandemic and will now take place in the financial year ended 30 April 2021 The composition of the Board has been stable for many years and whilst no Board member is considered indispensable the specialist nature of the business means that the accumulated skills and industry experience of the Board is seen as an asset. Three of the four Executive Directors of the Group were internal promotions. Given the age and experience of the current board succession planning for Directors and senior management positions is regularly discussed at Board Meetings.

Audit Committee Report for the year ended 30 April 2020

- **Purpose**

The primary role of the Audit Committee is to oversee the accuracy and integrity of the Group's financial statements and review the effectiveness of the Groups system of internal controls. This includes considering the need for an internal audit function. In addition the Audit Committee oversees the relationship with the Group's external auditors by reviewing their audit effectiveness and advising the Board on their appointment and remuneration. Any significant matters arising from the Audit Committee Meetings are reported to the Group Board.

- **Composition**

The Audit Committee comprises Alan Smith, the Group's Non-Executive Director and Robert Barker the Finance Director. As Alan Smith is currently the sole Non-Executive Director it is not possible to have a committee comprised entirely of Non-Executive Directors as recommended by the QCA corporate governance code. The Group's external auditors attend Audit Committee meetings by open invitation. As Chairman of the Audit Committee Alan Smith sets the agenda and is able to separately discuss any matters of concern with the external auditors and vice versa.

- **Meetings**

Audit Committee Meetings are held twice per year prior to the announcement of the Group's interim and final results. Both meetings are attended by the Groups external auditors. The Groups interim results are not audited. The external auditors provide two key reports to the Audit Committee in respect of the full year results. Prior to the start of the audit the Audit Committee receives a Planning Report to the Audit Committee setting out the scope of their work, the proposed materiality, the key audit issues identified in advance of the audit and the proposed audit fees. At the Audit Committee Meeting prior to the final results the auditors present a Report to the Audit Committee setting out their audit findings and commenting on key judgements made during the reporting period. The external auditors also report on any recommendations to management in respect of internal controls.

DIRECTORS' REPORT

- **Results for the year ended 30 April 2020**

The Audit Committee reviewed the financial results for the year ended 30 April 2020 including all significant judgements and financial reporting issues. The main accounting issues examined by the committee were as follows:

1. The impact of Covid-19 and going concern. This included measures taken by management to conserve cash, the rate at which sales were recovering from the various lockdowns imposed round the world to control the pandemic and managements stress testing of the cash flow impact of a range of sales scenarios for the twelve months from the date of approval of the financial statements.

2. Revenue recognition. This included a discussion of the controls in place to ensure that revenue is recorded in the correct period in accordance with IFRS 15 Revenue Recognition and the results of audit testing.

3. Adoption of IFRS 16 Leases. The impact of the adopting IFRS 16 on a modified retrospective basis was discussed and reviewed.

4. Inventory Valuation. The inventory valuation and provisioning methodology was discussed in detail and in particular the appropriateness of adjustments made by management to deal with the sales impact of Covid-19.

- **Internal Controls**

The Audit Committee reviews a report of the key risks facing the business and the effectiveness of the controls in place to manage those risks. This report is prepared bi-annually on a bottom up basis throughout the Group. Major risks are categorised into business, financial and operational risks and further details are set out in the Strategic Report section of the Annual Report. The Audit Committee was satisfied that the key controls has operated effectively during the year.

- **Internal Audit**

The Group does not have an internal audit department and the need for an internal audit function is reviewed annually. Given the relatively small size and scope of the Group's activities the Audit Committee concluded that no internal audit function is necessary at the present time.

- **External Auditor**

The Group's external auditor BDO LLP has reported to the Audit committee that in its professional judgement it is independent within the meaning of regulatory and professional requirements and after due consideration the Audit Committee concurs with that view. A resolution to reappoint BDO LLP as external auditors will be proposed at the company's AGM in October.

Going Concern

The Covid-19 pandemic is an unprecedented worldwide event which started to have an impact on the Group in mid-March. The worldwide lockdowns temporarily closed many of the company's customers, suppliers and showrooms and had a significant impact on sales. Fortunately at the start of the crisis the Group had a strong balance sheet with cash of approximately £10 million, no bank borrowings and unused overdraft facilities of £3 million. Since the easing of lockdowns the Group has seen a steady recovery in sales in its core Fabric Division. At the peak of the lockdowns in April sales were down by 55% compared to the prior year. May sales were down by 41%, June down by 22% but July sales were ahead of the prior year by 2% and August by 3%. The pandemic represents a new and hard to quantify risk which will impact the business if there is a second wave and further total lockdowns. In addition the pandemic has resulted in a worldwide recession which has adversely affected the trading outlook.

In response to the Covid-19 risk the directors have prepared detailed profit and cash flow forecasts for each subsidiary covering a period of at least twelve months from the date of approving the financial statements and taking into account all of the principal risks and uncertainties facing the business. The forecasts have been stress tested by considering the profit and cash flow impact of a range of sales scenarios up to a maximum decline of 50% compared to the year ended 30 April 2020. Even under the worst case scenario the Group has significant headroom in terms of cash resources and has no need for any bank borrowing. As a result the directors are satisfied that the Group has adequate resources and that there is no material uncertainty that would prevent the Group from continuing in operational existence for the foreseeable future and have adopted the going concern basis in preparing the consolidated financial statements for the year ended 30 April 2020.

DIRECTORS' REPORT

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.

Annual General Meeting

This year's Annual General Meeting is due to take place on 19 October 2020. However, the continuing Covid-19 pandemic has led to the imposition of severe restrictions on the way in which we all conduct business and in particular on public gatherings. This means that, in accordance with the Government's social distancing guidelines, the Directors have decided to facilitate holding the Annual General Meeting with minimal face to face contact, while still endeavouring to create a forum for the conduct of the formal business set out in the notice of the Annual General Meeting.

We therefore have to notify you that unfortunately it will not be possible for members to attend the Annual General Meeting in person. Two Directors will be present so as to constitute the quorum of two members required for the Annual General Meeting proceedings to be valid. Members may submit questions ahead of the Annual General Meeting by emailing rob.barker@colefax.com The Board encourages members to submit proxy forms and to appoint the Chairman of the meeting as their proxy with their voting instructions.

Further details and guidance can be found at note 1 to the notice of Annual General Meeting. If these arrangements should change for any reason prior to the Annual General Meeting we will notify members of such change and make appropriate announcement(s) via the regulated news service and the company's website.

By order of the Board

R. M. Barker BSc ACA
Secretary
11 September 2020

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 the 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 and
- 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 the Group 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 the Group 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 2020 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 2020 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- Interior decorating division	
The group's accounting policy for revenue recognition is disclosed in note 1 and further detail concerning the Group's Revenue is disclosed in note 3. The application of IFRS 15 requires the Group to consider the underlying performance obligations and the point at which revenue should be recognised. A potential risk to the correct cut-off of revenue arises with respect to recording revenue for decorating contracts where work can continue across the year end. Judgement is required in determining the extent of work completed. The other revenue streams were not considered complex from a revenue recognition perspective.	Our audit procedures included: • We selected a sample of contracts together with the applicable terms and conditions and determined whether these were accounted for by management in accordance with the requirements of IFRS 15. • We tested a sample of contracts which were still in progress at the current and prior year end to confirm the satisfaction of the performance obligation by reference to correspondence with customers and records of work performed to check that revenue was recorded in the correct period; and • We reviewed the financial statements for appropriateness of disclosures and their compliance with IFRS 15. Key observations: Based on the work performed we did not identify any issues regarding management's application of revenue recognition principles as prescribed by IFRS 15.
Inventory valuation – Product division	
The group's accounting policy for inventory is disclosed in note 1 and further detail concerning the Group's inventory is disclosed in note 16 and significant judgements and estimates in note 2. A principal assumption used in the calculation of the provision is the level of historic sales. Provision is made against inventory exceeding levels expected to be required to meet foreseeable demand within a reasonable period. Given the size of the inventory balance of £15.5 million (2019 – £14.9 million), and the judgement required in determining the level of the provisioning required, we consider the provisioning calculation to be an area of significant estimation. Hence there is a significant risk that the inventory valuation is inappropriate.	Our audit procedures included: • We challenged the appropriateness of management's assumptions and considered evidence to support the validity of assumptions made. • We checked the mathematical accuracy of management's calculations; • We tested, on a sample basis, the inputs used by management to estimate the inventory provision level which is required which is driven by historical sales data taking into account the impact of COVID-19 was considered; • We reviewed the level of historical inventory write offs against the level of inventory provisioning over the past six years; and • We agreed a sample of finished inventory items to post year-end sales invoices and to original purchase documentation to confirm that they had been recorded at the lower of cost and net realisable value. • We have evaluated management's assessment of the impact of COVID-19 on stock valuation to check that assumptions appear reasonable based on our understanding of the nature of the client's stock and the forecasted sales trends. Key observations: We were satisfied that management's estimate of the provision required was appropriate.

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

Key Audit Matter	How we addressed the matter in our audit
IFRS 16 Initial adoption	
As detailed in note 1 to the Group financial statements, the Group adopted IFRS 16 Leases, in the current year. Further detail concerning the Group's leases is disclosed in note 14. IFRS 16 Leases is effective from the start of this financial year and the accounting requirements of this new standard are complex given the number of leases, the bespoke nature of each lease and key assumptions regarding incremental borrowing rates and expected lease terms. This resulted in a significant audit risk arising in relation to the implementation of the new standard.	Our audit procedures included: • We selected material leases together with the applicable lease agreements and determined whether these were accounted for by management in accordance with the requirements of IFRS 16.We tested the completeness and accuracy of the underlying data used in preparing the IFRS 16 adjustment by agreeing information to original contracts or recent invoices for rental payments and examining accounting records for payments which may suggest a lease contract is in place. • We assessed the appropriateness of the incremental borrowing rate by reference to the Group's cost of borrowing and relevant market data. • We reviewed the financial statements for appropriateness of disclosures and their compliance with IFRS 16. Key observations: Based on the work performed we did not identify any issues regarding management's application of lease accounting prescribed by IFRS 16.
Going concern, including the impact of Covid-19	
The financial statements in note 1 explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Parent Company's business model and how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk most likely to adversely affect the Group and Company's available financial resources over this period was the uncertainty of the impact of COVID-19, with the future range of possible effects currently unknown to performance, given the rapidly evolving nature. The audit judgement is whether or not this risk was such that it amounted to a material uncertainty that may have cast significant doubt about the ability of the Group and Parent Company to continue as a going concern. Had there been such a risk, then that fact would have been required to have been disclosed.	Our audit procedures included: • We discussed the potential impact of COVID-19 with the Directors including their assessment of risks and uncertainties associated with the Group's customers, suppliers and workforce. We formed our own views on the risks based on our understanding of the business and the wider sector. • We tested the mathematical accuracy of the Directors forecast models prepared to incorporate the impact of COVID-19 as well as further downside scenarios from the base forecast. • In respect of the base forecast we challenged the key assumptions in respect of revenue growth, gross profit margins, cash generation and working capital movements with reference to our knowledge of the business and the impact of COVID-19. • We assessed the reasonability of the base case by comparing to actual results post year-end. • We reviewed the adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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

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

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.

Based on our professional judgement, we determined materiality for the Group financial statements to be £315,000 (2019 – £380,000) and for the Parent Company to be £236,000 (2019 – £285,000). Performance materiality for both the Group and Parent Company was calculated based on 75% (2019 – 75%) of financial statement materiality. We determined this percentage by reference to a number of factors including the expected total value of known and likely misstatements based on past experience and management's attitude towards proposed adjustments.

Level of materiality applied and rationale
The materiality we applied in respect of the Group financial statements equates to 8% of a three year average of Profit Before Tax (2019 – 7.5% of Profit Before Tax). Given the impact of Covid-19 in the current year, we consider a three year average of profit before tax to be most appropriate materiality measure, as it more accurately reflects the underlying transactional activity of the business in the current year.

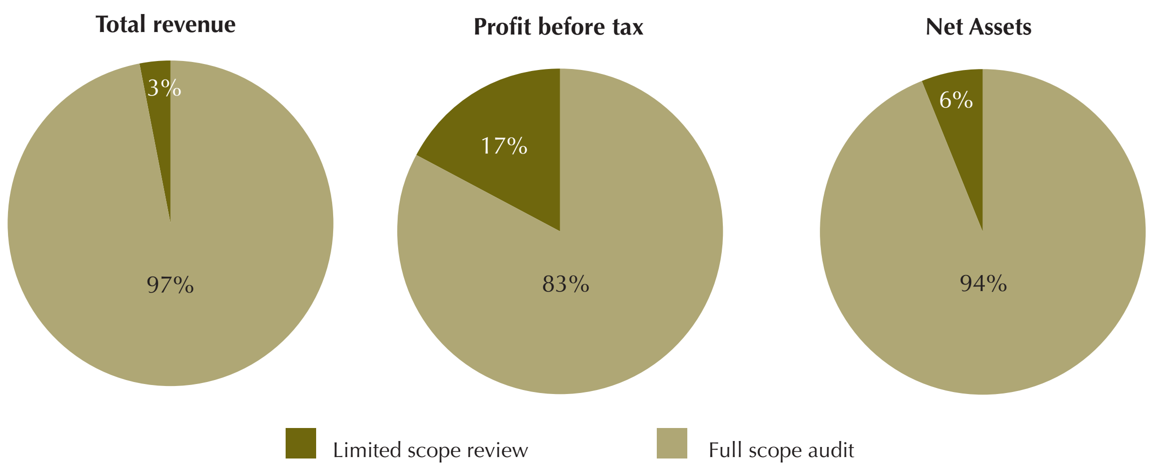
The materiality we applied in respect of the Parent Company financial statements was capped at 75% of group materiality (2019 – capped at 75% of group materiality).

We set component materiality between £69,000 and £260,000 (2019: £83,000 and £320,000) based on the overall size and respective risk of each component. Component materiality levels were set at lower levels up to a maximum of 83% (2019 – 84%) of group materiality. In the audit of each component, we further applied a performance materiality level of 75% (2019 – 75%) of the component materiality level.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £16,000 (2019 – £19,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
We tailored the scope of our audit to ensure that sufficient appropriate 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 and four non-significant components. Two significant components are located in the UK and full scope audits were carried out by the group engagement team. In respect of the significant component in the USA, we engaged with the local BDO member firm component auditors to perform a full scope audit. In respect of the non-significant component in France, we engaged with a local BDO member firm to perform analytical review procedures. The group engagement team also completed analytical review procedures on the two non-significant components based in Germany and Italy. A statutory audit is performed on the remaining UK non-significant component by the Group audit team, at the same time as the Group audit procedures. Our strategy is summarised as follows:



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC

The Group Audit team set component materiality levels as detailed above with work on all significant components being reviewed by the Group audit team. The Group team issued detailed group reporting instructions specifying risk areas and the allocated materiality. The Group team attended various conference calls and meetings through the planning, fieldwork and completion stages of the audit with the local BDO member firm in the USA. As we could not travel to the USA, as was done in the prior year, we arranged virtual meetings which then enabled the Group audit team to review the audit files of the component auditors remotely and the component auditors then performed any further work required by the Group audit team.

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.

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 statement of directors' responsibilities set out on page 18, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC

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 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.

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.

Mark Cardiff (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory
Auditor London, United Kingdom
11 September 2020

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 2020

	Notes	**2020 £'000**	2019 £'000
Revenue	3	**78,364**	86,355
Cost of sales		**(34,602)**	(39,496)
Gross profit		**43,762**	46,859
Operating expenses	5	**(40,655)**	(41,789)
Other income	6	**280**	–
Profit from operations		**3,387**	5,070
Finance income	9	**20**	25
Finance expense	9	**(1,231)**	–
Profit before taxation		**2,176**	5,095
Tax expense			
– UK		**(269)**	(733)
– Overseas		**13**	(532)
	10	**(256)**	(1,265)
Profit for the year attributable to equity holders of the parent		**1,920**	3,830
Basic earnings per share	12	**21.4p**	39.3p
Diluted earnings per share	12	**21.4p**	39.3p

The notes on pages 32 to 55 form part of these Consolidated financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2020

	Notes	2020 £'000	2019 £'000
Profit for the year		**1,920**	3,830
Other comprehensive income/(expense):			
Items that will not be reclassified to profit and loss:			
Remeasurement of defined benefit pension scheme		**–**	(28)
Tax relating to items that will not be reclassfied to profit and loss	20	**–**	11
		–	(17)
Items that will or may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		**121**	209
Cash flow hedges:			
Gains/(losses) recognised directly in equity		**(84)**	(157)
Transferred to profit and loss for the year		**104**	177
Tax relating to items that will or may be reclassified to profit and loss	20	**(54)**	(104)
		87	125
Total other comprehensive income		**87**	108
Total comprehensive income for the year attributable to equity holders of the parent		**2,007**	3,938

The notes on pages 32 to 55 form part of these Consolidated financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

At 30 April 2020

	Notes	2020 £'000	2019 £'000
Non-current assets:			
Property, plant and equipment	13	**8,524**	8,215
Right of use asset	14	**26,057**	–
Deferred tax asset	20	**118**	113
Pension asset		**–**	–
		34,699	8,328
Current assets:			
Inventories and work in progress	16	**15,518**	14,923
Trade and other receivables	17	**6,499**	11,265
Cash and cash equivalents	18	**11,538**	9,458
Current corporation tax		**332**	–
		33,887	35,646
Current liabilities:			
Trade and other payables	19	**11,007**	14,847
Lease liabilities	14	**4,612**	–
Other loans	18/19	**977**	–
Current corporation tax	19	**–**	669
		16,596	15,516
Net current assets		**17,291**	20,130
Total assets less current liabilities		**51,990**	28,458
Non-current liabilities:			
Lease liabilities	14	**23,780**	–
Deferred rent		**–**	1,992
Deferred tax liability	20	**–**	26
Pension liability		**–**	1
Net assets		**28,210**	26,439
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	22	**902**	902
Share premium account	23	**11,148**	11,148
Capital redemption reserve	23	**1,972**	1,972
ESOP share reserve	23	**(113)**	(113)
Foreign exchange reserve	23	**2,338**	2,267
Cash flow hedge reserve	23	**–**	(16)
Retained earnings	23	**11,963**	10,279
Total equity		**28,210**	26,439

The financial statements were approved by the Board of Directors and authorised for issue on 11 September 2020.

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

The notes on pages 32 to 55 form part of these Consolidated financial statements.

Company No. 1870320

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 April 2020

	Notes	**2020 £'000**	2019 £'000
Non-current assets:			
Investments	15	**24,443**	25,443
Current assets:			
Trade and other receivables	17	**14,208**	5,322
Cash and cash equivalents	18	**64**	–
		14,272	5,322
Current liabilities:			
Finance lease liabilities	14	**1,400**	–
Trade and other payables	19	**571**	2,175
Net current assets		**12,301**	3,147
Total assets less current liabilities		**36,744**	28,590
Non-current liabilities:			
Lease liabilities	14	**7,798**	–
Net assets		**28,946**	28,590
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	22	**902**	902
Share premium account	23	**11,148**	11,148
Merger reserve	23	**10,762**	10,762
Capital redemption reserve	23	**1,972**	1,972
Retained earnings	23	**4,162**	3,806
Total equity		**28,946**	28,590

The Company profit for the year was £592,000 (2019 – £3,570,000). 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 11 September 2020.

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

The notes on pages 32 to 55 form part of these Consolidated financial statements.

Company No. 1870320

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 April 2020

	Notes	2020 £'000	2019 £'000
Operating activities			
Profit before taxation		**2,176**	5,095
Finance income		**(20)**	(25)
Finance expense		**1,231**	–
Loss on disposal of property, plant and equipment		**(28)**	8
Depreciation	13	**3,071**	2,800
Depreciation on right of use assets		**4,193**	–
Cash flows from operations before changes in working capital		**10,623**	7,878
(Increase) / decrease in inventories and work in progress		**(497)**	1,765
Decrease in trade and other receivables		**4,914**	47
Decrease in trade and other payables		**(4,461)**	(1,783)
Cash generated from operations		**10,579**	7,907
Taxation paid			
UK corporation tax paid		**(602)**	(374)
Overseas tax paid		**(748)**	(606)
		(1,350)	(980)
Net cash inflow from operating activities		**9,229**	6,927
Investing activities			
Payments to acquire property, plant and equipment		**(3,183)**	(2,046)
Receipts from sales of property, plant and equipment		**39**	14
Interest received		**20**	25
Net cash outflow from investing		**(3,124)**	(2,007)
Financing activities			
Proceeds from loans and borrowings		**968**	–
Purchase of own shares including related costs		**–**	(4,421)
Principal paid on lease liabilities		**(3,646)**	–
Interest paid on lease liabilities		**(1,231)**	–
Equity dividends paid	11	**(242)**	(497)
Net cash outflow from financing		**(4,151)**	(4,918)
Net increase in cash and cash equivalents		**1,954**	2
Cash and cash equivalents at beginning of year		**9,458**	9,177
Exchange gains/(losses) on cash and cash equivalents		**126**	279
Cash and cash equivalents at end of year	18	**11,538**	9,458

The notes on pages 32 to 55 form part of these Consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 30 April 2020

	Notes	**2020 £'000**	2019 £'000
Operating activities			
Profit before taxation		**726**	3,722
Dividend income for the year		**(650)**	(3,600)
Finance income		**(109)**	(141)
Cash flows from operations before changes in working capital		**(33)**	(19)
(Increase) / decrease in trade and other receivables		**(463)**	321
Increase in trade and other payables		**427**	114
Cash generated from operations		**(69)**	416
Taxation paid			
UK corporation tax paid		**(602)**	(374)
Net cash (outflow)/inflow from operating activites		**(671)**	42
Investing activities			
Interest received		**109**	214
Loan payment received from subsidiary		**1,000**	1,000
Dividends received from subsidiaries		**1,899**	3,320
Net cash inflow from investing		**3,008**	4,534
Financing activities			
Purchase of own shares		**–**	(4,421)
Equity dividends paid	11	**(242)**	(497)
Net cash outflow from financing		**(242)**	(4,918)
Net increase / (decrease) in cash and cash equivalents		**2,095**	(342)
Cash and cash equivalents at beginning of year		**(2,031)**	(1,689)
Cash and cash equivalents at end of year	18	**64**	(2,031)

The notes on pages 32 to 55 form part of these Consolidated financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2020

	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 2019	902	11,148	1,972	(113)	2,267	(16)	10,279	26,439
Profit for the year	–	–	–	–	–	–	1,920	1,920
Foreign exchange	–	–	–	–	121	–	–	121
Cash flow hedges:								
Losses	–	–	–	–	–	(84)	–	(84)
Transfers	–	–	–	–	–	104	–	104
Tax on other comprehensive income	–	–	–	–	(50)	(4)	–	(54)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**71**	**16**	**1,920**	**2,007**
Share buybacks	–	–	–	–	–	–	6	6
Dividends paid	–	–	–	–	–	–	(242)	(242)
At 30 April 2020	**902**	**11,148**	**1,972**	**(113)**	**2,338**	**–**	**11,963**	**28,210**
At 1 May 2018	981	11,148	1,893	(113)	2,158	(32)	11,384	27,419
Profit for the year	–	–	–	–	–	–	3,830	3,830
Foreign exchange	–	–	–	–	209	–	–	209
Remeasurement of defined benefit pension scheme	–	–	–	–	–	–	(28)	(28)
Cash flow hedges:								
Losses	–	–	–	–	–	(157)	–	(157)
Transfers	–	–	–	–	–	177	–	177
Tax on other comprehensive income	–	–	–	–	(100)	(4)	11	(93)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**109**	**16**	**3,813**	**3,938**
Share buybacks	(79)	–	79	–	–	–	(4,421)	(4,421)
Dividends paid	–	–	–	–	–	–	(497)	(497)
At 30 April 2019	902	11,148	1,972	(113)	2,267	(16)	10,279	26,439

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2020

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2019	902	11,148	10,762	1,972	3,806	28,590
Profit and total comprehensive income for the year	–	–	–	–	592	592
Share buybacks	–	–	–	–	6	6
Dividends paid	–	-	–	–	(242)	(242)
At 30 April 2020	**902**	**11,148**	**10,762**	**1,972**	**4,162**	**28,946**
At 1 May 2018	981	11,148	10,762	1,893	5,154	29,938
Profit and total comprehensive income for the year	–	–	–	–	3,570	3,570
Share buybacks	(79)	–	–	79	(4,421)	(4,421)
Dividends paid	–	–	–	–	(497)	(497)
At 30 April 2019	902	11,148	10,762	1,972	3,806	28,590

The notes on pages 32 to 55 form part of these Consolidated financial statements.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

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 11. 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.

Going Concern

In adopting the going concern basis for preparing the financial statements the Directors have considered the business activities including the principal risks and uncertainties. Based on the groups cash flow forecasts and projections and various 'stress test' scenarios, all of which cover a minimum of twelve months from the date of approval of the financial statements, the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 30 April 2020. Further details on going concern, the impact of the Covid-19 pandemic and the directors' stress test scenarios are provided in the Directors Report on page 16.

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

Changes in Accounting Policies

The following standards and interpretations, issued by IASB or International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Group:

IFRS 16 *Leases* (IFRS 16)

The Group has adopted IFRS 16 Leases for the first time this year with a transition date of 1 May 2019. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less or where the underlying asset is of low value. *IFRS 16 replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a Lease.*

- **Nature of the change in accounting policy**

The Group has a significant number of lease contracts primarily for property but also for motor vehicles and equipment. Prior to the adoption of IFRS 16 these leases were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight line basis over the period of the lease. Under IFRS 16 the Group, as a lessee, has recognised right of use assets representing the right to use the underlying leased assets and lease liabilities representing the obligation to make lease payments. Right of use assets are recorded at the present value of remaining lease payments discounted at the Group's incremental borrowing rate at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The incremental borrowing rate varies by country where a single discount rate is applied to a portfolio of leases with similar characteristics. The weighted average incremental borrowing rate applied to the Group's lease liabilities at 1 May 2019 was 4%.

- **Transition method and practical expedients used**

The Group has chosen the modified retrospective transition provisions set out in IFRS 16 and as a result has not restated comparatives for the previous financial year. Under IFRS 16 a lease exits if a contract conveys the right to use an identified asset for a period of time in exchange for consideration Upon adoption the Group has utilised the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The Group has utilised the recognition exemptions for lease contracts with less than 12 months at the date of initial application and lease contracts where the underlying asset is of low value.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

1. **Accounting policies**
continued

- **Accounting Impact on the Consolidated Income Statement**

	Before IFRS 16 Application £'000	IFRS 16 Application £'000	As reported £'000
Revenue	78,364	–	78,364
Cost of sales	34,602	–	34,602
Gross Profit	43,762	–	43,762
Operating Expenses	(41,181)	526	(40,655)
Other Income	280	–	280
Profit from Operations	2,861	526	3,387
Finance income	20	–	20
Finance expense	–	(1,231)	(1,231)
Profit before taxation	2,881	(705)	2,176
Tax expense	(435)	179	(256)
Profit for the year attributable to equity holders of the parent	2,446	(526)	1,920

The profit impact of applying IFRS 16 is explained in the financial performance section of the Strategic Report.

- **Accounting impact on the consolidated balance sheet**

The impact of IFRS16 on the consolidated balance sheet at the date of Transition on 1 May 2019 is as follows:

	Group £'000	Company £'000
Non-current assets		
Right of use assets related to:		
Land and buildings	21,711	
Other	232	
Current assets		
Amounts owed by subsidiary undertakings		6,794
Prepayments	(316)	
Total impact on assets	21,627	6,794
Current liabilities		
Accruals	(97)	
Lease liabilities (under one year)	3,094	1,063
Lease liabilities (over one year)	20,622	5,731
Deferred Rent	(1,992)	
Total Impact on Liabilities	21,627	6,794
Total Impact on net assets	–	–

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

1. **Accounting policies** *continued*

The following table provides a reconciliation from the total minimum operating lease commitment as disclosed at 30 April 2019 to the total lease liabilities recognised in the Consolidated Balance Sheet on the transition date of 1 May 2019

	Group £'000	Company £'000
Minimum operating lease commitment at 30 April 2019 (restated*)	27,810	7,436
Less short term leases not recognised under IFRS 16	(32)	–
Undiscounted lease payments	27,778	7,436
Less effect of discounting using the incremental borrowing rate at the date of initial application	(4,062)	(642)
Total lease liabilities recognised at the date of transition	23,716	6,794

* Prior year Group minimum lease commitments has been restated down by a net amount of £318,000, following the identification of certain data inconsistencies. This restatement is not considered material to the financial statements in the context of £27.8m of operating lease commitments and given it has no impact on profits.

- **Accounting Impact on the Consolidated Cash Flow Statement**

The adjustments to the Consolidated Income Statement and Balance Sheets described above do not affect the Groups cash balances. However, under IAS 17 operating lease payments were all shown under operating expenses whereas under IFRS 16 lease payments are recorded under financing activities and split between notional interest paid of £1.23 million and principal paid on lease liabilities of £3.65 million. There is no change to the Group's increase in cash and cash equivalents.

- **Right of use asset**s

Right of use assets are recognised at the commencement date of the lease. Right of use assets are measured at cost less accumulated depreciation and adjusted for any re-measurement of lease liabilities. Right of use assets are depreciated over the shorter of the assets useful life or the lease term on a straight line basis.

- **Lease Liabilities**

The Group recognises lease liabilities based on the present value of total lease payments at the commencement date of the lease. After the lease commencement date the lease liability is adjusted for interest on the lease liability and reduced by lease payments made. The carrying value of lease liabilities is re-measured if there is any contractual change made to the lease such as the lease term or payment profile.

The Company as inter-company lessor

In order to secure the best possible lease terms and avoid the need for a security deposit Colefax Group plc (the Company) has signed a number of UK property lease agreements on behalf of its UK subsidiaries. The substance of these transactions is that the Company acts a guarantor of the lease liabilities and payment for and use of the leased property is by the subsidiary company. The legal form of these transactions is that the lease liability resides with the Company and instead of a corresponding right of use asset there is a sub-lease and inter-company finance lease receivable from the subsidiary company. The lease liability and finance lease receivable reduce in line with payments made by the subsidiary company which include notional interest on the lease liability in accordance with IFRS 16. As the Company leases are all on behalf of 100% owned subsidiary companies, no risk management measures have been put in place by the Company in respect of its rights as lessor.

IFRIC 23 *Uncertainty over income tax treatments* (IFRS 23)

The Group adopted IFRIC 23 on 1 May 2019. IFRIC 23 provides guidance over how to measure and recognise deferred and current income tax assets and liabilities where there is uncertainty over the tax position. It requires the Group to assume the relevant tax authority will examine the uncertain tax treatments and have full knowledge and determine if it is probable that the tax authorities will accept the uncertain tax treatment.

If it is considered that the uncertain tax treatment will not be accepted the tax uncertainty should be measured based on the most likely amount or expected value, depending whichever method best predicts the resolution of the uncertainty. It should be assumed that each of the tax authorities will have full knowledge of all related information when examining the amounts.

The adoption of IFRIC 23 had no material impact on the Group's financial statements.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

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.

Revenue from the Product Division is recognised on point of delivery, which is when control over the goods passes to the customer and the Group has a present right to payment. There is no financing element to payment.

In the Decorating Division revenue from decorating contracts is recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'. Goods supplied on a decorating contract are effectively linked together as one performance obligation. The performance obligation is satisfied when control passes to the customer and the Group has a present right to payment. Whilst deposits are received in advance, the Group does not have an enforceable right to payment for performance completed to date (as contemplated in IFRS15.37c) and revenue is therefore recognised at a point in time. Decorating contracts do not contain any financing element.

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 2020

1. **Accounting policies** *continued*

Work in Progress

Work in progress is valued at cost. 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.

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 operated 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 and terminated on 1 December 2018. The plan was fully funded at the date of termination and all benefit liabilities were paid by 28 June 2019.

Up to 28 June 2019 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 were recognised in the Group's statement of financial position as a pension asset or liability as appropriate. Any related deferred tax was recognised within the Group's deferred tax asset or liability following the principles described in the deferred tax accounting policy note Changes in the defined benefit pension scheme asset or liability arising from actuarial gains and losses in scheme liabilities and the movements on the valuation of scheme assets were recognised in the Statement of comprehensive income.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

1. **Accounting policies** *continued*

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.

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. Impairment of trade receivables is determined under IFRS 9 Financial Instruments using the simplified expected credit loss model that focusses on the risk that a debtor will default rather than whether a loss has been incurred. The model uses a provision matrix based on historical default rates and adjusted for forward looking considerations.

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. These financial statements have continued to apply the same accounting policy for cash flow hedges under IAS 39 through the transition period. The Group accounts for forward foreign currency contracts as a cash flow hedge. The effective part of the contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from highly probable forecast transactions, are measured at fair value with changes in fair value recognised directly in equity (the "cash flow hedge reserve").

The cumulative gain or loss 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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

1. **Accounting policies** *continued*

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'.

Government Grants

As a result off the Covid-19 pandemic the Group has utilised government support where it is available. This has been recognised in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Furlough payments have been recognised and set off against salary costs in the period relating to the intended compensation / grant. In the US, the Group received a government backed CARES loan amounting to £977,000, which is included in the balance sheet under current liabilities. Subject to meeting certain criteria relating to salaries, headcount and other costs the CARES loan will convert to a grant and will be recognised in the income statement, when it is confirmed that all relevant conditions have been met.

2. **Critical accounting estimates and judgements**

In preparation of consolidated financial statements under IFRS the Group makes estimates and assumptions regarding the future. 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.

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. There have been no changes in the provisioning methodology in the year but as a result of the adverse sales impact of Covid-19 adjustments have been made to the sales data used to determine the provision. Specifically sales for April during the peak of the worldwide lockdowns, when a large number of customers were closed have been disregarded as unrepresentative of future demand and would have resulted in a higher provision deemed unnecessary by management.

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. The Group recognises tax liabilities under IFRIC 23 *Uncertainty over income tax treatments* based on the expected value method of whether additional taxes and interest will be due. 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.

Screen Amortisation

The Groups capitalises the cost of screens and rollers used in the manufacturing of some of its fabric and wallpapers and the cost of showroom fabric and wallpaper sampling and amortises this cost over a period of four years being the estimated average useful life of a fabric and wallpaper design

Leases

Under IFRS 16 *Leases* the discount rate used to discount lease liabilities is based on the incremental borrowing rate. This is the market rate at which the Group believes it could borrow funds if it were to buy the leased asset outright. The Group uses its best estimate of the market rate that would be payable in the territory concerned based on a fixed margin above central bank base rates in force at the time when the lease liability is first recorded or remeasured.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

		Product Division		Decorating Division		Total	
		2020	2019	**2020**	2019	**2020**	2019
		£'000	£'000	**£'000**	£'000	**£'000**	£'000
3. **Revenue**	Primary Geographical Markets:						
	United Kingdom	**13,300**	14,889	**6,976**	6.620	**20,276**	21,509
	United States	**40,722**	41,533	**680**	458	**41,402**	41,991
	Europe	**13,169**	14,858	**789**	2,574	**13,958**	17,432
	Rest of the World	**2,210**	2,572	**518**	2,851	**2,728**	5,423
		69,401	73,852	**8,963**	12,503	**78,364**	86,355
	Revenue arises from:						
	Sale of goods	**69,401**	73,852	**7,903**	11,644	**77,304**	85,496
	Provision of services	**–**	–	**1,060**	859	**1,060**	859
		69,401	73,852	**8,963**	12,503	**78,364**	86,355

Revenue on Product Division sales and Decorating Division sales (inclduing antique sales) are recognised at a point in time.

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	
	2020	2019	**2020**	2019	**2020**	2019
Business segments	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue:						
Total revenue	**69,501**	73,964	**8,863**	12,391	**78,364**	86,355
Inter-segment revenue	**(100)**	(112)	**100**	112	**–**	–
Revenue from external customers	**69,401**	73,852	**8,963**	12,503	**78,364**	86,355
Segment result:						
Profit from operations	**3,234**	3,975	**153**	1,095	**3,387**	5,070
Finance income	**19**	25	**1**	–	**20**	25
Finance expense	**(1,198)**	–	**(33)**	–	**(1,231)**	–
Profit before taxation	**2,055**	4,000	**121**	1,095	**2,176**	5,095
Tax (expense)/credit	**(225)**	(1,046)	**(31)**	(219)	**(256)**	(1,265)
Profit for the year attributable to equity holders of the parent	**1,830**	2,954	**90**	876	**1,920**	3,830
Total assets	**61,906**	36,653	**6,680**	7,321	**68,586**	43,974
Total liabilities	**(37,498)**	(12,805)	**(2,878)**	(4,730)	**(40,376)**	(17,535)
Net assets	**24,408**	23,848	**3,802**	2,591	**28,210**	26,439
Capital expenditure	**3,049**	1,989	**133**	57	**3,182**	2,046
Depreciation	**2,875**	2,605	**196**	195	**3,071**	2,800

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

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

4. **Segmental analysis**
continued

Geographical segments	External revenue by location of customers **2020 £'000**	2019 £'000	Non-current assets by location of assets **2020 £'000**	2019 £'000
United Kingdom	**20,276**	21,509	**3,020**	2,677
United States	**41,402**	41,991	**5,190**	5,145
Europe	**13,958**	17,432	**314**	393
Rest of World	**2,728**	5,423	**–**	–
	78,364	86,355	**8,524**	8,215

5. **Operating expenses**

	2020 £'000	2019 £'000
Distribution and marketing costs	**28,021**	28,972
Administrative costs	**12,634**	12,817
Total operating expenses	**40,655**	41,789

6. **Other income**

	2020 £'000	2019 £'000
Furlough income	**280**	–

£253,000 of furlough income relating to and recorded in the reporting period was received in cash during the period.

£27,000 of furlough income relating to and recorded in the reporting period was received after the period end.

7. **Profit from operations**

This has been arrived at after charging/(crediting):	**2020 £'000**	2019 £'000
Audit services – group	**64**	50
Audit services – subsidiaries	**147**	131
Non-audit services – taxation compliance	**90**	96
Non-audit services – pensions	**10**	10
Depreciation of owned property, plant and equipment	**3,071**	2,800
Depreciation on right of use assets	**4,193**	–
Operating lease rentals – land and buildings	**412**	5,399
Operating lease rentals – plant and machinery	**–**	78
(Profit)/loss on the disposal of property, plant and equipment	**(28)**	8
Exchange losses	**197**	361
Pension costs (see note 24)	**432**	393

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

8. Staff costs

	2020 £'000	2019 £'000
Staff costs, including Executive Directors, were as follows:		
Wages and salaries	**16,594**	16,489
Social security costs	**1,963**	1,959
Pension costs	**432**	393
	18,989	18,841

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

	No.	No.
Distribution and marketing		
Executive directors	**2**	2
Other employees	**275**	292
Administration		
Executive directors	**2**	2
Other employees	**53**	56
	332	352

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 (2019 – nil).

	2020 £'000	2019 £'000
Directors' (key management personnel) remuneration was as follows:		
Emoluments	**1,499**	1,517
Pension contributions	**10**	17
Employers social security costs on directors' emoluments	**166**	172
	1,675	1,706
Emoluments of the highest paid director		
Emoluments	**650**	677

A full analysis of Directors' remuneration is provided on page 14 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 2020 (2019 – one). No directors participated in Group defined benefit pension schemes in 2020 (2019 – nil).

No directors (2019 – nil) exercised options in the year and no options were granted to directors in the year (2019 – nil).

9. Finance income and expense

	2020 £'000	2019 £'000
Finance expense:		
Finance costs on leases	**1,231**	–
	1,231	–
Finance income:		
Bank and other interest receivable	**20**	25

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

10. Tax expenses

	2020 £'000	2019 £'000
(a) Analysis of charge for the year		
UK corporation tax		
UK corporation tax on profits of the year	**214**	698
Adjustments in respect of previous years	**(13)**	1
	201	699
Overseas tax		
Overseas tax on profits of the year	**118**	599
Adjustments in respect of previous years	**20**	(13)
	138	586
Total current tax	**339**	1,285
UK deferred tax		
Origination and reversal of temporary differences	**82**	31
Adjustments in respect of previous years	**(14)**	3
	68	34
Overseas deferred tax		
Origination and reversal of temporary differences	**(145)**	(42)
Impact of overseas tax rate changes	**(6)**	(12)
	(151)	(54)
Total deferred tax	**(83)**	(20)
Total income tax expense	**256**	1,265

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.

	2020 £'000	2019 £'000
Profit before taxation	**2,176**	5,095
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	**413**	968
Effect of:		
Disallowed expenses	**96**	63
Adjustments in respect of prior period (current tax)	**7**	(12)
Adjustments in respect of prior period (deferred tax)	**(14)**	3
Rate differences	**(246)**	243
Total tax expense	**256**	1,265

11. Dividends

	2020 £'000	2019 £'000
Final (paid) of 2.7p (2018 - 2.6p) on 10 October 2019	**242**	253
Interim (paid) of 0.0p (2019 - 2.5p)	**–**	244
	242	497
Final dividend proposed for the year of 0.0p (2019 - 2.7p)	**–**	263

NOTES TO THE ACCOUNTS
For the year ended 30 April 2020

12. Earnings per share

Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £1,920,000 (2019 – £3,830,000) and on 8,962,440 (2019 – 9,738,402) 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 are the same as basic earnings per share as there are no outstanding share options in force at 30 April 2020.

13. 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 2019	240	9,291	6,922	318	8,217	24,988
Exchange adjustment	–	319	149	–	294	762
Additions	–	1,320	391	123	1,348	3,182
Disposals	–	–	(234)	(109)	(2,483)	(2,826)
At 30 April 2020	**240**	**10,930**	**7,228**	**332**	**7,376**	**26,106**
Depreciation:						
At 1 May 2019	82	5,985	4,882	216	5,608	16,773
Exchange adjustment	–	218	134	–	201	553
Charge for the year	4	927	631	68	1,441	3,071
Disposals	–	–	(231)	(101)	(2,483)	(2,815)
At 30 April 2020	**86**	**7,130**	**5,416**	**183**	**4,767**	**17,582**
Net Book Value:						
At 30 April 2020	**154**	**3,800**	**1,812**	**149**	**2,609**	**8,524**
At 1 May 2019	158	3,306	2,040	102	2,609	8,215

14. Leases

	2020 £'000 Land & Buildings	**2020 £'000 Other**	**2020 £'000 Total**
Right of use assets			
As at 1 May 2019	**21,711**	**232**	**21,943**
Additions to right of use assets – new leases	**11,383**	**–**	**11,383**
Depreciation on right of use assets	**(4,089)**	**(104)**	**(4,193)**
Effect of modification to lease terms	**(3,498)**	**–**	**(3,498)**
Foreign exchange movements	**420**	**2**	**422**
At 30 April 2020	**25,927**	**130**	**26,057**

	2020 £'000 Land & Buildings	**2020 £'000 Other**	**2020 £'000 Total**
Lease liabilities			
At 1 May 2019	**23,484**	**232**	**23,716**
Additions	**11,383**	**-**	**11,383**
Finance costs on leases	**1,226**	**5**	**1,231**
Effect of modification to lease terms	**(3,558)**	**-**	**(3,558)**
Lease payments	**(4,767)**	**(110)**	**(4,877)**
Foreign exchange movements	**495**	**2**	**497**
At 30 April 2020	**28,263**	**129**	**28,392**

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

14. Leases
continued

Lease liabilities are split between current and non-current liabilities as follows:

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Current	**4,612**	–	**1,400**	–
Non-current	**23,780**	–	**7,798**	–
	28,392	–	**9,198**	–

The majority of the Group's leases do not contain early termination options. During the year the Group did make a decision to exercise the right to terminate the lease of its US corporate head office and warehouse early, as part of the operation integration of US and UK Fabric Division operations in the UK. This accounts for the majority of the lease modification adjustment.

There were no variable lease payments associated with any of the Group's leases. Undiscounted lease liabilities relating to short term leases amounted to £412,000.

The maturity of lease liabilities is as follows:

	Group	Company
	£'000	£'000
Undiscounted amounts payable:		
Within one year	5,575	1,572
In two to five years	16,450	5,480
In over five years	11,211	3,301
Total gross future liability	**33,236**	**10,353**
Effect of discounting	**(4,844)**	**(1,155)**
Lease liability at 30 April 2020	28,392	9,198

The Company as lessor

As set out in the accounting policies note on leases the Company acts as a sub-lessor on a number of property leases used by UK subsidiary companies. The notional interest income receivable and payable by the Company on these leases for the year ended 30 April amounted to £264,000.

The total value and maturity profile of the inter-company finance lease receivables exactly matches the maturity of the Company lease liabilities as set out above. The undiscounted value of the inter-company finance lease receivables by the Company is £10,353,000 and the related unearned finance income is £1,155,000.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

15. Investments

	Shares £'000	Loans £'000	Total £'000
Company:			
At 30 April 2019	19,443	6,000	25,443
Loan repayment by subsidiary	–	(1,000)	(1,000)
At 30 April 2020	**19,443**	**5,000**	**24,443**

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	Holding Company for Cowtan and Tout Inc	19-23 Grosvenor Hill, London W1K 3QD
Colefax and Fowler Incorporated	2	Fabrics and Wallpapers	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 2020, the ESOP Trust owned 60,000 (2019 - 60,000) ordinary shares of 10p in the Company at cost, with a market value of £195,000 (2019 - £321,000). 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 or otherwise at the date of the statement of financial position.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

		2020 £'000	2019 £'000
16. **Inventories and work in progress**	Finished goods for resale	**14,474**	13,467
	Work in progress	**1,044**	1,456
		15,518	14,923

The cost of inventories recognised as an expense and included in cost of sales amounted to £19,924,000 (2019 – £22,362,000). The value of stock impaired/written off in the period amounted to £1,099,000 (2019 – £1,301,000).

		Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
17. **Trade and other receivables**	Trade receivables	**4,892**	6,927	**–**	–
	Less: provision for impairment of trade receivables	**(454)**	(389)	**–**	–
	Trade receivables net	**4,438**	6,538	**–**	–
	Finance lease receivable owed by subsidiary undertakings	**–**	–	**9,198**	–
	Amounts owed by subsidiary undertakings	**–**	–	**4,763**	4,750
	Other receivables	**701**	2,565	**116**	360
	Prepayments and accrued income	**1,360**	2,162	**131**	212
		6,499	11,265	**14,208**	5,322

There is no difference between the carrying amount and the fair value of the trade and other receivables.

The only impaired assets are within trade receivables.

The only financial asset that is subject to IFRS 9's expected credit loss model is trade receivables.

The Group has applied the IFRS 9 simplified approach to measure lifetime expected credit losses.

To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's bad debt experience in the 12 months to 30 April 2020.

On this basis, the total loss allowance for trade receivables as at 30 April 2020 is determined as follows:

	Current £'000	Up to 3 months overdue £'000	3-6 months overdue £'000	6-12 months overdue £'000	More than 12 months overdue £'000	Total £'000
Expected loss rate	3%	8%	31%	37%	67%	
Trade receivables	2,473	1,910	223	118	168	4,892
Loss allowance	78	150	69	44	113	454

Credit quality of financial assets

(i) Current

Included in the Group's trade receivable balances are receivables with a carrying value of £2,473,000 (2019 – £4,516,000) which are not overdue. Under the expected credit loss model, a provision is held for the lifetime credit loss on these balances of £72,000 (2019 – £34,000).

(ii) Current – individually impaired

As at 30 April 2020, trade receivables which were not overdue of £6,000 (2019 – NIL) were individually determined to be impaired and provided for. The amount of the provision was £6,000 (2019 – NIL).

The main factor used to assess the impairment of trade receivables is the circumstances of the individual customer.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

17. Trade and other receivables *continued*

(iii) Overdue

Included in the Group's trade receivable balances are receivables with a carrying value of £2,257,000 (2019 – £2,184,000) which are overdue at the reporting date for which the Group does not consider the need to create a specific impairment provision against individually identified receivables, but an expected credit loss provision has been made of £214,000 (2019 – £128,000).

(iv) Overdue – individually impaired

As at 30 April 2020, trade receivables of £162,000 (2019 – £227,000) were individually determined to be impaired and provided for. The amount of the provision was £162,000 (2019 – £227,000). The main factor used to assess the impairment of trade receivables is the circumstances of the individual customer.

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

	2020 £'000	2019 £'000
At beginning of year	**389**	407
Provided during the year	**203**	350
Receivables written off as uncollectable	**(101)**	(171)
Unused amounts reversed	**(41)**	(201)
Exchange differences	**4**	4
At end of year	**454**	389

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

	2020 £'000	2019 £'000
Sterling	**2,251**	3,204
Euro	**1,036**	1,335
US Dollar	**1,041**	1,792
Other	**110**	207
At end of year	**4,438**	6,538

18. Cash and cash equivalents

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash at bank and in hand	**11,538**	9,458	**64**	–
Bank overdrafts	**–**	–	**–**	(2,031)
	11,538	9,458	**64**	(2,031)

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.

Included within cash is a CARES loan of £977,000 to the US Company. Subject to meeting certain criteria as at 30 June 2020, this loan becomes a grant. It is anticipated that the criteria will be met (see note 19).

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

		Group		Company	
		2020	2019	**2020**	2019
		£'000	£'000	**£'000**	£'000
19. **Current liabilities**	Amounts owed to subsidiary undertakings	**–**	–	**511**	60
	Other loan (see note 18)	**977**	–	**–**	–
	Bank overdraft	**–**	–	**–**	2,031
	Trade payables	**4,411**	3,669	**–**	–
	Accruals	**2,759**	4,191	**60**	84
	Payments received on account	**2,105**	3,502	**–**	–
	Corporation tax	**–**	669	**–**	–
	Other taxes and social security costs	**515**	719	**–**	–
	Other payables	**1,217**	2,747	**–**	–
	Forward foreign currency contracts	**–**	19	**–**	–
		11,984	15,516	**571**	2,175

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.

Other loans consists of a CARES loan to the US Company. Subject to meeting certain criteria as at 30 June 2020, this loan becomes a grant. It is anticipated that the criteria will be met. If the criteria are not met, the loan would become repayable within 2 years at an interest rate of 0.98%. In this case it is likely that the loan would be repaid immediately.

Significant changes in payments received on account of £1,397,000 (2019 – £1,037,000) solely relates to cash received in advance of performance not recognised as revenue and amounts are taken to revenue upon satisfaction of the relevant performance obligation.

NOTES TO THE ACCOUNTS
For the year ended 30 April 2020

20. Deferred taxation

	2020 £'000	2019 £'000
Deferred taxation has been provided as follows:		
Accelerated capital allowances on property, plant and equipment	**872**	802
Excess of depreciation over capital allowances on property, plant and equipment	**–**	(18)
Short-term temporary differences	**(626)**	(871)
Tax losses	**(364)**	–
	(118)	(87)

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	**(118)**	(113)
Deferred taxation included in non-current liabilities	**–**	26
	(118)	(87)

	2020 £'000	2019 £'000
At 1 May	**(87)**	(162)
Charged to the income statement (note 9)	**(83)**	(20)
Charged/(credited) directly to other comprehensive income	**54**	93
Translation adjustment	**(2)**	2
At 30 April	**(118)**	(87)

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

	2020 £'000	2019 £'000
Cash flow hedge reserve	**4**	4
Deferred tax on long-term loan foreign currency movements	**50**	100
Deferred tax on overseas defined benefit pension scheme movements	**–**	(11)
Other movements in deferred tax	**–**	–
At 30 April	**54**	93

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

21. Financial instruments

The financial instruments of the Group as classified in the financial statements as at 30 April 2020 can be analysed under the following IFRS 9 categories

	Assets at fair value trhough profit or loss		Amortised cost		Total	
	2020	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Financial assets						
Trade and other receivables	**–**	1,520	**5,139**	7,583	**5,139**	9,103
Cash and cash equivalents	**–**	–	**11,538**	9,458	**11,538**	9,458
Total	**–**	1,520	**16,677**	17,041	**16,677**	18,561

	Liabilities at fair value trhough profit or loss		Other financial liabilities		Total	
	2020	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Financial liabilities						
Trade and other payables	**–**	1,520	**7,169**	7,860	**7,169**	9,380
Other loans (see note 19)	**–**	–	**977**	–	**977**	–
Forward foreign currency contracts	**–**	19	**–**	–	**–**	19
Total	**–**	1,539	**8,146**	7,860	**8,146**	9,399

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.

Financial assets and liabilities at fair value through profit and loss consist of a deferred compensation plan for selected US employees. The deferred compensation plan was closed in the prior year and all plan assets have now been paid out. The plan assets and liabilities were valued by reference to observable quoted prices in active markets.

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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

21. **Financial instruments** *continued*

Liquitity Risk

The Group's objective is to maintain an appropriate balance between continuity of funding and flexibility through the use of multi-currency overdrafts and bank loans. The Group has various borrowing facilities available to it amounting to £3.0 million (2019 - £3.0 million). The undrawn committed facilities available at 30 April 2020 in respect of which all conditions had been met at that date total £3.0 million (2019 - £3.0 million). Group borrowing facilities are reviewed annually with HSBC.

Other loans, comprising a CARES loan to the US company, fall due within one year, since if the criteria for conversion to a grant are not met, it is likely that the full amount will immediately be repaid. The Group's trade and short-term creditors all fall due within 60 days. At 30 April 2020 the Group's trade payables were £4.4 million (2019 – £3.7 million) and trade receivables were £4.4 million (2019 - £6.5 million) giving a ratio of 1.0 (2019 – 1.8). This, together with the Group's cash balances and unused borrowing facility, constitutes a relatively 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 53% 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. At 30 April 2020 there were no forward foreign currency contracts in place.

The Group's profit is reduced by approximately £105,000 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 21% 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 £11.5 million (2019 - £9.5 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.

NOTES TO THE ACCOUNTS
For the year ended 30 April 2020

21. **Financial instruments** *continued*

At 30 April 2020, the Group had no forward foreign currency contract arrangements to sell US dollars. All hedged transactions held at the previous year end have now occurred.

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

	2020 **£'000**	2019 £'000
Fair value of forward foreign currency contracts - asset / (liability)	**–**	19

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 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. No share buy backs took place during the current year. Buy back cost movements in reserves relate to the prior year tender offer.

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 2020 can be analysed under the following IFRS 9 categories:

	Amortised cost		Total	
	2020 **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Financial assets				
Intercompany and other receivables	**14,077**	5,110	**14,077**	5,110
Total	**14,077**	5,110	**14,077**	5,110

	Other financial liabilities		Total	
	2020 **£'000**	2019 £'000	**2020** **£'000**	2019 £'000
Financial liabilities				
Finance lease liabilities	**9,198**	–	**9,198**	–
Intercompany and other payables	**511**	60	**511**	60
Bank overdrafts	**–**	2,031	**–**	2,031
Total	**9,709**	2,091	**9,709**	2,091

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 (2019 - £3.0 million) which is available to the UK companies in the Group.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

22. Share capital

	Authorised 2020	Authorised 2019	Alloted, called up and fully paid 2020	Alloted, called up and fully paid 2019
Ordinary shares of 10p each	**£3,300,000**	£3,300,000	**£902,244**	£902,244
Number of shares	**33,000,000**	33,000,000	**9,022,440**	9,022,440

	Alloted, called up and fully paid			
	2020 Number	**2020 £**	2019 Number	2019 £
Ordinary shares of 10p each At beginning of year	**9,022,440**	**902,244**	9,807,000	980,700
Purchase of own shares for cancellation	**–**	**–**	(784,560)	(78,456)
At end of year	**9,022,440**	**902,244**	9,022,440	902,244

Details of shareholdings of Directors are shown in the Directors Report on page 14.

23. Reserves

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Allotted called up and fully paid
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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

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 £432,000 (2019 – £393,000).

Until June 2019, the Group's US subsidiary, Cowtan & Tout Incorporated, operated a funded defined benefit pension scheme. This scheme related 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 was closed to new members and all benefits had been frozen, assumptions concerning inflation and the rate of increase of salaries, pensions and deferred pensions were not applicable.

The rate used to discount scheme liabilities was 3.21% (2019 – 3.6%, 2018 - 3.85%). The market value of investments at 30 April 2020 was NIL (2019 – £971,000 with an expected long term rate of return of 5.0%, 2018 - £986,000 with an expected long term rate of return of 6.5%). Due to the nature of the investments, the actuarial value of the assets and the market value were the same. The present value of scheme liabilities at 30 April 2020 was NIL (2019 - £972,000, 2018 – £952,000). As at 30 April 2020 there is no net pension asset or liability (2019 – liability of £1,000, 2018 – asset of £34,000) and consequently nothing is included in the Group statement of financial position (2019 – liability of £1,000, 2018 – asset of £34,000). There is no expected group rebate from the scheme for the year ended 30 April 2021.

A decision was made to close the scheme in the year and a settlement of £1,078,000 has been made. The settlement is the purchase of annuities or lump sum payments depending on the preference of the scheme members.

The fair value of the assets in the scheme and the expected rate of return at 30 April 2020 were:

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Cash and cash equivalents	**–**	–	–	–	–
Fixed income	**–**	322	321	196	144
Equities	**–**	649	665	811	707
Total market value of assets	**–**	971	986	1,007	851
Present value of scheme liabilities	**–**	(972)	(952)	(1,062)	(1,021)
Net pension (liability)/asset	**–**	(1)	34	(55)	(170)

Reconciliation of plan assets:

	2020 £'000	2019 £'000
At beginning of year	**971**	986
Exchange gain/(loss)	**30**	96
Contributions by Group	**95**	–
Benefits paid	**(17)**	(100)
Actuarial (loss)/gain	**(1)**	(11)
Settlements	**(1,078)**	–
At end of year	**–**	971

Reconciliation of plan liabilities:

	2020 £'000	2019 £'000
At beginning of year	**972**	952
Exchange increase	**30**	100
Interest cost	**6**	37
Benefits paid	**(17)**	(100)
Actuarial increase/(decrease)	**87**	(17)
Settlements	**(1,078)**	–
At end of year	**–**	972

NOTES TO THE ACCOUNTS

For the year ended 30 April 2020

24. **Pension commitments** *continued*

History of experience gains and losses:

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Actuarial return on scheme assets (£'000)	**–**	(11)	(8)	65	(63)
As a % of plan assets	**(0%)**	(1.2%)	-0.8%	6.8%	-7.5%
Actuarial (increases)/reductions on scheme liabilities (£'000)	**–**	(17)	(40)	36	(36)
As a % of plan liabilities	**(0%)**	(1.7%)	4.2%	-2.6%	3.6%

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 2020, the value of subsidiary overdrafts covered by the guarantee amounted to £nil (2019 – £nil).

The Company has given bank guarantee to HMRC in respect of deferred duty payments owed by UK subsidiaries up to a value of £100,000 (2019 – £100,000).

The Company acts as guarantor on certain US leases in the name of its US subsidary Cowtan and Tout Inc. The minimum undiscounted value of lease liabilities at 30 April 2020 amounted to £13.1 million (2019 – £4.9 million).

26. **Related party transactions**

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

	2020 £'000	2019 £'000
Interest charged on long-term loans to Colefax and Fowler Holdings Limited	**109**	139

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

	2020 £'000	2019 £'000
Colefax and Fowler Holdings Limited	**4,940**	5,940
Colefax and Fowler Limited	**4,531**	4,701
Kingcome Sofas Limited	**(451)**	32
Sibyl Colefax and John Fowler Limited	**232**	17
	9,252	10,690

The Company received dividend income from subsidiaries in the year of £650,000 (2019 - £3,600,000).

27. **Events after the reporting date**

The Group's year end took place in the middle of worldwide lockdowns to control the coronavirus pandemic.

Since the year end the lockdowns have been gradually eased and the recovery in sales in our major markets is documented in the Chairman's Statement.

FIVE YEAR REVIEW

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Revenue from continuing operations	**78,364**	86,355	86,052	80,475	76,879
Profit from continuing operations*	**3,387**	5,070	4,721	2,937	5,013
Profit before taxation from continuing operations*	**2,176**	5,095	4,719	2,937	5,016
Profit attributable to shareholders*	**1,920**	3,830	3,832	1,895	3,461
Basic earnings per share from continuing operations*	**21.4p**	39.3p	38.1p	18.6p	32.2p
Diluted earnings per share from continuing operations*	**21.4p**	39.3p	38.1p	18.6p	32.2p
Dividends per share	**0.0p**	5.20p	5.00p	4.80p	4.60p
Equity	**28,210**	26,439	27,419	25,936	26,318
Operating cash flow*	**10,579**	7,907	8,909	4,180	7,195
Cash and cash equivalents	**11,538**	9,458	9,177	6,710	10,085

* Current year figures reflect the adoption of IFRS 16 Leases – See Note 14 to the Accounts.

NOTICE OF MEETING

Notice is hereby given that the 2020 Annual General Meeting of Colefax Group plc will be held at 19-23 Grosvenor Hill, London W1K 3QD on 19 October 2020 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 to 30 April 2020, together with the reports of the directors and the auditors thereon.

2. 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.

3. To authorise the Directors to determine the remuneration of the auditors.

4. To re-elect David Green who retires by rotation.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions.

5. 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 £300,748 for a period expiring (unless previously renewed, varied or revoked by the Company in a 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 £300,748 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.

6. THAT, subject to the passing of resolution 5 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 5 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 £45,112.

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.

7. THAT in place of all existing authorities (save to the extent relied upon prior to the passing of this resolution), the Company be generally and unconditionally authorised in accordance with Section 701 of the Companies Act (the “Act”) to make one or more market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company (“ordinary shares”) provided that:

   (a) the maximum aggregate number of ordinary shares authorised to be purchased is 1,353,366 representing 15% of the issued ordinary share capital;

   (b) the minimum price which may be paid for an ordinary share is 10p;

   (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;

   (d) this authority expires on the fifth anniversary of the date of the passing of the resolution; and

   (e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the Board
R. M. Barker BSc ACA
Secretary
11 September 2020

Registered Office
19-23 Grosvenor Hill
London W1K 3QD

NOTICE OF MEETING

Notes:

1. **Arrangements for the meeting – Covid-19 outbreak**
   The continuing Covid-19 pandemic has led to the imposition of severe restrictions on public gatherings which remain in place at the date of publication of this Notice. The Company therefore wishes to notify its members that physical attendance in person at the AGM will not be possible and that the meeting will take place with the minimum necessary quorum of two members, which will be facilitated by the Company in line with the Government's social distancing advice.

   Pending further developments, the Board:

   - Encourages members to submit their votes via proxy as early as possible, and members should appoint the Chairman of the meeting as their proxy. If a member appoints someone else as their proxy, that proxy will not be able to attend the AGM in person or cast the member's vote. All proxy appointments should be received by no later than 11.00 am on 15 October 2020.
   - Strongly recommends CREST members to vote electronically through the CREST electronic proxy appointment service as your vote will automatically be counted.
   - Proposes that voting at the meeting will be conducted by means of a poll on all resolutions, with each member having one vote for each share held, thereby allowing all those proxy votes submitted and received prior to the meeting to be counted.
   - Encourages members to submit any question that they would like to be answered at the meeting by email to Rob.Barker@colefax.com so that it is received by no later than 6.00 p.m. on 16 October 2020. The Company will endeavour to respond to all questions received from members within seven days following the AGM.
   - Will continue to closely monitor the Covid-19 situation in the lead up to the meeting and make further updates about the meeting on the Company's website at https://www.colefaxgroupplc.com/. Please ensure that you regularly check this page for updates.

   The Company is taking these precautionary measures to comply with the enhanced restrictions on travel and public gatherings imposed by the UK Government and to safeguard its members' and the Company's employees' health, and to make the meeting as safe and as efficient as possible.

2. 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 however, in the current circumstances, please see note 1 above. 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.

3. 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.

4. 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 19 October 2020.

5. 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 16 October 2020 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 16 October 2020 (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.

6. As at 10 September 2020 (being the last business day prior to the date of this notice) the Company's issued share capital consisted of 9,022,440 ordinary shares each carrying one vote per share. Accordingly the total number of voting rights in the Company as at 10 September 2020 were 9,022,440.

7. 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.

NOTICE OF MEETING

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.

8. Any member attending the meeting has the right to ask questions.

9. 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.

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