COLEFAX GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2021

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

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

FINANCIAL HIGHLIGHTS

	2021 £'000	2020 £'000	Increase/ (Decrease)
Revenue	**77,908**	78,364	(1)%
Profit from operations	**6,489**	3,387	92%
Profit before taxation	**5,422**	2,176	149%
Profit attributable to shareholders	**4.046**	1,920	111%
Basic earnings per share	**45.1p**	21.4p	111%
Diluted earnings per share	**45.1p**	21.4p	111%
Dividends per share	**0.0p**	0.0p	n/a
Equity	**31,108**	28,210	10%
Operating cash flow less lease payments	**12,355**	5,702	117%
Net cash	**19,344**	11,538	68%

CHAIRMAN'S STATEMENT

Financial Results

Group sales for the year to 30 April 2021 decreased by 1% to £77.91 million (2020 – £78.36 million) but increased by 2% on a constant currency basis. Pre-tax profits increased by 149% to £5.42 million (2020 – £2.18 million) and earnings per share increased by 111% to 45.1p (2020 – 21.4p). The Group ended the year with cash of £19.3 million (2020 – £11.5 million).

The Board is not proposing the payment of a final dividend for the year ended 30 April 2021 but intends to restart dividend payments in respect of the year ended 30 April 2022. Going forward it is the Board's intention to return to a progressive dividend policy. The Board will continue to review options for returning surplus cash to shareholders in line with the Group's long running share buyback strategy.

The financial year started in the middle of the first worldwide lockdowns and the timing of our year end on 30 April means that our results for both the current and prior year have been significantly impacted. The principal reason for the increase in profit was a strong recovery in Fabric Division sales which ended the year up by 6.7% on a constant currency basis. This recovery started after the first lockdowns ended and continued through the remainder of the year. In contrast our Decorating Division made a pre-tax loss of £680,000 due to project delays and travel restrictions caused by the pandemic. Group profit includes furlough income of £540,000 (2020 – £280,000) and £922,000 from a prior year coronavirus related US CARES loan which was approved as a grant and recognised as income in April 2021.

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 89% of Group turnover, increased by 3.8% to £69.58 million (2020 – £67.03 million) and by 6.7% on a constant currency basis. Pre-tax profit increased by 197% to £5.81 million (2020 – £2.0 million). Prior year profit included exceptional costs of £714,000 relating to the move of our US Fabric Division operations to the UK.

The improvement in Fabric Division profit was partly due to cost reductions resulting from lower levels of new product investment during the year. Furlough income amounted to £427,000 with the majority of this amount claimed in the peak lockdown months of May, June and July 2020. In addition a prior year US CARES loan of £922,000 was only approved as a grant and recognised as income in April 2021, hence distorting profits between the current and prior year.

The financial year began with the majority of our customers and suppliers closed or partially closed due to the first lockdowns. Sales were significantly down in the first quarter but started to recover as soon as the lockdowns ended and continued to recover for the remainder of the financial year despite subsequent lockdowns. We attribute this recovery to a significant increase in housing market activity and home related spending.

Sales in the US, which represent 61% of the Fabric Division's turnover, increased by 3% and by 8% on a constant currency basis. The US has been our strongest market throughout the pandemic with a lower decline in sales during the initial lockdown and a stronger recovery post lockdown.

During the year we completed the transfer of the majority of our US warehouse operations to the UK and moved our US headquarters out of New York City to smaller office and warehouse premises in Brooklyn. Going forward this will reduce costs and improve efficiency. In March we moved to a new showroom in the Chicago Design Center and we are pleased with the positive reaction from customers.

Sales in the UK, which represent 16% of the Fabric Division's turnover, increased by 1%. The UK market recovered quickly after the first national lockdown ended in June 2020 and the impact of subsequent lockdowns in the second half of the year was much less significant than the first lockdown due to more customers managing to continue trading and strong demand for home related products.

Sales in Continental Europe, which represent 21% of the Fabric Division's turnover, increased by 11% and by 9% on a constant currency basis. The increase is due to the fact that the first European lockdowns started earlier and had a bigger impact in the prior year than they did in the UK and the US.

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Brexit appears to have had a relatively modest impact on our European sales but it has had a significant impact on costs and complexity. An unexpected twist in the free trade agreement means that fabrics sourced from EU manufacturers are subject to import duty when re-exported from the UK to EU customers. Together with higher freight and administration charges the result is that costs have increased by approximately £900,000 per year as a result of Brexit.

Sales in the Rest of the World, which represent just 2% of the Fabric Division's turnover, decreased by 4% during the year. Our major markets in the Rest of the World are the Middle East, China and Australia and these are likely to remain a small proportion of total Fabric Division sales.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which represent 4% of Product Division sales, increased by 7% to £2.53 million (2020 – £2.37 million) but were 6% lower than pre-pandemic sales for the year ended 30 April 2019. Pre-tax profit increased by 188% to £288,000 (2020 – £100,000). The increase in sales and profit was partly due to the fact that relatively few deliveries were possible in April of the prior year during the first national lockdown and took place in the current year. Furniture sales recovered very quickly when our Fulham Road showroom re-opened after the first lockdown. However, subsequent lockdowns and showroom closures starting in November and December did have an adverse impact on orders because most customers like to visit the showroom before making a buying decision. The order book at the year end was down 25% on the prior year but has subsequently increased to above prior year levels reflecting strong pent up demand for furniture.

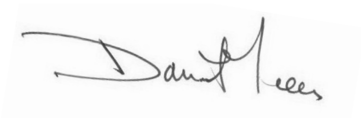
Interior Decorating Division

Decorating sales, which account for 7% of Group turnover, decreased by 35% to £5.79 million (2020 – £8.96 million) resulting in a pre-tax loss for the year of £680,000 (2020 – £121,000 profit). In a normal year around 40% of sales would come from overseas projects but for much of the year it was not possible to travel overseas to visit new and existing customer's premises. The UK lockdowns also adversely impacted sales and profit by slowing the rate of progress on domestic projects. Despite these challenges, demand for decorating work has remained strong and partly due to delays to existing projects, customer deposits ended the year at a record level of £5.8 million.

Prospects

We are currently experiencing strong demand in all areas of the business and believe this is a direct consequence of the lockdowns with end customers either moving house or re-decorating their existing home. Although we are optimistic about sales prospects, it is not yet clear how long these favourable conditions will last. In addition, two factors will weigh on profits in the current year. Firstly, Sterling has strengthened significantly against the US Dollar since a Brexit trade deal was announced in January and Group profits are very sensitive to the US Dollar exchange rate. Secondly, Brexit has resulted in a significant increase in the cost of selling in EU markets. In our Decorating Division we are expecting an exceptional year but this is partly due to the completion of projects delayed from the prior year.

The last year has been unprecedented and uniquely challenging for all our customers, suppliers and staff. I am extremely grateful to our staff who have worked tirelessly to respond to new situations and new ways of working which prioritise health and safety. They have kept the business running smoothly in constantly changing circumstances and I would like to thank them for their hard work, loyalty and support.



David Green
Chairman
11 August 2021

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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 Group's fabric and wallpapers are sold in over 50 countries worldwide. The largest and most important market for the Group is the US which accounts for approximately 61% 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 second largest market is the UK which accounts for 17% of sales and the third largest individual country is France which accounts for 5% of total sales.

The Group mainly sells to interior designers and retail fabric and wallpaper 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 less than 1% of Fabric Division sales.

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 are sourced from over 120 different high end manufacturers around the world but based primarily in Italy, India, Belgium and the UK. This broad supplier base enables the Group to respond rapidly to changing market tastes and avoids the complexity and capital intensive nature of manufacturing.

The Group 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 Group's existing brand portfolio was built through acquisitions and the Group is interested to acquire additional fabric and wallpaper brands. The high end fabric industry is still relatively fragmented with a large number of independent competitors. The core criteria for acquisitions are that they must complement the existing portfolio and offer geographical and operational synergies. The biggest challenge is finding vendors who are prepared to sell at a realistic price especially as product life cycles have tended to get shorter in recent years. In the absence of acquisitions 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 luxury English brand renowned for its subtlety and classical elegance. Jane Churchill is an English brand with a reputation for contemporary elegance and artistic style. It is targeted at a lower price point than Colefax and Fowler. Larsen is a modern US brand famous for its luxurious textural woven fabrics. Manuel Canovas is an iconic, quintessentially French fabric brand based in Paris and famous for its bold designs and vibrant colour palette. Cowtan and Tout is a very high end luxury US brand sold exclusively in the US market and renowned for its unique, elegant and colourful designs.

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 38 highly skilled staff and this is the Group's only manufacturing activity. The majority

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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. For segmental reporting purposes the furniture company is grouped with the fabric and wallpaper brands to make up the 'Product Division'.

The Group also owns an ultra-luxury interior design business founded in 1933 and trading as Sibyl Colefax and John Fowler Limited. 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 7% 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 five Design Directors and four 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 economic cycles.

The Decorating Division includes a decorative antiques business which accounts for about 15% of its sales. Although antique sales are a relatively small part of the total they are strategically important to the Decorating Division. The majority of decorating sales relate to a relatively small number of high value projects which means that, depending on the timing of these projects, there can be significant fluctuations in profits from year to year which sometimes have a material impact on the Group's results.

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

	2021	2020
Constant Currency Sales Growth	**1.8%**	-10.5%
Gross Profit Margin	**56.4%**	55.8%
Pre Tax Profit Margin	**7.0%**	2.8%
Earnings Per Share	**45.1p**	21.4p
Operating Cash Flow less lease cash flows	**£12.4m**	£5.7m

Constant Currency Sales Growth
Reported Group sales decreased by 0.6% to £77.91 million (2020 – £78.36 million) but increased by 1.8% on a constant currency basis. In our core Fabric Division sales increased by 6.8% on a constant currency basis. In our major markets constant currency sales were up 7.9% in the US, 0.8% in the UK and 9.35 in Europe. The differences are mainly explained by the timing and duration of lockdowns in the current and prior year. Group sales have always been closely linked to the health of the high end housing market and tend to lag any changes. The lockdowns to control the pandemic have resulted in a surge in housing market activity and refurbishment spending as people re-evaluate where and how they want to live and work. We believe this explains the strong ongoing sales recovery we have experienced since the first lockdowns eased.

Decorating Division sales were down by 35% at £5.79 million (2020 – £8.96 million). This activity was the part of the Group most affected by the pandemic as for much of the year it was not possible to travel and work overseas and progress on domestic residential contracts was slowed by the lockdowns. Under IFRS 15 Revenue Recognition revenue is recognised on completion on projects. Underlying demand increased steadily during the year as evidenced by a significant increase in work in progress and customer deposits and subject to the timing of project completions a strong recovery in revenue is expected next year.

Gross Profit Margin
The overall gross profit margin increased by 0.6% from 55.8% to 56.4% despite a weaker US Dollar average rate of $1.33 compared to $1.27 for the prior year. The increase is explained by a reduction in the proportion of lower margin Decorating Division sales from 11% to 7% of Group sales. In the Fabric Division the gross margin achieved is heavily influenced by the Sterling to US Dollar exchange rate. This is because 62% of sales are invoiced in US Dollars but the majority of goods sold are purchased from suppliers in Sterling or Euros. Every one cent movement in the Sterling US Dollar exchange rate affects gross margin by approximately £115,000. 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. Next year gross profit margins are expected to reduce due to a further decline in the US Dollar average rate, a full year of EU import duty costs and a higher proportion of lower margin Decorating Division sales.

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

	2021	2020	% change
US dollar average	**1.33**	1.27	-5%
US dollar closing	**1.38**	1.25	-10%
Euro average	**1.13**	1.14	1%
Euro closing	**1.15**	1.14	-1%

Pre Tax Profit Margin
Group pre-tax profit increased by 149% to £5.42 million (2020 – £2.18 million) representing a pre-tax profit margin of 7% (2020 – 2.8%). The increase in profit despite a 1% decline in sales requires explanation and is mainly due to the following factors. The most significant of these was a much lower level of new product investment in the Fabric Division in response to the challenges caused by the pandemic. This reduced the sampling, marketing, travel and other costs associated with new product launches. Secondly prior year profit was severely impacted by the first lockdowns to control the pandemic with a £4.2 million reduction in high margin Fabric Division sales in the last six weeks of the year and relatively little opportunity to reduce costs in that short time period. Thirdly, prior year profit included exceptional costs of £714,000 relating to the move of the bulk of our US warehouse operations to the UK. Fourthly a coronavirus related US CARES loan received in the prior year and amounting to £922,000 was only approved as a grant and recognised as profit in the current year. It should be noted that current year profit would have been higher but our Decorating Division was adversely affected by lockdowns and travel restrictions and made a pre-tax loss of £680,000 (2020 – £121,000 profit).

Earnings Per Share
Earnings per share increased by 111% to 45.1p (2020 – 21.4p). This compares to an increase in pre-tax profit of 149%. The difference is due to an exceptionally low Group tax charge of just 11.7% in the prior year compared to a more normal 25.4% tax charge for the current year.

In prior years Earnings per Share have benefitted from the Group's long running share buyback program. Since the pandemic started buybacks have been put on hold and no dividends have been paid. As we emerge from the pandemic it is apparent that one of the consequences of the lockdowns has been an increase in housing activity and spending on interior decoration. The Group has a strong balance sheet with cash of £19.3 million some of which is surplus to the Group's ongoing capital requirements. As a result the Board will continue to review options for returning surplus cash to shareholders in line with the Group's share buyback strategy. Since 1999 share buybacks have returned £35.1 million to shareholders and reduced the number of shares in issue from 28.54 million to 9.02 million.

Operating Cash flow less lease cash flows
The Group's operating cash flow less lease cash flows increased by £6.65 million to £12.36 million (2020 – £5.7 million). Since the introduction of IFRS 16 *Leases* last year, operating cash flow alone is no longer a meaningful performance indicator because lease payments are recorded under financing activities despite being fundamental to operations. The Group has significant lease payments, partly explained by our network of US trade showrooms which are a key component of the US business model.

The cash generated during the year was very exceptional and the increase was mainly due to a number of one-off factors related to the pandemic which will not be repeated going forward. When the pandemic started to affect the business in March 2020 dividend payments were halted and no payments have been made since that date. For logistical and commercial reasons new product investment was significantly reduced, temporarily boosting operating profit and cash flow from operations. Operating profit and cash flow was also helped by furlough income of £540,000. Capital expenditure during the year, including capital expenditure relating to new product, was lower than normal at £1.89 million compared to depreciation of £2.9 million. Finally, customer deposits in the Decorating Division increased by £3.9 million but related work in progress only increased by £1.5 million as the rate of progress on projects was delayed and slowed by pandemic restrictions.

Balance Sheet
The Group ended the year with a strong balance sheet comprising net assets of £31.1 million (2020 – £28.2 million) including cash of £19.3 million (2020 – £11.5 million). This is the second year that we have reported under IFRS 16 *Leases* and the balance sheet includes right of use assets relating to property leases of £28.5 million (2020 – £26.1

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million) and related lease liabilities of £30.3 million. The increase is mainly due to new US leases associated with the move to smaller office and warehouse premises in Brooklyn, New York. The timing of lease renewals means that lease liabilities are expected to fall significantly over the next few years. Excluding lease liabilities the largest item in the balance sheet is finished goods inventory which decreased by £1.6 million during the year to £12.9 million (2020 – £14.5 million). The decrease is partly because finished goods were elevated at the prior year end due to low sales during the first lockdowns. However, as sales continue to recover inventory levels are expected to increase significantly in the year ahead.

Trade and other payables increased by £7.2 million to £18.2 million (2020 – £11.0 million). The largest part of this increase relates to a £3.9 million increase in Decorating Division deposits which increased steadily during the year due to a combination of new projects and slow progress on the completion of existing projects as a result of the pandemic.

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 current trading 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 Coronavirus pandemic is a new and unprecedented business risk that emerged towards the end of the last financial year. Since the first lockdowns in March 2020 the Group has been able to remain operational by adopting flexible working practices and following government health and safety guidelines and the impact of subsequent lockdowns has been less severe than originally expected. The main controls in place to mitigate the coronavirus risk involve actions to conserve cash, reduce costs and remain operational wherever possible by adopting appropriate health and safety measures.

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 £115,000. The Group has historically hedged 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, although the Group did not have any hedging contracts in place at 30 April 2021.

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 £12.9 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 the discontinuation of slow selling items. 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

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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.

Section 172 Statement
The Directors are aware of their responsibility to promote the success of the Company and the Group 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 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. During the year the Group completed the transfer of the majority of it US warehouse operations to the UK and signed new leases for smaller office and warehouse premises in Brooklyn, New York. Since 1999 the Group has had a policy of returning surplus cash to shareholders through share buybacks.

Having regard to the Interests of the Group'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 Group. 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. Wherever possible during the pandemic employees were provided with laptops and other IT equipment to enable them to work safely from home. As restrictions have eased the Group has adopted a flexible approach to working from home where it is considered viable and mutually beneficial.

Having regard to the need to foster the Group'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 heavily dependent on the talent, expertise and reliability of over 120 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 Group'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 local 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 striving to minimise 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.

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During the pandemic the Group commissioned specially printed protective masks in colourful designs at a cost of £41,000 and distributed them to local NHS hospitals in London.

The desirability of the Group 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 Company's main methods of communication with shareholders are the Annual and Interim Report, the AGM and RNS announcements. For many years the Company 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.

The above report was approved by the Directors on 11 August 2021 and signed on its behalf by:

R. M. Barker

R. M. Barker BSc
ACA Group Finance Director

DIRECTORS, BANKERS AND ADVISERS

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

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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 9.

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 as at the date of the Annual General Meeting 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 as at the date of the Annual General Meeting 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 issued share capital of the Company as at the date of the Annual General Meeting, 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 as at the date of the Annual General Meeting, 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 £4,046,000 (2020 – £1,920,000). As a result of uncertainty caused by the Covid-19 pandemic no interim dividend was paid during the year. The Directors are not proposing the payment of a final dividend for the year ended 30 April 2021 but the Board intends to restart dividend payments in respect of the year ended 30 April 2022. Going forward it is the Board's intention to return to a progressive dividend policy.

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.

DIRECTORS' REPORT

Events after the Reporting Date
Since the year end there has been an ongoing easing of worldwide restrictions to control the coronavirus pandemic. Trading has continued to recover across all areas of the Group's business and further details are provided in the Chairman's Statement on pages 2 and 3.

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 £151,000 at 30 April 2021 (2020 – £154,000).

Directors
The Directors listed on page 10 have held office throughout the year to 30 April 2021 and up to the date of this report.

David Green – Chairman and Chief Executive, Age 75
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 55
Key Hall joined the Group in 1993 to set up and run the company's Los Angeles showroom. Prior to joining the Group she 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 73
Wendy Nicholls joined Colefax and Fowler in 1975 and was made a partner in the Decorating Division in 1979. She has extensive experience in all aspects of interior decoration and has been Managing Director of the Decorating Division and a Group Board Director since 1994.

Alan Smith – Non-Executive Director, Age 80
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, Key Hall will retire by rotation at the Annual General Meeting. Resolution 4 proposes his re-election as Director. Key Hall has a service contract which is terminable by one year's notice by either the Company or the Director.

DIRECTORS' REPORT

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	**2021 Total £'000**	2020 Total £'000
Executive Directors:						
D. B. Green	610	0	7	0	**617**	650
R. M. Barker	222	20	1	0	**243**	221
W. Nicholls	176	0	31	0	**207**	251
K. Hall	363	34	0	4	**401**	363
Non-executive Directors:						
A. K. P. Smith	35	0	0	0	**35**	24
	1,406	54	39	4	**1,503**	1,509

Substantial Shareholdings as at 30 April 2021 and up to the date of this report

	Number of Shares	%
Rights and Issues Investment Trust Plc	2,365,000	26.2
D B Green	1,771,379	19.6
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	
	2021	2020
D. B. Green	**1,771,379**	2,501,379
R. M. Barker	**185,680**	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 share options outstanding at 30 April 2021 (2020 – Nil). The Colefax Group plc employee share ownership plan trust continues to hold 60,000 (2020 – 60,000) shares in the Company. The market price of the Company's shares at 30 April 2021 was 470p. The range of market prices during the financial year was between 325p and 475p.

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 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.

DIRECTORS' REPORT

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 by the Directors' 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 Audit Committee includes an Executive director which is not in line with the QCA requirements. However, the independent non exec is Chairman of the Audit Committee and controls the agenda, and in the opinion of the Group this is deemed to be appropriate. 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. Excluding the AGM there are four Board meetings per year. During the last year Board Meetings were held remotely due to the Covid-19 pandemic and were attended by all Directors.

- **Board Independence**

Alan Smith has served as the Group's 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 and does not have a substantial shareholding. 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.

Audit Committee Report for the year ended 30 April 2021

- **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 Group's 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 Group's external auditors. The Group's 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 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.

- **Results for the year ended 30 April 2021**

The Audit Committee reviewed the financial results for the year ended 30 April 2021 including all significant judgements and financial reporting issues. The main accounting issues examined by the committee were as follows:

1. 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.

2. Inventory Valuation. The inventory valuation and provisioning methodology was discussed in detail and the results of audit testing.

DIRECTORS' REPORT

- **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 September.

Streamlined Energy and Carbon Reporting

The aim of SECR is 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.

The Group's UK energy usage is expressed below 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 Group. It is important to point out that transport does not include emissions where the Group pays indirectly for fuel consumption. As a distribution business the Group uses third party logistics companies 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 1.0 2021.

DIRECTORS' REPORT

	2021	2020	% inc/(dec)
Scope 1 emissions in tonnes of CO_2e			
Gas consumption – KWh to CO_2e conversion rate used 0.18316 (prior year 0.18385)	**169.40**	145.48	16%
Owned transport – motor vehicles (conversion rate used varies by vehicle)	**76.58**	92.51	-17%
Scope 2 emissions in Kg of CO_2			
Purchased electricity – conversion rate used 0.21233 kg/kWh (prior year 0.2556)	**101.08**	110.89	-9%
Scope 3 emissions in Kg CO_2 (not material)	**–**	–	–
Total gross emissions in tonnes of CO_2e	**347.06**	348.88	-1%
Intensity ratio – tonnes of CO_2e per UK full time employee	**1.71**	1.67	2%

The intensity ratio is used to measure the efficiency of the Group's UK carbon emissions. The Group is keen to reduce its carbon footprint wherever possible and will continue to strive for efficiency improvements. During the year the Group installed smart lighting in all the common areas of its head office and increased the number of hybrid vehicles in its UK fleet.

Going Concern
The Group ended the year with a strong balance sheet comprising net assets of £31.1 million including cash of £19.3 million and no bank borrowings. At the start of the Covid-19 pandemic there was considerable uncertainty about how trading would be affected by the lockdowns but the Board now believes the lockdowns are responsible for an increase in housing market activity and spending on the home, and currently the Group is experiencing strong demand in all areas of the business.

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 shortfall of 40% compared to the forecast. 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 they have therefore adopted the going concern basis in preparing the consolidated financial statements for the year ended 30 April 2021.

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 Group'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 23 September 2021. Further details and guidance can be found at note 1 to the notice of Annual General Meeting.

R. M. Barker

By order of the Board
R. M. Barker BSc ACA Secretary
11 August 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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 Group and 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 on the financial statements
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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Colefax Group PLC (the 'Parent Company') and its subsidiaries (together the 'Group') for the year ended 30 April 2021 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 their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain 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.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Management's assessment of going concern: we discussed with management the process undertaken in preparing the going concern assessment and how the impacts of Covid-19 and Brexit on the business had been evaluated and incorporated into the forecasts.
- Assessment of assumptions within the trading and cash flow forecasts: we challenged the assumptions used in the forecasts, in particular the sales growth rates, gross margins and cash flows generated from operations against actuals achieved in recent financial years. We considered the Group's assessment of the impact of Covid-19 and Brexit with reference to current year and post year-end financial results.
- We tested the numerical accuracy of the model used to prepare the forecasts.
- Cash balances: we agreed the Group cash balances to post year end bank statements and compared these to the amounts included in the forecast.
- Sensitivity analysis: evaluation of sensitivities over the Group's cash flows to changes in the significant inputs and assumptions used. The analysis considered reasonably possible adverse effects that could arise as a result of a significant decrease in sales as this is considered to be the most significant variable in the cash flow forecasts.

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

- Post year end trading performance: comparison of the post year end trading results to the forecasts so as to evaluate the accuracy and achievability of the forecasts prepared.
- Disclosures: evaluation of the adequacy of the disclosures (note 1) in relation to the specific risks and scenarios the Group has considered in reaching their going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	*The % of the group results and assets that are covered by full scope audit procedures are as set out below: For more detail refer to the overview of the scope of the audit below.* 96% (2020 – 83%) of Group profit before tax 100% (2020 – 97%) of Group revenue 96% (2020 – 94%) of Group net assets		
Key audit matters		**2021**	**2020**
	Revenue recognition (Interior decorating division)		✔
	Inventory valuation (Product division)	✔	✔
	IFRS 16 Initial adoption		✔
	Going concern, including the impact of Covid-19		✔
	Revenue recognition (Interior decorating division) is no longer considered to be a key audit matter in 2021 because this division's revenue is no longer significant to the Group as a result of Covid-19 restrictions limiting the Group's ability to provide its services to clients in their premises. In addition this is the 3rd year of adoption of IFRS 15 resulting in reduced audit effort compared to prior years. IFRS 16 Initial adoption is no longer considered to be a key audit matter because this is the second year of adoption and therefore there is reduced audit effort required compared to the first year of adopting a new standard. Going concern was considered to be a key audit matter in 2020 because the global situation arising from the impact of Covid-19 at that time created significant uncertainty around the Group's prospects and financial resources, and therefore its ability to continue operations as a going concern. The Group has however traded positively in the last year, and therefore this uncertainty has reduced significantly. The Group's cash resources have also increased significantly during the year, and as a result going concern is no longer considered to be a key audit matter.		
Materiality	*Group financial statements as a whole* £320k (2020 – £315k) based on 7% of Profit before tax excluding grant income (2020 – 8% of 3 year average of profit before tax).		

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

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

During the planning of our Group audit, we confirmed our strategy for the procedures to be performed across the Group's two significant components and six non-significant components. One significant component is located in the UK and a full scope audit was carried out by the Group engagement team. In respect of the significant component in the USA, we engaged with the local BDO member firm as 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 two UK non-significant components by the Group engagement team, at the same time as the Group audit procedures.

Our involvement with component auditors
For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

The Group engagement team set component materiality levels as detailed below with work on the significant component in the USA being reviewed by the Group engagement team. The Group engagement team issued detailed group reporting instructions specifying risk areas and the allocated materiality. The Group engagement 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 in relation to the significant component in the US. As we could not travel to the USA, we arranged virtual meetings as well as remote access to their audit file which then enabled the Group engagement team to review the audit files of the component auditors remotely and the component auditors then performed any further work required by the Group engagement team.

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) that 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
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 £12.9 million (2020 – £14.5 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 in relation to the inventory valuation.	Our audit procedures included: • We challenged the appropriateness of the assumptions made by management in calculating the inventory valuation, which include prior sales, current stock holding and product life cycles, and considered evidence obtained elsewhere in the audit to support the validity of these assumptions; • We checked the mathematical accuracy of management's calculations; • We selected a sample of inventory items and agreed these back to historical sales data; • We reviewed the level of historical inventory write offs against the level of inventory provisioning over the past six years; • 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; and • We 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.

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 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.

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

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2021 £k	2020 £k	2021 £k	2020 £k
Materiality	320	315	240	236
Basis for determining materiality	7% of profit before tax excluding grant income	8% of 3 year average of profit before tax	75% of Group materiality	75% of Group materiality
Rationale for the benchmark applied	We consider the benchmark of profit before tax is the most relevant measure of financial, performance and the key metric for users of the Group's financial statements. We did not apply an average for 2021 as the current year results were felt to have been a return to normal trading patterns, and so an average adjustment was not considered necessary.	We consider the benchmark of profit before tax is the most relevant measure of financial performance and the key metric for users of the Groups' financial statements. Given the fluctuation in profit before tax caused by Covid-19 for 2020, we considered a pre-tax profit averaged over the last three years to be appropriate.	Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.	Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.
Performance materiality	224	236	180	177
Basis for determining performance materiality	70% of materiality based on our experience and knowledge of the Group, planned testing approach, and history of errors.	75% of materiality based on our experience and knowledge of the Group, planned testing approach, and history of errors.	75% of materiality based on our experience and knowledge of the Parent Company, planned testing approach, and history of errors.	75% of materiality based on our experience and knowledge of the Parent Company, planned testing approach, and history of errors.

Component materiality
We set component materiality between £220,000 and £230,000 (2020 – £120,000 and £260,000) based on the overall size and respective risk of each component. Component materiality levels were set at levels up to a maximum of 72% (2020 – 83%) of group materiality. In the audit of each component, we further applied a performance materiality level of 70% or 75% (2020 – 75%) of the component materiality level.

Reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £16,000 (2020 – £16,000), 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.

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

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The planning and execution of our procedures, together with the extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the Directors, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established by the Group to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team and component teams how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
  - Management override of controls;
  - Improper revenue recognition
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The most significant of these was considered to be the applicable financial reporting framework international accounting standards in conformity with the Companies Act 2006 and relevant Corporate, employment and Indirect tax regulations in the jurisdictions in which the Group operates.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations noted above;
- enquiring of management and the Directors concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing correspondence with tax authorities to identify any non-compliance with laws and regulations;
- discussions with component teams throughout the audit of their component to identify any areas of non-compliance that could impact the Group;

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

- addressing the risk of fraud through management override of controls by using a risk based approach to test the appropriateness of journal entries, including journal entries posted to revenue and other adjustments; assessing whether the judgements made about assumptions reflected in accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;

- addressing the risk of fraud in revenue recognition by performing detailed audit procedures around adjustments to transactional processing to recognise work in progress, deferred and accrued income balances.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

David Campbell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
11 August 2021

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 2021

	Notes	**2021** **£'000**	2020 £'000
Revenue	3	**77,908**	78,364
Cost of sales		**(33,971)**	(34,602)
Gross profit		**43,937**	43,762
Operating expenses	5	**(38,910)**	(40,655)
Other income	6	**1,462**	280
Profit from operations		**6,489**	3,387
Finance income	9	**–**	20
Finance expense	9	**(1,067)**	(1,231)
Profit before taxation		**5,422**	2,176
Tax expense	10	**(1,376)**	(256)
Profit for the year attributable to equity holders of the parent		**4,046**	1,920
Basic earnings per share	12	**45.1p**	21.4p
Diluted earnings per share	12	**45.1p**	21.4p

The notes on pages 33 to 54 form part of these Consolidated financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2021

	Notes	2021 £'000	2020 £'000
Profit for the year		**4,046**	1,920
Other comprehensive income/(expense):			
Items that will or may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		**(1,251)**	121
Cash flow hedges:			
Gains/(losses) recognised directly in equity		**–**	(84)
Transferred to profit and loss for the year		**–**	104
Tax relating to items that will or may be reclassified to profit and loss	20	**103**	(54)
		(1,148)	87
Total other comprehensive income / (expense)		**(1,148)**	87
Total comprehensive income for the year attributable to equity holders of the parent		**2,898**	2,007

The notes on pages 33 to 54 form part of these Consolidated financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

At 30 April 2021

	Notes	2021 £'000	2020 £'000
Non-current assets:			
Property, plant and equipment	13	**7,029**	8,524
Right of use asset	14	**28,506**	26,057
Deferred tax asset	20	**35**	118
		35,570	34,699
Current assets:			
Inventories and work in progress	16	**16,025**	15,518
Trade and other receivables	17	**8,631**	6,499
Cash and cash equivalents	18	**19,344**	11,538
Current corporation tax		**513**	332
		44,513	33,887
Current liabilities:			
Trade and other payables	19	**18,343**	11,007
Lease liabilities	14	**3,992**	4,612
Other loans	19	**–**	977
		22,335	16,596
Net current assets		**22,178**	17,291
Total assets less current liabilities		**57,748**	51,990
Non-current liabilities:			
Lease liabilities	14	**26,323**	23,780
Deferred tax liability	20	**317**	–
Net assets		**31,108**	28,210
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	**1,190**	2,338
Cash flow hedge reserve	23	**–**	–
Retained earnings	23	**16,009**	11,963
Total equity		**31,108**	28,210

The financial statements were approved by the Board of Directors and authorised for issue on 11 August 2021

D. B. Green
Director

R. M. Barker
Director

The notes on pages 33 to 54 form part of these Consolidated financial statements.

Company No. 1870320

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 April 2021

	Notes	**2021 £'000**	2020 £'000
Non-current assets:			
Investments	15	**23,443**	24,443
Current assets:			
Trade and other receivables	17	**16,134**	14,208
Cash and cash equivalents	18	**3,187**	64
		19,321	14,272
Current liabilities:			
Finance lease liabilities	14	**1,401**	1,400
Trade and other payables	19	**141**	571
Net current assets		**17,779**	12,301
Total assets less current liabilities		**41,222**	36,744
Non-current liabilities:			
Lease liabilities	14	**8,019**	7,798
Net assets		**33,203**	28,946
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	**8,419**	4,162
Total equity		**33,203**	28,946

The Company profit for the year was £4,257,000 (2020 – £592,000). 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 August 2021

R. M. Barker

D. B. Green
Director

R. M. Barker
Director

The notes on pages 33 to 54 form part of these Consolidated financial statements.

Company No. 1870320

GROUP STATEMENT OF CASH FLOWS
For the year ended 30 April 2021

	Notes	**2021** **£'000**	2020 £'000
Operating activites			
Profit before taxation		**5,422**	2,176
Finance income		**–**	(20)
Finance expense		**1,067**	1,231
Profit on disposal of property, plant and equipment		**(30)**	(28)
Non-cash movement arising from loan waiver	6	**(922)**	–
Depreciation	13	**2,912**	3,071
Rent concessions	14	**(77)**	–
Impairment of right of use asset		**312**	–
Depreciation on right of use assets	14	**4,329**	4,193
Cash flows from operations before changes in working capital		**13,013**	10,623
Increase in inventories and work in progress		**(678)**	(497)
(Increase) / decrease in trade and other receivables		**(2,366)**	4,914
Increase / (decrease) in trade and other payables		**7,378**	(4,461)
Cash generated from operations		**17,347**	10,579
Taxation paid			
UK corporation tax paid		**(224)**	(602)
Overseas tax paid		**(877)**	(748)
		(1,101)	(1,350)
Net cash inflow from operating activities		**16,246**	9,229
Investing activities			
Payments to acquire property, plant and equipment	13	**(1,888)**	(3,183)
Receipts from sales of property, plant and equipment		**34**	39
Interest received		**–**	20
Net cash outflow from investing		**(1,854)**	(3,124)
Financing activities			
Proceeds from loans and borrowings		**–**	968
Principal paid on lease liabilities		**(4,853)**	(3,646)
Interest paid on lease liabilities		**(1,061)**	(1,231)
Interest paid		**(6)**	–
Equity dividends paid	11	**–**	(242)
Net cash outflow from financing		**(5,920)**	(4,151)
Net increase in cash and cash equivalents		**8,472**	1,954
Cash and cash equivalents at beginning of year		**11,538**	9,458
Exchange (losses)/gains on cash and cash equivalents		**(666)**	126
Cash and cash equivalents at end of year	18	**19,344**	11,538

The notes on pages 33 to 54 form part of these Consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 April 2021

	Notes	2021 £'000	2020 £'000
Operating activites			
Profit before taxation		**4,315**	726
Dividend income for the year		**(4,250)**	(650)
Finance income		**(71)**	(109)
Cash flows from operations before changes in working capital		**(6)**	(33)
Decrease / (increase) in trade and other receivables		**231**	(463)
(Decrease) / increase in trade and other payables		**(430)**	427
Cash generated from operations		**(205)**	(69)
Taxation paid			
UK corporation tax paid		**(224)**	(602)
Net cash (outflow) / inflow from operating activites		**(429)**	(671)
Investing activities			
Interest received		**71**	109
Loan payment received from subsidiary		**1,000**	1,000
Dividends received from subsidiaries		**2,481**	1,899
Net cash inflow from investing		**3,552**	3,008
Financing activities			
Equity dividends paid	11	**–**	(242)
Net cash outflow from financing		**–**	(242)
Net increase / (decrease) in cash and cash equivalents		**3,123**	2,095
Cash and cash equivalents at beginning of year		**64**	(2,031)
Cash and cash equivalents at end of year	18	**3,187**	64

The notes on pages 33 to 54 form part of these Consolidated financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2021

	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 2020	902	11,148	1,972	(113)	2,338	–	11,963	28,210
Profit for the year	–	–	–	–	–	–	4,046	4,046
Foreign exchange	–	–	–	–	(1,251)	–	–	(1,251)
Tax on other comprehensive income	–	–	–	–	103	–	–	103
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1,148)**	**–**	**4,046**	**2,898**
At 30 April 2021	**902**	**11,148**	**1,972**	**(113)**	**1,190**	**–**	**16,009**	**31,108**
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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2021

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2020	902	11,148	10,762	1,972	4,162	28,946
Profit and total comprehensive income for the year	–	–	–	–	4,257	4,257
At 30 April 2021	**902**	**11,148**	**10,762**	**1,972**	**8,419**	**33,203**
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

The notes on pages 33 to 54 form part of these Consolidated financial statements.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

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

Basis of Preparation

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

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 Group's 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 2021. 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.

Changes in Accounting Policies

New standards, interpretations and amendments adopted for the year ended 30 April 2021

Covid-19 Related Rent Concessions (Amendments to IFRS 16)

With effect from June 1 2020 IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the Covid-19 pandemic provided the reduction in lease payments affects only payments originally due on or before 30 June 2022 and there are no substantive changes to other terms and conditions of the lease. The practical expedient means that qualifying rent concessions do not have to be treated as lease modifications which would involve re-measuring the lease liability. The effect of applying the practical expedient is disclosed in note 14 Leases.

New standards that have been adopted in the annual financial statements for the year ended 30 April 2021 but have not had a significant effect on the Group are:

Definition of a Business (Amendments to IFRS 3)

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative – Definition of Material); and

Revisions to the Conceptual Framework for Financial Reporting

New accounting standards not yet effective

The International Accounting Standards Board have issued the following standard and amendments to existing standards with an effective date for periods starting on or after the date on which these consolidated financial statements start, for which the Group has elected not to adopt early:

- IFRS 17 Insurance Contracts (effective from 1 January 2021),
- Amendments to IAS 1 for the classification of liabilities as current or non-current (effective for periods on or after 1 January 2022),
- Onerous Contracts – Cost of Fulfilling a Contract (effective from 1 January 2022),
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 (effective from 1 January 2022)).

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

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.

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, and 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 components of an overall finished and usable end product and are inextricably linked together as one performance obligation. The performance obligation is satisfied when control passes to the customer which is when the goods are provided to the customer on completion of the project. 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 property and 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

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

1. **Accounting policies** *continued*

Leases

Definition of a lease

Under IFRS 16 a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Lease accounting

At the lease commencement date, a right of use asset is recognised for the leased item with a corresponding lease liability for any payments due. Right of use assets are initially measured at cost based on the present value of the lease payments paid or payable (net of any incentives received from the lessor) plus any initial direct costs.

Right of use assets

Right of use assets are depreciated on a straight line basis from the commencement date of the lease to the earlier of the end of the assets useful life or the end of the lease term, whichever is the shorter. The lease term is the non-cancellable period of the lease plus any periods for which the group is reasonably certain to exercise any extension options. If right of use assets are considered to be impaired, the carrying value is reduced accordingly.

Lease liabilities

The Group recognises lease liabilities based on the present value of total lease payments at the commencement date of the lease. The discount rate is determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. 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 (which is reflected in the Company Statement of Financial Position) 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 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. At a Group level, the full value of the right of use asset and the associated lease liability are reflected in the Group Statement of Financial Position.

Inventories

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

Work in Progress

Work in progress is valued at cost. 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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

1. **Accounting policies** *continued*

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

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.

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 presentational 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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

1. **Accounting policies** *continued*

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.

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.

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 statutory entity in the form of monthly management accounts.

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 received and recognised in other income in the period relating to the intended compensation / grant.

In the US the Group received a Covid-19 related loan under the CARES Act. This was eligible for conversion to a grant subject to submitting proof and receiving government approval that certain conditions had been met relating to headcount and expenditure on salary costs and property costs at the end of a specific period of time. Loans under the CARES Act have been recognised as income in the year in which they were formally approved as a grant by the US government.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

2. Critical accounting estimates and judgements

In preparation of consolidated and parent company financial statements under international accounting standards in conformity with the Companies Act 2006 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 16) 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.

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 re-measured.

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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

3. **Revenue**

	Product Division 2021 £'000	Product Division 2020 £'000	Decorating Division 2021 £'000	Decorating Division 2020 £'000	Total 2021 £'000	Total 2020 £'000
Primary Geographical Markets:						
United Kingdom	**13,537**	13,300	**4,546**	6,976	**18,083**	20,276
United States	**41,732**	40,722	**287**	680	**42,019**	41,402
Europe	**14,618**	13,169	**480**	789	**15,098**	13,958
Rest of the World	**2,227**	2,210	**481**	518	**2,708**	2,728
	72,114	69,401	**5,794**	8,963	**77,908**	78,364
Revenue arises from:						
Sale of goods	**72,114**	69,401	**4,708**	7,903	**76,822**	77,304
Provision of services	**–**	–	**1,086**	1,060	**1,086**	1,060
	72,114	69,401	**5,794**	8,963	**77,908**	78,364

Revenue on Product Division sales and Decorating Division sales (including 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 comprises the design and distribution of furnishing fabrics (Fabric division), wallpapers, upholstered furniture and related products (Furniture division). The fabric and furnishing divisions are not separately disclosed in the below analysis as the furniture division is not material to this segmental analysis.

Decorating division – This division is involved in interior and architectural design and decoration, primarily for private individuals.

The reportable segments are distinct business units each run by a separate management team. The financial performance of each division is reported separately to the Board and forms the basis of strategic decision making.

Business segments	Product Division 2021 £'000	Product Division 2020 £'000	Decorating Division 2021 £'000	Decorating Division 2020 £'000	Total 2021 £'000	Total 2020 £'000
Revenue:						
Total revenue	**72,284**	69,501	**5,624**	8,863	**77,908**	78,364
Inter-segment revenue	**(170)**	(100)	**170**	100	**–**	–
Revenue from external customers	**72,114**	69,401	**5,794**	8,963	**77,908**	78,364
Segment result:						
Profit from operations	**7,139**	3,234	**(650)**	153	**6,489**	3,387
Finance income	**–**	19	**–**	1	**–**	20
Finance expense	**(1,038)**	(1,198)	**(29)**	(33)	**(1,067)**	(1,231)
Profit before taxation	**6,101**	2,055	**(679)**	121	**5,422**	2,176
Tax (expense)/credit	**(1,388)**	(225)	**12**	(31)	**(1,376)**	(256)
Profit for the year attributable to equity holders of the parent	**4,713**	1,830	**(667)**	90	**4,046**	1,920
Total assets	**70,423**	61,906	**9,660**	6,680	**80,083**	68,586
Total liabilities	**(41,395)**	(37,498)	**(7,580)**	(2,878)	**(48,975)**	(40,376)
Net assets	**29,028**	24,408	**2,080**	3,802	**31,108**	28,210
Capital expenditure	**9,073**	14,432	**119**	133	**9,192**	14,565
Depreciation	**7,187**	6,893	**366**	371	**7,553**	7,264

No single external customer represents a significant proportion of the Group's revenues.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

4. Segmental analysis

continued

Geographical segments	External revenue by location of customers 2021 £'000	2020 £'000	Non-current assets by location of assets 2021 £'000	2020 £'000
United Kingdom	**18,083**	20,276	**13,010**	13,137
United States	**42,019**	41,402	**19,782**	18,281
Europe	**15,098**	13,958	**2,778**	3,281
Rest of World	**2,708**	2,728	**–**	–
	77,908	78,364	**35,570**	34,699

5. Operating expenses

	2021 £'000	2020 £'000
Distribution and marketing costs	**26,478**	28,021
Administrative costs	**12,432**	12,634
Total operating expenses	**38,910**	40,655

6. Other income

	2021 £'000	2020 £'000
US CARES grant	**922**	–
Furlough income	**540**	280
Total other income	**1,462**	280

The US CARES grant relates to a coronavirus related US CARES loan received in the prior year and previously reported under Current Liabilities as an other loan (see note 19). The loan was approved as a grant in April 2021 and has therefore been recognised as Other Income.

£540,000 (2020 – £253,000) of furlough income relating to and recorded in the reporting period was received in cash during the period.

£NIL (2020 – £27,000) of furlough income relating to and recorded in the reporting period was received after the period end.

All furlough income was from the UK Government.

7. Profit from operations

	2021 £'000	2020 £'000
This has been arrived at after charging/(crediting):		
Audit services – group	**37**	64
Audit services – subsidiaries	**172**	147
Non–audit services – taxation compliance	**11**	90
Depreciation of owned property, plant and equipment	**2,912**	3,071
Depreciation on right of use assets	**4,329**	4,193
Operating lease rentals – land and buildings	**–**	412
(Profit) / loss on the disposal of property, plant and equipment	**(30)**	(28)
Exchange (gains) / losses	**(113)**	197
Pension costs (see note 24)	**375**	432

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

8. Staff costs

	2021 £'000	2020 £'000
Staff costs, including Executive Directors, were as follows:		
Wages and salaries	**15,994**	16,594
Social security costs	**1,866**	1,963
Pension costs	**375**	432
	18,235	18,989

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	**270**	275
Administration		
Executive directors	**2**	2
Other employees	**50**	53
	324	332

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 (2020 – nil).

	2021 £'000	2020 £'000
Directors' (key management personnel) remuneration was as follows:		
Emoluments	**1,499**	1,499
Pension contributions	**4**	10
Employers social security costs on directors' emoluments	**160**	166
	1,663	1,675
Emoluments of the highest paid director:		
Emoluments	**617**	650

A full analysis of Directors' remuneration is provided on page 13 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 2021 (2020 – one).

9. Finance income and expense

	2021 £'000	2020 £'000
Finance expense:		
Finance costs on leases	**1,061**	1,231
Other interest payable	**6**	–
	1,067	1,231
Finance income:		
Bank and other interest receivable	**–**	20

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

10. Tax expenses

	2021 £'000	2020 £'000
(a) Analysis of charge for the year		
UK corporation tax		
UK corporation tax on profits of the year	**606**	214
Adjustments in respect of previous years	**(6)**	(13)
	600	201
Overseas tax		
Overseas tax on profits of the year	**591**	118
Adjustments in respect of previous years	**17**	20
	608	138
Total current tax	**1,208**	339
UK deferred tax		
Origination and reversal of temporary differences	**(40)**	82
Adjustments in respect of previous years	**38**	(14)
	(2)	68
Overseas deferred tax		
Origination and reversal of temporary differences	**170**	(145)
Impact of overseas tax rate changes	**–**	(6)
	170	(151)
Total deferred tax	**168**	(83)
Total income tax expense	**1,376**	256

(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.

	2021 £'000	2020 £'000
Profit before taxation	**5,422**	2,176
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020 – 19%)	**1,030**	413
Effect of:		
Disallowed expenses	**288**	96
Non-taxable income	**(190)**	(298)
Adjustments in respect of prior period (current tax)	**12**	7
Adjustments in respect of prior period (deferred tax)	**38**	(14)
Rate differences	**198**	52
Total tax expense	**1,376**	256

Factors affecting current and future tax charges

The March 2021 Budget announced that a rate of 25% will apply with effect from 1 April 2023. This will increase the Group's future current tax charge accordingly and increase the deferred tax liability by £89,000.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

		2021 £'000	2020 £'000
11. **Dividends**	Final (paid) of 0.0p (2019 – 2.7p)	**–**	242
	Interim (paid) of 0.0p (2020 – 0.0p)	**–**	–
		–	242

No final dividend has been proposed for the year ended 30 April 2021 (2020 – 0.0p).

12. **Earnings per share**

Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £4,046,000 (2020 – £1,920,000) and on 8,962,440 (2020 – 8,962,440) 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 2021.

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 2020	240	10,930	7,228	332	7,376	26,106
Exchange adjustment	–	(838)	(352)	–	(616)	(1,806)
Additions	–	519	566	85	718	1,888
Disposals	–	–	(94)	(77)	(1,705)	(1,876)
At 30 April 2021	**240**	**10,611**	**7,348**	**340**	**5,773**	24,312
Depreciation:						
At 1 May 2020	86	7,130	5,416	183	4,767	17,582
Exchange adjustment	–	(613)	(319)	–	(407)	(1,339)
Charge for the year	3	1,022	622	70	1,195	2,912
Disposals	–	–	(90)	(77)	(1,705)	(1,872)
At 30 April 2021	**89**	**7,539**	**5,629**	**176**	**3,850**	**17,283**
Net Book Value:						
At 30 April 2021	**151**	**3,072**	**1,719**	**164**	**1,923**	**7,029**
At 1 May 2020	154	3,800	1,812	149	2,609	8,524

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

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

14. Leases

	2021 £'000 Land & Buildings	2021 £'000 Other	2021 £'000 Total
Group Right of use assets			
As at 1 May 2020	**25,927**	**130**	**26,057**
Additions to right of use assets – new leases	**7,227**	**76**	**7,303**
Remeasurement	**890**	**–**	**890**
Depreciation on right of use assets	**(4,242)**	**(87)**	**(4,329)**
Impairment	**(312)**	**–**	**(312)**
Disposals of right of use assets	**–**	**(8)**	**(8)**
Effect of modification to lease terms	**73**	**–**	**73**
Foreign exchange movements	**(1,168)**	**–**	**(1,168)**
At 30 April 2021	**28,395**	**111**	**28,506**

	2020 £'000 Land & Buildings	2020 £'000 Other	2020 £'000 Total
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**

	2021 £'000 Group Land & Buildings	2021 £'000 Group Other	2021 £'000 Group Total	2021 £'000 Company Land & Buildings
Lease liabilities				
At 1 May 2020	28,263	129	**28,392**	**9,198**
Additions	7,227	76	**7,303**	**1,608**
Remeasurement	890	–	**890**	**–**
Finance costs on leases	1,058	3	**1,061**	**268**
Lease payments	(5,815)	(99)	**(5,914)**	**(1,654)**
Rent concessions (see note below)	(77)	–	**(77)**	**–**
Foreign exchange movements	(1,340)	–	**(1,340)**	**–**
At 30 April 2021	**30,206**	**109**	**30,315**	**9,420**

	2020 £'000 Group Land & Buildings	2020 £'000 Group Other	2020 £'000 Group Total	2020 £'000 Company Land & Buildings
Lease liabilities				
At 1 May 2019	23,484	232	**23,716**	**6,794**
Additions	11,383	–	**11,383**	**3,353**
Finance costs on leases	1,226	5	**1,231**	**263**
Effect of modification to lease terms	(3,558)	–	**(3,558)**	**(49)**
Lease payments	(4,767)	(110)	**(4,877)**	**(1,163)**
Foreign exchange movements	495	2	**497**	**–**
At 30 April 2020	**28,263**	**129**	**28,392**	**9,198**

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

14. Leases
continued

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

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Current	**3,992**	4,612	**1,401**	1,400
Non-current	**26,323**	23,780	**8,019**	7,798
	30,315	28,392	**9,420**	9,198

The majority of the Group's leases do not contain early termination options.

At 30 April 2021 there were no variable lease payments associated with any of the Group's leases.

The maturity of lease liabilities is as follows:

	Group	Company
	£'000	£'000
Undiscounted amounts payable:		
Within one year	5,054	1,663
In two to five years	17,201	5,384
In over five years	13,108	3,713
Total gross future liability	**35,363**	**10,760**
Effect of discounting	**(5,048)**	**(1,340)**
Lease liability at 30 April 2021	30,315	9,420

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 2021 amounted to £268,000 (2020 – £264,000).

The total value and maturity profile of the inter-company lease receivables exactly matches the maturity of the Company lease liabilities as set out above. The undiscounted value of the inter-company lease receivables by the Company is £10,760,000 and the related unearned income is £1,340,000.

Rent concessions
Due to national lockdowns, the Group had to close its retail operations during part of the financial year.

The Group has received rent concessions from lessors due to being unable to operate including reduced rent periods and rent deferrals.

The Group has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year satisfy to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of £77,000.

The effect of this reduction has been recorded in profit for the year.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

15. Investments

	Shares £'000	Loans £'000	Total £'000
Company			
At 30 April 2020	19,443	5,000	24,443
Loan repayment by subsidiary	–	(1,000)	(1,000)
At 30 April 2021	**19,443**	**4,000**	**23,443**

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	148 39th Street, Space B319 New York, NY 11232
Cowtan and Tout Incorporated	2	Fabrics and Wallpapers	148 39th Street, Space B319 New York, NY 11232
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 2021, the ESOP Trust owned 60,000 (2020 – 60,000) ordinary shares of 10p in the Company at cost, with a market value of £282,000 (2020 – £195,000). 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 2021

		2021 £'000	2020 £'000
16. **Inventories and work in progress**	Finished goods for resale	**12,982**	14,474
	Work in progress	**3,043**	1,044
		16,025	15,518

The cost of inventories recognised as an expense and included in cost of sales amounted to £21,516,000 (2020 – £19,924,000). The value of stock impaired/written off in the period amounted to £1,399,000 (2020 – £1,099,000).

		Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
17. **Trade and other receivables**	Trade receivables	**5,216**	4,892	**–**	–
	Less: provision for impairment of trade receivables	**(348)**	(454)	**–**	–
	Trade receivables net	**4,868**	4,438	**–**	–
	Lease receivable owed by subsidiary undertakings	**–**	–	**9,420**	9,198
	Amounts owed by subsidiary undertakings	**–**	–	**6,376**	4,763
	Other receivables	**2,558**	701	**115**	116
	Prepayments and accrued income	**1,205**	1,360	**223**	131
		8,631	6,499	**16,134**	14,208

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. No intercompany receivables balances are considered to be impaired.

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 2021.

On this basis, the total loss allowance for trade receivables as at 30 April 2021 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	1%	6%	35%	211%	77%	
Trade receivables	3,651	1,141	240	19	164	5,215
Loss allowance	27	69	85	40	127	348

Credit quality of financial assets

(i) Current

Included in the Group's trade receivable balances are receivables with a carrying value of £3,651,000 (2020 – £2,473,000) which are not overdue. Under the expected credit loss model, a provision is held for the lifetime credit loss on these balances of £27,000 (2020 – £72,000).

(ii) Current – individually impaired

As at 30 April 2021, no trade receivables which were not overdue (2020 – £6,000) were individually determined to be impaired and provided for.

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 2021

17. **Trade and other receivables** *continued*

(iii) Overdue

Included in the Group's trade receivable balances are receivables with a carrying value of £1,461,000 (2020 – £2,257,000) 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 £217,000 (2020 – £214,000).

(iv) Overdue – individually impaired

As at 30 April 2021, trade receivables of £103,000 (2020 – £162,000) were individually determined to be impaired and provided for. The amount of the provision was £103,000 (2020 – £162,000).

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:

	2021 £'000	2020 £'000
At beginning of year	**454**	389
Provided during the year	**76**	203
Receivables written off as uncollectable	**(42)**	(101)
Unused amounts reversed	**(130)**	(41)
Exchange differences	**(10)**	4
At end of year	**348**	454

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

	2021 £'000	2020 £'000
Euro	**1,764**	1,036
Sterling	**1,714**	2,251
US Dollar	**1,191**	1,041
Other	**199**	110
	4,868	4,438

18. **Cash and cash equivalents**

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

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cash at bank and in hand	**19,344**	11,538	**3,187**	64

The fair value of cash and cash equivalents are considered to be their book value.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

		Group		Company	
		2021	2020	**2021**	2020
		£'000	£'000	**£'000**	£'000
19. **Current liabilities**	Amounts owed to subsidiary undertakings	**–**	–	**81**	511
	Other loan	**–**	977	**–**	–
	Trade payables	**4,718**	4,411	**–**	–
	Accruals	**5,890**	2,759	**60**	60
	Payments received on account	**6,004**	2,105	**–**	–
	Other taxes and social security costs	**559**	515	**–**	–
	Other payables	**1,172**	1,217	**–**	–
		18,343	11,984	**141**	571

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.

In the prior year, other loans consists of a CARES loan to the US Company. In April 2021 the CARES loan was formally approved as a grant and has therefore been recognised as Other Income (see note 6).

Significant changes in payments received on account of £3,899,000 (2020 – £1,397,000) 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 in our decorating division.

		2021	2020
		£'000	£'000
20. **Deferred taxation**	Deferred taxation has been provided as follows:		
	Accelerated capital allowances on property, plant and equipment	**(615)**	872
	Excess of depreciation over capital allowances on property, plant and equipment	**–**	–
	Short-term temporary differences	**897**	(626)
	Tax losses	**–**	(364)
		282	(118)

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	**(35)**	(118)
Deferred taxation included in non-current liabilities	**317**	–
	282	(118)

	2021	2020
	£'000	£'000
At 1 May	**(118)**	(87)
Charged to the income statement (note 10)	**169**	(83)
Charged/(credited) directly to other comprehensive income	**(103)**	54
Tax losses utilised	**364**	–
Translation adjustment	**(30)**	(2)
At 30 April	**282**	(118)

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

	2021	2020
	£'000	£'000
Cash flow hedge reserve	**–**	4
Deferred tax on long-term loan foreign currency movements	**(103)**	50
Other movements in deferred tax	**–**	–
At 30 April	**(103)**	54

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

21. Financial instruments

The financial instruments of the Group as classified in the financial statements as at 30 April 2021 can be analysed under the following IFRS 9 categories

	Assets at fair value through profit or loss		Amortised cost		Total	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Financial assets						
Trade and other receivables	**–**	–	**7,426**	5,139	**7,426**	5,139
Cash and cash equivalents	**–**	–	**19,344**	11,538	**19,344**	11,538
Total	**–**	–	**26,770**	16,677	**26,770**	16,677

	Liabilities at fair value through profit or loss		Other financial liabilities		Total	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Financial liabilities						
Trade and other payables	**–**	–	**10,609**	7,169	**10,609**	7,169
Other loans (see note 19)	**–**	–	**–**	977	**–**	977
Forward foreign currency contracts	**–**	–	**–**	–	**–**	–
Total	**–**	–	**10,609**	8,146	**10,609**	8,146

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.

There are no assets or liabilities at fair value through profit or loss.

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

Liquidity Risk

The Group's objective is to maintain an appropriate balance between continuity of funding and flexibility through the use of multi-currency overdrafts and bank loans. The Group has various borrowing facilities available to it amounting to £3.0 million (2020 – £3.0 million). The undrawn committed facilities available at 30 April 2021 in respect of which all conditions had been met at that date total £3.0 million (2020 – £3.0 million). Group borrowing facilities are reviewed annually with HSBC.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

21. Financial instruments *continued*

Liquitity Risk

In the prior year, Other loans, comprising a CARES loan to the US company, fell due within one year, since if the criteria for conversion to a grant were not met, it was likely that the full amount would immediately be repaid. The Group's trade and short-term creditors all fall due within 60 days. At 30 April 2021 the Group's trade payables were £4.7 million (2020 – £4.4 million) and trade receivables were £4.9 million (2020 – £4.4 million) giving a ratio of 1.0 (2020 – 1.0). 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 54% 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 2021 there were no forward foreign currency contracts in place.

The Group's profit is reduced by approximately £115,000 for every one cent deterioration in the US dollar against Sterling. The Group has a natural hedge between Euro costs and Euro revenues but this is dependent on maintaining Euro revenue at current levels.

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

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

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

Interest Rate Risk

As the Group has net cash of £19.3 million (2020 – £11.5 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 2021

21. Financial instruments *continued*

At 30 April 2021, 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:

	2021 £'000	2020 £'000
Fair value of forward foreign currency contracts – asset/(liability)	**–**	–

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 2021 can be analysed under the following IFRS 9 categories:

	Amortised cost		Total	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Financial assets				
Intercompany and other receivables	**15,911**	14,077	**15,911**	14,077
Total	**15,911**	14,077	**15,911**	14,077

	Other financial liabilities		Total	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Financial liabilities				
Finance lease liabilities	**9,420**	9,198	**9,420**	9,198
Intercompany and other payables	**81**	511	**81**	511
Total	**9,501**	9,709	**9,501**	9,709

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 (2020 – £3.0 million) which is available to the UK companies in the Group.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

22. Share capital

	Authorised 2021	Authorised 2020	Alloted, called up and fully paid 2021	Alloted, called up and fully paid 2020
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	**2021 Number**	**2021 £**	2020 Number	2020 £
Ordinary shares of 10p each At beginning of year	**9,022,440**	**902,244**	9,022,440	902,244
Purchase of own shares for cancellation	**–**	**–**	–	–
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 13.

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.

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 £375,000 (2020 – £432,000).

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 2021, the value of subsidiary overdrafts covered by the guarantee amounted to £nil (2020 – £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 (2020 – £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 2021 amounted to £10.9 million (2020 – £13.1 million).

NOTES TO THE ACCOUNTS

For the year ended 30 April 2021

26. Related party transactions

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

	2021 £'000	2020 £'000
Interest charged on long-term loans to Colefax and Fowler Holdings Limited	**71**	109

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

	2021 £'000	2020 £'000
Colefax and Fowler Holdings Limited	**3,940**	4,940
Colefax and Fowler Limited	**14,703**	12,377
Kingcome Sofas Limited	**208**	(154)
Sibyl Colefax and John Fowler Limited	**864**	1,287
	19,715	18,450

The Company received dividend income from subsidiaries in the year of £4,250,000 (2020 – £650,000).

FIVE YEAR REVIEW

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Revenue from continuing operations	**77,908**	78,364	86,355	86,052	80,475
Profit from continuing operations	**6,489**	3,387	5,070	4,721	2,937
Profit before taxation from continuing operations	**5,422**	2,176	5,095	4,719	2,937
Profit attributable to shareholders	**4,046**	1,920	3,830	3,832	1,895
Basic earnings per share from continuing operations	**45.1p**	21.4p	39.3p	38.1p	18.6p
Diluted earnings per share from continuing operations	**45.1p**	21.4p	39.3p	38.1p	18.6p
Dividends per share	**0.0p**	0.0p	5.20p	5.00p	4.80p
Equity	**31,108**	28,210	26,439	27,419	25,936
Operating cash flow	**17,347**	10,579	7,907	8,909	4,180
Cash and cash equivalents	**19,344**	11,538	9,458	9,177	6,710

NOTICE OF MEETING

Notice is hereby given that the 2021 Annual General Meeting of Colefax Group plc will be held at 19-23 Grosvenor Hill, London W1K 3QD on 23 September 2021 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 2021, 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 K.Hall 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 (or such lower number as shall equal one-third of the nominal value of the issued share capital of the Company at the date of the Annual General Meeting) 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 (or such lower number as shall equal one-third of the nominal value of the issued share capital of the Company at the date of the Annual General Meeting) 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 (or such lower number as shall equal 5% of the nominal value of the issued share capital of the Company at the date of the Annual General Meeting).

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 5 above" and "pursuant to the authority granted by resolution 5 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 (or such lower number as shall equal 15% of the nominal value of the issued share capital of the Company at the date of the Annual General Meeting);

   (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 August 2021

Registered Office
19-23 Grosvenor Hill
London W1K 3QD

NOTICE OF MEETING

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend, to speak and, both on a show of hands and on a poll, to vote in his or her stead at the meeting. A proxy need not be a member of the Company but must attend the meeting in person. The appointment of a proxy does not preclude a member from attending and voting in person at the meeting should he or she subsequently decide to do so. A form of proxy which may be used is attached.

2. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her.

3. To be valid, a form of proxy together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be received by Computershare Investor Services plc at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 11.00 a.m. on 21 September 2021.

4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 21 September 2021 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 21 September 2021 (or after 6.00 p.m. on the day which is two days before any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

5. As at 11 August 2021 (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 11 August 2021 were 9,022,440.

6. CREST members who wish to appoint a proxy or proxies for the meeting or any adjournment thereof by utilising the CREST electronic proxy appointment service may do so by following the procedures described in the CREST Manual (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

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

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

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

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

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