COLEFAX GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2022

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

	2022 £'000	2021 £'000	Increase/ (Decrease)
Revenue	**101,796**	77,908	31%
Profit from operations	**11,894**	6,489	83%
Profit before taxation	**10,823**	5,422	100%
Profit attributable to shareholders	**8,493**	4,046	110%
Basic and diluted earnings per share	**102.5p**	45.1p	127%
Dividends paid per share	**2.7p**	0.0p	n/a
Equity	**33,147**	31,108	7%
Operating cash flow less lease payments	**12,789**	11,433	12%
Net cash	**21,785**	19,344	13%

CHAIRMAN'S STATEMENT

Financial Results

I am pleased to report record sales and profits for the year ended 30 April 2022. Group sales increased by 30.8% to £101.80 million (2021 – £77.91 million) and by 32.8% on a constant currency basis. Pre-tax profits increased by 100% to £10.82 million (2021 – £5.42 million). Earnings per share increased by 127% to 102.5p (2021 – 45.1p). The Group ended the year with net cash of £21.8 million (2021 – £19.3 million).

The Group's performance over the last year has been exceptional and reflects extremely favourable market conditions in the US and the UK. One of the consequences of the pandemic was a surge in housing transactions and home related spending and this has been the main driver of our business over the last financial year. The 100% increase in Group profit relative to a 30.8% increase in Group sales is a reflection of the high level of operational gearing in our core Fabric Division. In addition our Decorating Division delivered an exceptional performance as projects delayed by the pandemic were completed during the year.

In September 2021 the Group returned £6.7 million of surplus cash to shareholders by way of a Tender Offer and share buyback. The Group purchased and cancelled 1,084,905 shares representing 12% of the issued ordinary share capital at a price of 615p per share.

The Board is proposing to pay a final dividend of 2.7p (2021 – nil) making a total for the year of 5.2p (2021 – nil). This will be paid on 13 October 2022 to shareholders on the register at the close of business on 16 September 2022.

Product Division

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

Sales in the Fabric Division, which represent 83% of Group turnover, increased by 21.5% to £84.51 million (2021 – £69.58 million) and by 23.7% on a constant currency basis. Pre-tax profit increased by 60% to £9.29 million (2021 – £5.81 million). In the first half of the prior year, sales were adversely impacted by the pandemic but recovered strongly in the second half and this sales momentum continued throughout the current year. Compared to 2018-19, which was the last normal year of sales prior to the pandemic, sales in 2021-22 were up by 22.2% on a constant currency basis clearly demonstrating the strength of home spending during the year. Fabric Division profits are highly operationally geared and therefore sensitive to relatively small changes in sales. This is the main reason for the record profits achieved during the year.

Sales in the US, which represent 62% of the Fabric Division's turnover, increased by 23% and by 25% on a constant currency basis. The strong sales performance was broad based with all major territories performing well and reflects the most favourable US housing market conditions since 2006. Last year we simplified our US business by moving the majority of our warehouse operations to the UK and this has increased our sales focus and improved efficiency. Our US business is responsible for sales in Canada and we have recently signed a lease for a showroom in Toronto to capitalise on sales opportunities in this market.

Sales in the UK, which represent 18% of the Fabric Division's turnover, increased by 33%. As with the US market we attribute this exceptional increase to very strong housing market conditions throughout 2021 and increased spending on existing homes at a time when alternative spending opportunities such as travel were significantly curtailed by pandemic restrictions. Trading in the first half of the prior year was adversely affected by the initial pandemic lockdowns and part of the sales increase in the current financial year is likely to be catch-up expenditure deferred from that time.

Sales in Continental Europe, which represent 18% of the Fabric Division's turnover, increased by 10% and by 14% on a constant currency basis. This is the first full year of sales since Brexit in January 2021 and whilst we do not believe it has had an adverse impact on sales it has significantly increased the cost and complexity of doing business in Europe. The European economy is less focussed on the residential housing market than the US and the UK and we believe this is the main reason for the slower growth rate. Our three largest markets in Europe are France, Germany and Italy and together these account for approximately 45% of total sales. From June 2022 we have started selling direct to trade customers in Spain rather than via a distributor and we expect this change to have a beneficial impact on sales in this market.

CHAIRMAN'S STATEMENT

Sales in the Rest of the World, which represent just 2% of the Fabric Division's turnover, increased by 3% during the year reflecting relatively challenging market conditions caused by the pandemic. Our major markets in the Rest of the World are the Middle East, China and Australia and whilst there are growth opportunities in specific countries, the Rest of the World is expected to remain a small proportion of total Fabric Division sales.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which represent 3% of Product Division sales, increased by 5% to £2.66 million (2021 – £2.54 million). Pre-tax profit decreased by 72% to £80,000 (2020 – £288,000) reflecting significant increases in the cost of raw materials and energy and some one-off marketing and website costs during the year. The order book ended the year close to record levels and up by 116% compared to the start of the year when the showroom had only just reopened from lockdown. Factory production remains challenging due to labour and materials shortages and lead times have increased. We have just started a major investment in our freehold factory in Devon which will increase capacity and improve productivity and energy efficiency.

Interior Decorating Division
Decorating sales, which represent 14% of Group turnover, increased by 152% to £14.63 million (2021 – £5.79 million) resulting in a pre-tax profit for the year of £1.47 million (2021 – £680,000 loss). The profit on decorating projects is recognised on invoicing and can fluctuate significantly depending on the timing of completion of projects. During the first year of the pandemic progress on projects was severely curtailed by lockdowns and travel restrictions and the exceptional performance for the current year partly reflects the completion of projects delayed by the pandemic. This included one very large UK project and as a result the Decorating Division expected to return to more normal levels of activity.

Prospects
The performance of the Group is closely linked to the high end housing market especially in the US and the UK. Over the past year we have benefitted from the very strong housing market conditions that emerged after the first lockdowns in 2020 and this is the main reason for the Group's record results for the year ended 30 April 2022. Rising interest rates and high levels of inflation have already started to slow housing market activity and we are therefore cautious about prospects for the coming year especially as we tend to lag changes in the housing market. We are also experiencing high levels of cost inflation especially from our fabric suppliers whose manufacturing operations are being impacted by large increases in energy and raw materials costs. Against this backdrop we believe it is unrealistic to expect sales growth in the current year especially against such strong prior year comparatives. The fact that the Group operates at the premium end of the market should provide some protection from high levels of inflation. In addition we are benefitting from the recent strengthening of the US Dollar as over 60% of our Fabric Division revenues are in the US. The Group has a very strong balance sheet including cash in excess of £21 million and is well placed to deal with more challenging trading conditions.

The Group's record performance over the last year is a reflection of exceptionally favourable market conditions but also the talent and dedication of our loyal and extremely hard working staff. I would like to thank them for their contribution to our performance and for their resilience in a challenging operational environment.

David Green
Chairman
16 August 2022

STRATEGIC REPORT

Strategy and Business Model

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

The Group's fabric and wallpapers are sold in over 50 countries worldwide. The Group mainly sells to interior designers and retail fabric and wallpaper shops (the 'trade'). The sales approach depends on the size and complexity of individual markets. In major markets, the Group sells direct to trade customers using a combination of trade showrooms and regional sales representatives. In medium-sized markets, the Group sells to the trade through agents who receive a sales commission and in small or complex markets the Group uses exclusive distributors.

The largest and most important market for the Group is the US which accounts for approximately 62% of Fabric Division sales. The interior design industry is well-developed in the US due to the very high number of luxury homes and high net worth individuals. As a result the US market continues to be the main focus for capital investment and new product investment. The Group has a network of 8 trade showrooms in the US and this is the main reason why the Group balance sheet has relatively high lease liabilities. The second largest individual country is the UK which accounts for 16% of Fabric Division sales followed by France which accounts for 5% of 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's brand portfolio was built through acquisitions although the last acquisition was in 1998 and since that time the Group has mainly pursued an organic growth strategy combined with share buybacks to maximise return on capital employed. The Group is interested in acquiring additional brands provided they complement the existing portfolio and offer geographical and operational synergies. The high end fabric industry is relatively fragmented with a large number of independent competitors and the biggest challenge is finding vendors who are prepared to sell at a realistic price. In the absence of acquisitions we believe there are still good opportunities for organic growth within the Group's existing 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 37 highly skilled staff and this is the Group's only manufacturing activity. The majority of furniture is made to order and financed by customer deposits. It is a relatively small part of the Group accounting for less than 3% of Group sales. For segmental reporting purposes the furniture company is grouped with the fabric and wallpaper brands to make up the 'Product Division'.

STRATEGIC REPORT

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'. For the year to 30 April 2022 it accounted for just over 14% 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 three Associate Directors each with their own portfolio of clients. The business is international with a broad geographical spread and the high end client base means it is quite resilient to economic cycles. 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 sales and 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:

	2022	2021
Constant Currency Sales Growth	**32.8%**	1.8%
Gross Profit Margin	**53.6%**	56.4%
Pre Tax Profit Margin	**10.6%**	7.0%
Earnings Per Share	**102.5p**	45.1p
Operating Cash Flow less lease cash flows	**£12.8m**	£11.4m

Constant Currency Sales Growth
Group sales increased by 30.8% to £101.8 million (2021 – £77.91 million) but increased by 32.8% on a constant currency basis. In our core Fabric Division sales increased by 23.7% on a constant currency basis. In our major markets constant currency sales were up 25% in the US, 33% in the UK and 14% in Europe. These percentage increases are unprecedented and are explained in more detail in the Chairman's Statement. They reflect exceptionally favourable market conditions throughout the year but also prior year figures which were adversely impacted by the pandemic, especially in the first six months. Historically we believe that Fabric Division sales are closely correlated with high end housing market activity although there is a time lag of up to a year between when people move house and when they spend on decoration. The pandemic lockdowns triggered a surge in housing market activity as people re-evaluated how and where they wanted to live and work. This was especially the case in the US and the UK where we saw the largest percentage increases in sales.

Decorating Division sales were up by 152% at £14.63 million (2021 – £5.79 million). This was an exceptional performance and primarily due to the completion of a major UK project. In contrast prior year sales were severely impacted by the pandemic as for much of the year it was not possible to travel and work overseas and the UK lockdowns slowed the rate of progress on domestic projects. Under IFRS 15 *Revenue Recognition* revenue is recognised on completion on projects.

Gross Profit Margin
The overall gross profit margin decreased by 2.8% from 56.4% to 53.6%. The decrease is mainly explained by an increase in the proportion of lower margin Decorating Division sales from 7% to 14% of Group sales. In the Fabric Division gross margins were reduced by a full year of additional duty costs on sales to the EU compared to just four months of additional costs in the prior year. The overall Fabric Division gross margin 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. The Group does not have any significant exposure to the Euro Sterling exchange rate as there is a natural hedge between Euro costs and revenues.

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

	2022	2021	% change
US dollar average	**1.35**	1.33	-2%
US dollar closing	**1.26**	1.38	9%
Euro average	**1.18**	1.13	-4%
Euro closing	**1.19**	1.15	-3%

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Pre Tax Profit Margin
Group pre-tax profit increased by 100% to £10.82 million (2021 – £5.42 million) representing a pre-tax profit margin of 10.6% (2021 – 7%). This is the first time the Group has achieved a pre-tax profit margin in excess of 10% and reflects the benefit of operational gearing in the Fabric Division. Relatively high gross profit margins combined with a relatively high fixed cost base means that pre-tax profit is sensitive to modest fluctuations in sales – a phenomenon that obviously works both ways. This year the very strong Fabric Division sales increase of 23.7% resulted in a pre-tax profit increase of 59%. This increase would have been higher but prior year profits included a pandemic related US CARES grant of £922,000. Group pre-tax profit also benefitted from an exceptional performance by the Decorating Division which made a pre-tax profit of £1.48 million compared to a loss of £680,000 in the prior year.

Earnings Per Share
Earnings per share increased by 127% to 102.5p (2021 – 45.1p). This compares to an increase in pre-tax profit of 100%. The favourable difference is due to two factors. Firstly, the Group tax charge for the year was 21.5% compared to 25.4% for the prior year. The lower tax percentage mainly reflects the mix of taxable profits between the UK where the corporation tax rate is currently 19% and the US where the corporation tax rate including state and city taxes is closer to 24%. The weighting of UK profits was boosted by a profit of £1.48 million from the Decorating Division compared to a loss of £680,000 for the prior year. Secondly, the weighted average number of shares in issue during the year reduced by 7.6% following the Tender Offer and share buyback in September 2021 which reduced the number of shares in issue by 12%.

Since 1999 Earnings per Share have benefitted from the Group's long running share buyback program which has been used to return surplus cash to shareholders and maximise return on capital employed. Since 1999 share buybacks have returned £41.8 million to shareholders and reduced the number of shares in issue from 28.5 million to 7.9 million. The Group has a strong balance sheet with cash of £21.8 million and the Board will continue to review options for share buybacks in order to maximise Earnings per Share and return on capital employed.

Operating Cash flow less lease cash flows
The Group's operating cash flow less lease cash flows increased by 12% to £12.79 million (2021 – £11.43 million). Following the introduction of IFRS 16 Leases in 2020, cash generated from operations is no longer considered a meaningful key performance indicator. This is because lease payments are recorded under financing activities despite being fundamental to operational performance. Lease payments during the year amounted to £5.1 million (2021 – £5.9 million). A large proportion of this cost relates to our network of US trade showrooms.

The reason that operating cash flow during the year increased by 12% compared to a 100% increase in pre-tax profit is partly due to changes in Decorating Division deposits. Prior year operating cash flow benefitted from a £2.5 million increase in unspent deposits as progress on new projects was slowed by pandemic restrictions. This situation reversed during the year as Decorating Division projects were completed.

Operating cash flow is dependent on profitability and tight control of working capital. During the year Group's working capital increased by £845,000 with inventory, debtors, creditors and deposits all returning to more normal levels following the ending of the pandemic.

Balance Sheet
During the year the Group returned £6.7 million of surplus cash to shareholders via a Tender Offer and share buyback but still ended the year with a strong balance sheet comprising net assets of £33.2 million (2021 – £31.1 million) including cash of £21.8 million (2021 – £19.3 million).

Under IFRS 16 the Groups leases are included in the Group balance sheet as a right of use asset and corresponding lease liabilities. Changes in the right of use asset mainly reflect the timing and duration of lease renewals and during the year the right of use asset reduced by £2.9 million to £25.6 million.

Excluding lease liabilities, the largest item in the Group balance sheet is inventory and work in progress which increased by £898,000 to £17.0 million. The Fabric Division requires a significant investment in inventory to support high levels of customer service. During the year inventory increased by approximately £1.9 million driven by the growth in Fabric Division sales. This increase was partly offset by an £844,000 decrease in Decorating Division work in progress following an exceptional performance during the year. Fabric Division inventory is expected to increase further next year reflecting high levels of supplier price inflation caused by increases in the cost of raw materials and energy.

STRATEGIC REPORT

Principal Risks and Uncertainties

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

The principal risks can be 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 investment in new product.

In 2020 the Coronavirus pandemic represented a new and unprecedented business risk. During the first lockdowns in March 2020 the Group was able to remain operational by adopting flexible working practices and following government health and safety guidelines. The cessation of UK government restrictions in early 2022 as well as the cessation of restrictions in the Group's major overseas markets means that the coronavirus risk has reduced significantly but has not been eliminated entirely due to the possibility of dangerous new variants. The main controls in place to mitigate any future coronavirus risk involve actions to conserve cash, reduce costs and remain operational wherever possible by adopting appropriate health and safety measures.

The war in the Ukraine, which started on 24 February 2022, has not has had a material adverse impact on sales because prior to the war, Russia and the Ukraine together accounted for less than 0.5% of total Group sales. However, the war has caused significant increases in energy costs, especially in Europe, and triggered unscheduled price increases from the Group's manufacturing suppliers. In most cases these increases can be mitigated with price increases and the Group's existing inventory provides some margin protection during any time lag between supplier increases and customer increases taking effect.

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 £150,000. The Group has historically hedged part of its US Dollar exposure 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 2022. The Board keeps the Sterling versus US Dollar exchange rate under constant review and enters into forward contracts to sell US Dollars as deemed appropriate.

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 £15 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 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.

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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 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. In September 2021 the Group returned £6.7 million of cash to shareholders via a Tender Offer and share buyback and also restarted dividend payments which were paused during the pandemic to conserve cash. The Group ended the year with cash of £21.8 million and no debt which is considered more than adequate for its long-term investment needs.

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 some home working and flexible working hours to suit employees' individual circumstances.

Having regard to the need to foster the Group's business relationships with suppliers, customers and others

The Group's core Fabric Division serves thousands of trade customers throughout the world. Regular repeat business is therefore a key feature of the business and the Board recognises the importance of building long-term relationships with customers 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.

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 in person meetings with our design studios, prompt reliable payment for all goods and services supplied and regular honest and open communication about pricing, lead times and service.

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. During the year the company partnered with the sustainability certification organisation Planet Mark who have certified the Group's carbon footprint in the UK for the year ended 30 April 2021 as a starting point for driving continuous improvements in the sustainability of the business.

STRATEGIC REPORT

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. Evidence of fair treatment is reflected in the long service of many employees and the loyalty of customers, suppliers and shareholders through multiple economic cycles.

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, 2019 and 2021 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 16 August 2022 and signed on its behalf by:

R. M. Barker BSc
ACA Group Finance Director

DIRECTORS, BANKERS AND ADVISERS

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R. M. Barker BSc ACA, *Finance Director*
W. Nicholls, *Decorating 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 6, proposed as an ordinary resolution, would authorise the Directors to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum of one third of the issued share capital of the Company 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 6 would also authorise the Directors to allot equity securities in connection with a rights issue up to a maximum of one third of the issued share capital of the Company 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 7, proposed as a special resolution, would authorise the Directors to allot shares for cash, on rights issues and other issues to existing shareholders in proportion to their existing holdings and also allows issues of 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 8, proposed as a special resolution, would authorise the Directors to purchase up to a total nominal value of £119,063 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 £8,493,000 (2021 – £4,046,000). An interim dividend of 2.5p (2021 – Nil) per share was paid to shareholders on 14 April 2022. The Directors recommend the payment of a final dividend of 2.7p (2021 – Nil) per share to be paid on 13 October 2022 to shareholders on the register at the close of business on 16 September 2022. The proposed final dividend has not been accrued for because the dividend was declared after the year end and is yet to be approved at the Annual General Meeting. The total dividend for the year is 5.2p (2021 – Nil) per share and the total of the interim and proposed final dividend is £411,000 (2021 – Nil). Going forward it is the Board's intention to follow 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
No significant events have occurred since 30 April 2022 and the date of these financial statements.

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 £148,000 at 30 April 2022 (2021 – £151,000).

Directors
The Directors listed on page 10 have held office throughout the year to 30 April 2022 and up to the date of this report.

David Green – Chairman and Chief Executive, Age 76
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 58
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 56
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 – Decorating Division Director, Age 74
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 was Managing Director of the Decorating Division from 1994 to 2021. She has been a Group Board Director since 1994.

Alan Smith – Non-Executive Director, Age 81
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, Robert Barker will retire by rotation at the Annual General Meeting. Resolution 4 proposes his re-election as 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	**2022 Total £'000**	2021 Total £'000
Executive Directors:						
D. B. Green	610	50	7	0	**667**	617
R. M. Barker	230	20	1	0	**251**	243
W. Nicholls	176	0	31	0	**207**	207
K. Hall	334	28	0	5	**367**	401
Non-executive Directors:						
A. K. P. Smith	35	0	0	0	**35**	35
	1,385	98	39	5	**1,527**	1,503

Substantial Shareholdings as at 30 April 2022 and up to the date of this report

	Number of Shares	%
Rights and Issues Investment Trust Plc	2,050,000	25.8
D B Green	1,523,386	19.2
Schroder plc	1,517,708	19.1

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 **2022**	2021
D. B. Green	**1,523,386**	1,771,379
R. M. Barker	**115,680**	185,680
W. Nicholls	**69,112**	80,362
K. Hall	**118,970**	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 2022 (2021 – Nil). The Colefax group plc employee share ownership plan trust continues to hold 60,000 (2021 – 60,000) shares in the Company. The market price of the Company's shares at 30 April 2022 was 675p. The range of market prices during the financial year was between 470p and 705p.

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. The

DIRECTORS' REPORT

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. 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-executive director is Chairman of the Audit Committee and controls the agenda, and in the opinion of the Group Board 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 which 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 2022

- **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. Any significant matters arising from the Audit Committee Meetings are reported to the Group Board. 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. During the year the Audit Committee decided to change the Group's independent auditors who had served the Group since 2004 and appointed PKF Littlejohn as independent auditors for the year ended 30 April 2022.

- **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 2022**

The Audit Committee reviewed the financial results for the year ended 30 April 2022 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 PKF Littlejohn 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 PKF Littlejohn 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 2.0 2022.

DIRECTORS' REPORT

	2022	2021	% 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)	**137.17**	169.40	-19%
Owned transport – motor vehicles (conversion rate used varies by vehicle)	**47.68**	76.58	-38%
Scope 2 emissions in Kg of CO_2			
Purchased electricity – conversion rate used 0.21233 kg/kWh (prior year 0.2556)	**97.24**	101.08	-4%
Scope 3 emissions in Kg CO_2 (not material)	**–**	–	–
Total gross emissions in tonnes of CO_2e	**282.09**	347.06	-19%
Intensity ratio – tonnes of CO_2e per UK full time employee	**1.39**	1.71	-19%

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 partnered with the sustainability certification organisation Planet Mark to certify the Group's carbon footprint in the UK and help drive continuous improvement throughout the business. The Group has started an engagement process with employees to encourage sustainability improvements and develop the Group's sustainability strategy. The Group has increased the number of electric vehicles in its fleet and expanded the use of smart lighting in its offices and warehouse. The 19% reduction in the intensity ratio during a year when Group sales increased by 31% is partly due to one-off energy usage in the prior year relating to the fit out of the Group's new warehouse facility in South West London.

Going Concern

The Group ended the year with a strong balance sheet comprising net assets of £33.2 million including cash of £21.8 million and no bank borrowings. 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 2022.

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.

During the year the Group changed independent auditors and appointed PKF Littlejohn as auditors for the year ended 30 April 2022. A resolution to reappoint PKF Littlejohn 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 29 September 2022. 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
16 August 2022

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

We have audited the financial statements of Colefax Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2022 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 UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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's and 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 tested the numerical accuracy of the model used to prepare the forecasts.
- Cash balances: we agreed the Group cash balances 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

- 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 relevant going concern disclosures within the financial statements.

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's 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.

Our application of materiality
We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

	Group financial statements	**Parent company financial statements**
Coverage	£640,000	£137,000
Performance materiality	£448,000	£95,900
Basis for determining materiality	7% of budgeted profit before tax	0.5% of gross assets
Rationale for the benchmark applied	As an established business with a history of trading results and profits, profit before tax is used as the benchmark of the financial statements as we deem that to be the primarily indicator that users of the financial statements focus on. Gross assets is used as the benchmark for determining the parent company materiality as the Company has very little in terms of liabilities and no external debt other than the IFRS 16 liability. The carrying value of investments in subsidiaries is therefore deemed to be the primary indicator of performance for the users of the financial statements.	

Performance materiality for the group financial statements was set at £448,000 and the parent company was set at £95,900, being 70% of materiality for the financial statements as a whole respectively. The performance materiality for the group and all subsidiaries is based on our assessment of the relevant risk factors e.g. previous experience of misstatements, management's attitude towards proposed adjustments, and the level of estimation inherent within the group and parent company.

Other significant components of the group, were audited to a level of materiality ranging from £62,000 to £520,000. Performance materiality was set at 70%.

We agreed to report to those charged with governance all corrected and uncorrected misstatements we identified through our audit with a value in excess of £38,000 for the group and for the parent company a value in excess of £6,850. We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC

Our approach to the audit
The scope of our audit was influenced by our application of materiality.

In designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Of the 13 components of the group, a full scope audit was performed on the complete financial information of 7 components, and for the components not considered significant, we performed a limited scope analytical review together with substantive testing as appropriate on group audit risk areas applicable to those components based on their relative size, risks in the business and our knowledge of the entity appropriate to respond to the risk of material misstatement.

Of the 7 reporting components in the group, 1 was located in USA and 1 was located in France. The component in USA was audited by a firm within the PKF Network under our instruction. The component in France was audited by a firm outside of the PKF network operating under our instruction. The remaining components were performed in London, conducted by PKF Littlejohn LLP using a team with specific experience of auditing publicly listed entities. The Senior Statutory Auditor interacted regularly with the component audit teams during all stages of the audit and was responsible for the scope and direction of the audit process. This, in conjunction with additional procedures performed, gave us appropriate evidence for our opinion on the group and parent company financial statements.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF COLEFAX GROUP PLC

Key Audit Matter	How our scope addressed this matter
Carrying value of Investments (Note 16) There is the risk that the value of inventory is materially misstated, and that inventory is not accounted for in line with IAS 2 Inventories, and specifically that: • Inventory is not valued at the lower of cost and net realisable value. • The provision for inventory is calculated using inappropriate inputs and assumptions. The group has inventory balances of £17m which is stated net of provisions. The provision is calculated based on formula driven factors including whether the inventory is classified as a limited edition (and thus short life), the age of the inventory and sales history. There is a significant amount of management judgement in relation to the inventory provisioning as large quantities of finished goods are held which is common in the industry. There is also a risk of fraud through manipulation of the inventory provision. Owning to the magnitude of the finished goods held and the level of estimation and judgement involved in provisioning, we determined the carrying value of inventories to be a key audit matter.	Our work in this area included: • Attendance at the yearend inventory check to ensure accuracy of inventories held and review of the reconciliation between the value of inventory held in the financial statements to the amounts reported in the entity's records. • Reviewing movements in inventory from purchases or sales to ensure that the stock system operates effectively. • Reviewing a sample of inventories held to ensure the carrying values held are at lower of cost and net realisable value. • Review of cut off procedures around the year end to ensure accuracy of inventories held at reporting date. • We reviewed the provisioning model and tested the mathematical accuracy of the calculations and verified that the provision was being appropriately calculated and that the key inputs in the calculation were appropriately derived from underlying data. • We considered the appropriateness of the provisioning methodology to inventory lines to ensure consistency has been applied between inventory lines designated as active or obsolete. • Review of slow moving inventory lines. • We reviewed the work in progress to understand the inputs and assumptions used to calculate the work in progress and tested a sample of projects for accuracy involved in assessing the project completion. This included a review of any loss making orders within work in progress that were not completed by the reporting date.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC

Key Audit Matter	How our scope addressed this matter
Revenue Recognition (note 3)	
Under ISA (UK) 240 there is a rebuttable presumption that revenue recognition is a fraud risk. Revenue is recognised on despatch of goods to the customer or on the sign-off of a project by the customer ("point in time"). The Group had revenues of £102m which is a significant increase to that reported in prior periods. Owning to the magnitude of the increase and the need to ensure that revenue has been correctly recognised in the correct period, we determined revenue to be a key audit matter. Given the nature of the Group's revenue being a relatively high volume of low value transactions we identified that the risk of fraud recognition was in the occurrence assertion, for example through the posting of a fraudulent journal.	• Our work in this area included: • Obtaining an understanding of the internal control environment in operation for the material income streams and undertaking a walk-through to ensure that the key controls within these systems have been operating in the year; • A review of the revenue recognition policy of the Group to ensure revenue has been recognised in line with IFRS 15. Careful consideration under IFRS 15 is required, to ensure the applicable performance obligations have been met. • For a sample of sales invoices raised, we confirmed that the goods sold to the customer have been delivered (key performance obligation) by tracing the sale from the order through to delivery, thus evidencing the occurrence and completeness of revenue. The same selected invoices were also traced to subsequent cash receipts. • Testing income recognised in the financial statements, including deferred and accrued income balances recognised at the year-end; • Reviewing post year-end sales to ensure completeness of income recorded in the accounting period. • Performing sales cut-off procedures to ensure that revenue is recorded in the correct accounting period. • Reviewing post year-end credit notes. • Reviewing a sample of contracts for the interior design division and obtaining the support for projects not completed at the year end to ensure revenue has been recorded in the correct period.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF COLEFAX GROUP PLC

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

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

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

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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, evaluation of internal control and through our experience in the sector.

- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:

  - AIM Rules
  - QCA Corporate Governance Code

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC

- Companies Act 2006
- Employment Act 2008
- Money Laundering Regulations 2007
- GDPR
- Textile Regulation (EU) No 1007/2011
- Furniture and Furnishings (Fire) (Safety) Regulations 1988,1993 and 2010
- Local laws and regulations, including tax, in the jurisdictions where each member operates

• We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group or the company with those laws and regulations. These procedures included, but were not limited to:

  - review of legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations;
  - discussion with management regarding potential non-compliance; and
  - review of minutes of meetings of those charged with governance and RNS

• We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the potential for management bias was identified in relation to the going concern of the group and the company and as noted above, we addressed this by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.

• As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

• The audit team addressed matters of non-compliance with laws and regulations, including fraud at the group and component levels by communicating with component auditors and including procedures in the group instructions to detect non compliance, including fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Zahir Khaki (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP, Statutory Auditor
London, United Kingdom
16 August 2022

PKF Littlejohn LLP is a limited liability partnership registered in England and Wales (with registered number OC342572).

GROUP INCOME STATEMENT
For the year ended 30 April 2022

	Notes	**2022 £'000**	2021 £'000
Revenue	3	**101,796**	77,908
Cost of sales		**(47,237)**	(33,971)
Gross profit		**54,559**	43,937
Operating expenses	5	**(42,665)**	(38,910)
Other income	6	**–**	1,462
Profit from operations		**11,894**	6,489
Finance expense	9	**(1,071)**	(1,067)
Profit before taxation		**10,823**	5,422
Tax expense	10	**(2,330)**	(1,376)
Profit for the year attributable to equity holders of the parent		**8,493**	4,046
Basic and diluted earnings per share	12	**102.5p**	45.1p

The notes on pages 32 to 52 form part of these Consolidated financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 April 2022

	Notes	**2022 £'000**	2021 £'000
Profit for the year		**8,493**	4,046
Other comprehensive income/(expense):			
Items that will or may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		**522**	(1,251)
Tax relating to items that will or may be reclassified to profit and loss	20	**–**	103
		522	(1,148)
Total other comprehensive income/(expense)		**522**	(1,148)
Total comprehensive income for the year attributable to equity holders of the parent		**9,015**	2,898

The notes on pages 32 to 52 form part of these Consolidated financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

At 30 April 2022

	Notes	**2022 £'000**	2021 £'000
Non-current assets:			
Property, plant and equipment	13	**7,423**	7,029
Right of use asset	14	**25,621**	28,506
Deferred tax asset	20	**22**	35
		33,066	35,570
Current assets:			
Inventories and work in progress	16	**17,031**	16,025
Trade and other receivables	17	**6,976**	8,631
Cash and cash equivalents	18	**21,785**	19,344
Current corporation tax		**115**	513
		45,907	44,513
Current liabilities:			
Trade and other payables	19	**17,582**	18,343
Lease liabilities	14	**4,176**	3,992
		21,758	22,335
Net current assets		**24,149**	22,178
Total assets less current liabilities		**57,215**	57,748
Non-current liabilities:			
Lease liabilities	14	**23,807**	26,323
Deferred tax liability	20	**261**	317
Net assets		**33,147**	31,108
Capital and reserves attributable to equity holders of the Company:			
Share Capital	22	**794**	902
Share premium account	23	**11,148**	11,148
Capital redemption reserve	23	**2,080**	1,972
ESOP share reserve	23	**(113)**	(113)
Foreign exchange reserve	23	**1,712**	1,190
Retained earnings	23	**17,526**	16,009
Total equity		**33,147**	31,108

The financial statements were approved by the Board of Directors and authorised for issue on 16 August 2022.

D. B. Green
Director

R. M. Barker
Director

The notes on pages 32 to 52 form part of these Consolidated financial statements.

Company No. 1870320

COMPANY STATEMENT OF FINANCIAL POSITION

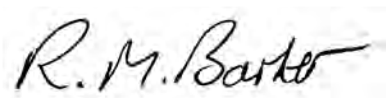
At 30 April 2022

	Notes	**2022 £'000**	2021 £'000
Non-current assets:			
Investments	15	**22,443**	23,443
Current assets:			
Trade and other receivables	17	**18,146**	16,134
Cash and cash equivalents	18	**404**	3,187
		18,550	19,321
Current liabilities:			
Lease liabilities	14	**1,566**	1,401
Trade and other payables	19	**233**	141
Net current assets		**16,751**	17,779
Total assets less current liabilities		**39,194**	41,222
Non-current liabilities:			
Lease liabilities	14	**6,764**	8,019
Net assets		**32,430**	33,203
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	22	**794**	902
Share premium account	23	**11,148**	11,148
Merger reserve	23	**10,762**	10,762
Capital redemption reserve	23	**2,080**	1,972
Retained earnings	23	**7,646**	8,419
Total equity		**32,430**	33,203

The Company profit for the year was £6,203,000 (2021 – £4,257,000). Total comprehensive income relating to the year for the Company consists of the profit for the year only. No income statement is presented by the Company as provided in S.408 the Companies Act 2006.

The financial statements were approved by the board of directors and authorised for issue on 16 August 2022.

D. B. Green
Director



R. M. Barker
Director

The notes on pages 32 to 52 form part of these Consolidated financial statements.

Company No. 1870320

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 April 2022

	Notes	2022 £'000	2021 £'000
Operating activites			
Profit before taxation		**10,823**	5,422
Finance income		**1,071**	1,067
Profit on disposal of property, plant and equipment		**(9)**	(30)
Non-cash movement arising from loan waiver	6	**–**	(922)
Depreciation	13	**2,274**	2,912
Rent concessions	14	**–**	(77)
Impairment of right of use assets		**–**	312
Depreciation on right of use assets	14	**4,609**	4,329
Cash flows from operations before changes in working capital		**18,768**	13,013
Increase in inventories and work in progress		**(898)**	(678)
(Increase)/decrease in trade and other receivables		**1,789**	(2,366)
Increase/(decrease) in trade and other payables		**(1,736)**	7,378
Cash generated from operations		**17,923**	17,347
Taxation paid			
UK corporation tax paid		**(1,595)**	(224)
Overseas tax paid		**(488)**	(877)
		(2,083)	(1,101)
Net cash inflow from operating activities		**15,840**	16,246
Investing activities			
Payments to acquire property, plant and equipment	13	**(2,255)**	(1,888)
Receipts from sales of property, plant and equipment		**13**	34
Interest received		**–**	–
Net cash outflow from investing		**(2,242)**	(1,854)
Financing activities			
Purchase of own shares		**(6,779)**	–
Principal paid on lease liabilities		**(4,061)**	(4,853)
Interest paid on lease liabilities		**(1,073)**	(1,061)
Interest paid		**3**	(6)
Equity dividends paid	11	**(197)**	–
Net cash outflow from financing		**(12,107)**	(5,920)
Net increase in cash and cash equivalents		**1,491**	8,472
Cash and cash equivalents at beginning of year		**19,344**	11,538
Exchange (losses)/gains on cash and cash equivalents		**950**	(666)
Cash and cash equivalents at end of year	18	**21,785**	19,344

The notes on pages 32 to 52 form part of these Consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 30 April 2022

	Notes	2022 £'000	2021 £'000
Operating activities			
Profit before taxation		**6,247**	4,315
Dividend income for the year		**(6,197)**	(4,250)
Finance income		**(50)**	(71)
Cash flows from operations before changes in working capital		**(0)**	(6)
Decrease / (increase) in trade and other receivables		**548**	231
(Decrease) / increase in trade and other payables		**(10)**	(430)
Cash generated from operations		**538**	(205)
Taxation paid			
UK corporation tax paid		**(1,595)**	(224)
Net cash (outflow) / inflow from operating activities		**(1,057)**	(429)
Investing activities			
Interest received		**49**	71
Loan payment received from subsidiary		**1,000**	1,000
Dividends received from subsidiaries		**4,196**	2,481
Net cash inflow from investing		**5,245**	3,552
Financing activities			
Purchase of own shares		**(6,774)**	–
Equity dividends paid	11	**(197)**	–
Net cash outflow from financing		**(6,971)**	–
Net increase / (decrease) in cash and cash equivalents		**(2,783)**	3,123
Cash and cash equivalents at beginning of year		**3,187**	64
Cash and cash equivalents at end of year	18	**404**	3,187

The notes on pages 32 to 52 form part of these Consolidated financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2022

	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 2021	902	11,148	1,972	(113)	1,190	–	16,009	31,108
Profit and total comprehensive income for the year	–	–	–	–	–	–	8,493	8,493
Foreign exchange	–	–	–	–	522	–	–	522
Tax on other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**522**	**–**	**8,493**	**9,015**
Share buybacks	(108)	–	108	–	–		(6,779)	(6,779)
Dividends paid	–	–	–	–	–		(197)	(197)
At 30 April 2022	**794**	**11,148**	**2,080**	**(113)**	**1,712**	**–**	**17,526**	**33,147**
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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2022

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2021	902	11,148	10,762	1,972	8,419	33,203
Profit and total comprehensive income for the year	–	–	–	–	6,203	6,203
Share buybacks	(108)	–	–	108	(6,779)	(6,779)
Dividends paid	–	–	–	–	(197)	(197)
At 30 April 2022	**794**	**11,148**	**10,762**	**2,080**	**7,646**	**32,430**
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

The notes on pages 32 to 52 form part of these Consolidated financial statements.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

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 UK adopted International Accounting Standards and with the requirements of the Companies Act 2006.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted International Accounting Standards with future changes being subject to endorsement by the UK Endorsement Board. Colefax Group Plc transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. There was no impact on recognition, measurement or disclosure as a result of the transition.

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 2022.

Adoption of new and revised Accounting Standards

On 3 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted International Accounting Standards. This change has had no impact on the preparation of the financial statements. No new standards issued and effective for the year have had any significant impact on the preparation of the financial statements.

New standards issued but not yet effective

No new standards, interpretations and amendments not yet effective are expected to have a material effect in the Group's financial statements.

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.

Goodwill

The Group has not made any acquisitions since 30 April 1998. 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.

NOTES TO THE ACCOUNTS
For the year ended 30 April 2022

1 Accounting policies *continued*

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 is recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'.

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 goods supplied under 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

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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

1 Accounting policies *continued*

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 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.

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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

1 Accounting policies *continued*

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.

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").

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

1 Accounting policies *continued*

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

Dividends

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

Segmental Reporting

For internal management purposes the Group reports by statutory entity in the form of monthly management accounts.

Government Grants

The Group did not receive any governments grants during the year ended 30 April 2022. In prior years, during the Covid-19 pandemic, the Group utilised government support where it was available. This was recognised in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Furlough payments were recognised in other income in the period relating to the intended compensation / grant.

In April 2020 the Group's US subsidiary 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. The loan was recognised as income in the year ended 30 April 2021 which was the year when it was formally approved as a grant by the US government.

2 Critical accounting estimates and judgements

Dividends

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 2022

		Product Division		Decorating Division		Total	
		2022	2021	**2022**	2021	**2022**	2021
		£'000	£'000	**£'000**	£'000	**£'000**	£'000
3. **Revenue**	Primary Geographical Markets:						
	United Kingdom	**17,257**	13,537	**13,259**	4,546	**30,516**	18,083
	United States	**51,492**	41,732	**520**	287	**52,012**	42,019
	Europe	**16,130**	14,618	**387**	480	**16,517**	15,098
	Rest of the World	**2,291**	2,227	**460**	481	**2,751**	2,708
		87,170	72,114	**14,626**	5,794	**101,796**	77,908
	Revenue arises from:						
	Sale of goods	**87,170**	72,114	**13,759**	4,708	**100,929**	76,822
	Provision of services	**–**	–	**867**	1,086	**867**	1,086
		87,170	72,114	**14,626**	5,794	**101,796**	77,908

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.

	Product Division		Decorating Division		Total	
	2022	2021	**2022**	2021	**2022**	2021
Business segments	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue:						
Total revenue	**87,170**	72,284	**14,626**	5,624	**101,796**	77,908
Inter-segment revenue	**–**	(170)	**–**	170	**–**	–
Revenue from external customers	**87,170**	72,114	**14,626**	5,794	**101,796**	77,908
Segment result:						
Profit from operations	**10,392**	7,139	**1,502**	(650)	**11,894**	6,489
Finance expense	**(1,045)**	(1,038)	**(26)**	(29)	**(1,071)**	(1,067)
Profit before taxation	**9,347**	6,101	**1,476**	(679)	**10,823**	5,422
Tax (expense)/credit	**(2,330)**	(1,388)	**–**	12	**(2,330)**	(1,376)
Profit for the year attributable to equity holders of the parent	**7,017**	4,713	**1,476**	(667)	**8,493**	4,046
Total assets	**70,735**	70,423	**8,238**	9,660	**78,973**	80,083
Total liabilities	**(40,867)**	(41,395)	**(4,959)**	(7,580)	**(45,826)**	(48,975)
Net assets	**29,868**	29,028	**3,279**	2,080	**33,147**	31,108
Capital expenditure	**2,496**	9,073	**228**	119	**2,724**	9,192
Depreciation	**6,496**	7,187	**387**	366	**6,883**	7,553

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

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

4. Segmental analysis
continued

Geographical segments	External revenue by location of customers 2022 £'000	2021 £'000	Non-current assets by location of assets 2022 £'000	2021 £'000
United Kingdom	**30,516**	18,083	**11,311**	13,010
United States	**52,012**	42,019	**19,517**	19,782
Europe	**16,517**	15,098	**2,236**	2,778
Rest of World	**2,751**	2,708	**–**	–
	101,796	77,908	**33,064**	35,570

5. Operating expenses

	2022 £'000	2021 £'000
Distribution and marketing costs	**29,358**	26,478
Administrative costs	**13,307**	12,432
Total operating expenses	**42,665**	38,910

6. Other income

	2022 £'000	2021 £'000
US CARES grant	**–**	922
Furlough income	**–**	540
Total other income	**–**	1,462

The US CARES grant in the prior year relates to a coronavirus related US CARES loan received. The loan was approved as a grant in April 2021 and was therefore recognised as Other Income.

In 2022, no furlough income relating to and recorded in the reporting period was received in cash (2021 – £540,000).

All furlough income was from the UK Government.

7. Profit from operations

	2022 £'000	2021 £'000
This has been arrived at after charging/(crediting):		
Audit services – group	**35**	37
Audit services – subsidiaries	**160**	172
Non–audit services – taxation compliance	**0**	11
Depreciation of owned property, plant and equipment	**2,274**	2,912
Depreciation on right of use assets	**4,609**	4,329
(Profit) / loss on the disposal of property, plant and equipment	**(7)**	(30)
Exchange (gains) / losses	**(419)**	(113)
Pension costs (see note 24)	**448**	375

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

		2022 £'000	2021 £'000
8. **Staff costs**	Staff costs, including Executive Directors, were as follows:		
	Wages and salaries	**17,239**	15,994
	Social security costs	**2,130**	1,866
	Pension costs	**448**	375
		19,817	18,235

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	**274**	270
Administration		
Executive directors	**2**	2
Other employees	**49**	50
	327	324

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 (2021 – nil).

	2022 £'000	2021 £'000
Directors' (key management personnel) remuneration was as follows:		
Emoluments	**1,522**	1,499
Pension contributions	**5**	4
Employers social security costs on directors' emoluments	**164**	160
	1,691	1,663
Emoluments of the highest paid director:		
Emoluments	**667**	617

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 2022 (2021 – one).

		2022 £'000	2021 £'000
9. **Finance income and expense**	Finance expense:		
	Finance costs on leases	**1,068**	1,061
	Other interest payable	**3**	6
		1,071	1,067

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

10. Tax expenses

	2022 £'000	2021 £'000
(a) Analysis of charge for the year		
UK corporation tax		
UK corporation tax on profits of the year	**1,182**	606
Adjustments in respect of previous years	**–**	(6)
	1,182	600
Overseas tax		
Overseas tax on profits of the year	**1,240**	591
Adjustments in respect of previous years	**(23)**	17
	1,217	608
Total current tax	**2,399**	1,208
UK deferred tax		
Origination and reversal of temporary differences	**20**	(40)
Adjustments in respect of previous years	**–**	38
	20	(2)
Overseas deferred tax		
Origination and reversal of temporary differences	**(89)**	170
Impact of overseas tax rate changes	**–**	–
	(89)	170
Total deferred tax	**(69)**	168
Total income tax expense	**2,330**	1,376

(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.

	2022 £'000	2021 £'000
Profit before taxation	**10,823**	5,422
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021 – 19%)	**2,056**	1,030
Effect of:		
Disallowed expenses	**69**	288
Non-taxable income	**(34)**	(190)
Adjustments in respect of prior period (current tax)	**(23)**	12
Adjustments in respect of prior period (deferred tax)	**–**	38
Losses utilised	**(17)**	–
Differences in foreign tax rates	**125**	74
Other differences	**(9)**	46
State and local taxes	**163**	78
Total tax expense	**2,330**	1,376

11. Dividends

	2022 £'000	2021 £'000
Final (paid) of 0.0p (2021 – 0.0p)	**–**	–
Interim (paid) of 2.5p (2021 – 0.0p)	**197**	–
	197	–

A final dividend of 2.7p per share has been proposed for the year ended 30 April 2022 (2021 – 0.0p).

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

12. Earnings per share

Basic earnings per share have been calculated on the basis of profit on ordinary activities after tax of £8,493,000 (2021 – £4,046,000) and on 8,284,746 (2021 – 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 2022.

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 2021	240	10,611	7,348	340	5,773	24,312
Exchange adjustment	–	599	316	–	640	1,555
Additions	–	498	411	2	1,344	2,255
Disposals	–	(3,307)	(734)	(25)	(249)	(4,315)
At 30 April 2022	**240**	**8,401**	**7,341**	**317**	**7,508**	**23,807**
Depreciation:						
At 1 May 2021	89	7,539	5,629	176	3,850	17,283
Exchange adjustment	–	415	281	–	442	1,138
Charge for the year	3	564	524	65	1,118	2,274
Disposals	–	(3,308)	(729)	(25)	(249)	(4,311)
At 30 April 2022	**92**	**5,210**	**5,705**	**216**	**5,161**	**16,384**
Net Book Value:						
At 30 April 2022	**148**	**3,191**	**1,636**	**101**	**2,347**	**7,423**
At 1 May 2021	151	3,072	1,719	164	1,923	7,029

	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

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

14. Leases

	2022 £'000 Land & Buildings	2022 £'000 Other	2022 £'000 Total
Group Right of use assets			
As at 1 May 2021	**28,395**	**111**	**28,506**
Additions to right of use assets – new leases	**347**	**122**	**469**
Remeasurement	**40**	**–**	**40**
Depreciation on right of use assets	**(4,517)**	**(92)**	**(4,609)**
Impairment	**–**	**–**	**–**
Disposals of right of use assets	**(147)**	**–**	**(147)**
Effect of modification to lease terms	**–**	**–**	**–**
Foreign exchange movements	**1,363**	**(1)**	**1,362**
At 30 April 2022	**25,481**	**140**	**25,621**

	2021 £'000 Land & Buildings	2021 £'000 Other	2021 £'000 Total
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

	2022 £'000 Group Land & Buildings	2022 £'000 Group Other	2022 £'000 Group Total	2022 £'000 Company Land & Buildings
Lease liabilities				
At 1 May 2021	30,206	109	**30,315**	**9,420**
Additions	347	122	**469**	**347**
Remeasurement	–	–	**–**	**–**
Finance costs on leases	1,070	3	**1,073**	**266**
Disposals	(276)	–	**(276)**	**–**
Lease payments	(5,039)	(95)	**(5,134)**	**(1,703)**
Rent concessions (see note below)	–	–	**–**	**–**
Foreign exchange movements	1,538	(2)	**1,536**	**–**
At 30 April 2022	**27,846**	**137**	**27,983**	**8,330**

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

14. **Leases**
continued

	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**

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

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Current	**4,176**	3,992	**1,566**	1,401
Non-current	**23,807**	26,323	**6,764**	8,019
	27,983	30,315	**8,330**	9,420

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

At 30 April 2022 there were no variable lease payments associated with any of the Group's leases.

The maturity of lease liabilities is as follows:

	Group £'000	Company £'000
Undiscounted amounts payable:		
Within one year	5,416	1,675
In two to five years	16,151	4,300
In over five years	11,386	3,330
Total gross future liability	**32,953**	**9,305**
Effect of discounting	**(4,970)**	**(975)**
Lease liability at 30 April 2022	27,983	8,330

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 2022 amounted to £266,000 (2021 – £268,000).

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 £9,524,000 and the related unearned income is £1,360,250.

Rent concessions

There were no rent concessions in the current financial year (2021 – £77,000). In 2021, the Group had to close its retail operations for certain periods of time due to Covid lockdowns. The Group received rent concessions from lessors due to being unable to operate including reduced rent periods and rent deferrals during this time.

The Group 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 in the previous year satisfy to apply the practical expedient.

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

The effect of this reduction was recorded in profit in the previous year.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

15. Investments

	Shares £'000	Loans £'000	Total £'000
Company			
At 30 April 2021	19,443	4,000	23,443
Loan repayment by subsidiary	–	(1,000)	(1,000)
At 30 April 2022	**19,443**	**3,000**	**22,443**

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
Colefax and Fowler SL	6	Fabrics and Wallpapers	No. 115 Bis Portal 5 08008 Barcelona

(*) 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.
(6) Incorporation/Principal Country of Operation is Spain.

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 2022, the ESOP Trust owned 60,000 (2021 – 60,000) ordinary shares of 10p in the Company at cost, with a market value of £405,000 (2021 – 282,000). 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 2022

		2022 £'000	2021 £'000
16. **Inventories and work in progress**	Finished goods for resale	**14,961**	12,982
	Work in progress	**2,070**	3,043
		17,031	16,025

The cost of inventories recognised as an expense and included in cost of sales amounted to £25,648,000 (2021 – £21,516,000). The value of stock impaired/written off in the period amounted to £810,000 (2021 – £1,399,000).

		Group		Company	
		2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
17. **Trade and other receivables**	Trade receivables	**5,096**	5,216	**–**	–
	Less: provision for impairment of trade receivables	**(374)**	(348)	**–**	–
	Trade receivables net	**4,722**	4,868	**–**	–
	Lease receivable owed by subsidiary undertakings	**–**	–	**8,330**	9,420
	Amounts owed by subsidiary undertakings	**–**	–	**8,496**	6,376
	Other receivables	**607**	2,558	**114**	115
	Prepayments and accrued income	**1,647**	1,205	**1,206**	223
		6,976	8,631	**18,146**	16,134

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 2022.

On this basis, the total loss allowance for trade receivables as at 30 April 2022 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%	14%	325%	345%	97%	
Trade receivables	3,675	1,287	8	11	115	5,096
Loss allowance	22	177	26	38	111	374

Credit quality of financial assets

(i) Current

Included in the Group's trade receivable balances are receivables with a carrying value of £3,675,000 (2021 – £3,651,000) which are not overdue. Under the expected credit loss model, a provision is held for the lifetime credit loss on these balances of £22,000 (2021 – £27,000).

(ii) Current – individually impaired

As at 30 April 2022, no trade receivables which were not overdue (2021 – £Nil) 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 2022

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

(iii) Overdue

Included in the Group's trade receivable balances are receivables with a carrying value of £1,386,000 (2021 – £1,461,000) 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 £317,000 (2021 – £217,000).

(iv) Overdue – individually impaired

As at 30 April 2022, trade receivables of £35,000 (2021 – £103,000) were individually determined to be impaired and provided for. The amount of the provision was £35,000 (2021 – £103,000).

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:

	2022 £'000	2021 £'000
At beginning of year	**348**	454
Provided during the year	**69**	76
Receivables written off as uncollectable	**(33)**	(42)
Unused amounts reversed	**(21)**	(130)
Exchange differences	**11**	(10)
At end of year	**374**	348

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

	2022 £'000	2021 £'000
Euro	**1,616**	1,764
Sterling	**1,491**	1,714
US Dollar	**1,313**	1,191
Other	**302**	199
	4,722	4,868

18. **Cash and cash equivalents**

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

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Cash at bank and in hand	**21,785**	19,344	**404**	3,187

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 2022

19. Current liabilities

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Amounts owed to subsidiary undertakings	**–**	–	**10**	81
Other loan	**–**	–	**–**	–
Trade payables	**5,933**	4,718	**–**	–
Accruals	**6,402**	5,890	**49**	60
Payments received on account	**3,360**	6,004	**–**	–
Other taxes and social security costs	**704**	559	**174**	–
Other payables	**1,183**	1,172	**–**	–
	17,582	18,343	**233**	141

Significant changes in payments received on account of £2,644,000 (2021 – £3,899,000) 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.

20. Deferred taxation

	2022 £'000	2021 £'000
Deferred taxation has been provided as follows:		
Accelerated capital allowances on property, plant and equipment	**(622)**	(615)
Excess of depreciation over capital allowances on property, plant and equipment	**–**	–
Short-term temporary differences	**861**	897
Tax losses	**–**	–
	239	282

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.

	2022 £'000	2021 £'000
This is made up as follows:		
Deferred taxation included in non-current assets	**(22)**	(35)
Deferred taxation included in non-current liabilities	**261**	317
	239	282

	2022 £'000	2021 £'000
At 1 May	**282**	(118)
Charged to the income statement (note 10)	**(68)**	169
Charged/(credited) directly to other comprehensive income	**–**	(103)
Tax losses utilised	**–**	364
Translation adjustment	**25**	(30)
At 30 April	**239**	282

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

	2022 £'000	2021 £'000
Cash flow hedge reserve	**–**	–
Deferred tax on long-term loan foreign currency movements	**–**	(103)
Other movements in deferred tax	**–**	–
At 30 April	**–**	(103)

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

21. **Financial instruments** The financial instruments of the Group as classified in the financial statements as at 30 April 2022 can be analysed under the following IFRS 9 categories

	Assets at fair value through profit or loss		Amortised cost		Total	
	2022	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Financial assets						
Trade and other receivables	**–**	–	**5,329**	7,426	**5,329**	7,426
Cash and cash equivalents	**–**	–	**21,785**	19,344	**21,785**	19,344
Total	**–**	–	**27,114**	26,770	**27,114**	26,770

	Liabilities at fair value through profit or loss		Other financial liabilities		Total	
	2022	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Financial liabilities						
Trade and other payables	**–**	–	**12,335**	10,609	**12,335**	10,609
Other loans (see note 19)	**–**	–	**–**	–	**–**	–
Forward foreign currency contracts	**–**	–	**–**	–	**–**	–
Total	**–**	–	**12,335**	10,609	**12,335**	10,609

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 £1.0 million (2021 – £3.0 million). The undrawn committed facilities available at 30 April 2022 in respect of which all conditions had been met at thatdate total £1.0 million (2021 – £3.0 million). Group borrowing facilities are reviewed annually with HSBC.

The Group's trade and short-term creditors all fall due within 60 days. At 30 April 2022 the Group's trade payables were £5.9 million (2021 – £4.7 million) and trade receivables were £4.7 million (2021 – £4.9 million) giving a ratio of 1.3 (2021 – 1.0). This, together with the Group's cash balances and unused borrowing facility, constitutes a relatively low liquidity risk.

NOTES TO THE ACCOUNTS
For the year ended 30 April 2022

21. **Financial instruments** *continued*

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

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

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

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

The majority of the US subsidiary's revenue from the sale of goods is sourced by imports from the UK and Europe. This revenue is invoiced in US dollars. The Group minimises the currency translation exchange risk by the use of forward foreign currency contracts. At 30 April 2022 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 19% 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 £21.8 million (2021 – £19.3 million) and interest rates are at historically low levels, the Group does not consider interest rate risk to be a significant risk.

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

At 30 April 2022, 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.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

21. **Financial instruments** *continued*

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

	2022 **£'000**	2021 £'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 2022 can be analysed under the following IFRS 9 categories:

	Amortised cost		Total	
	2022 **£'000**	2021 £'000	**2022** **£'000**	2021 £'000
Financial assets				
Intercompany and other receivables	**16,940**	15,911	**16,940**	15,911
Total	**16,940**	15,911	**16,940**	15,911

	Other financial liabilities		Total	
	2022 **£'000**	2021 £'000	**2022** **£'000**	2021 £'000
Financial liabilities				
Finance lease liabilities	**8,330**	9,420	**8,330**	9,420
Intercompany and other payables	**10**	81	**10**	81
Total	**8,340**	9,501	**8,340**	9,501

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 £1.0 million (2021 – £3.0 million) which is available to the UK companies in the Group.

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

22. Share capital

	Authorised 2022	Authorised 2021	Alloted, called up and fully paid 2022	Alloted, called up and fully paid 2021
Ordinary shares of 10p each	**£3,300,000**	£3,300,000	**£793,754**	£902,244
Number of shares	**33,000,000**	33,000,000	**7,937,535**	9,022,440

	Alloted, called up and fully paid 2022 Number	2022 £	2021 Number	2021 £
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	**(1,084,905)**	**(108,490)**	–	–
At end of year	**7,937,535**	**793,754**	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 £448,000 (2021 – £375,000).

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 Incorporatedand 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 2022, the value of subsidiary overdrafts covered by the guarantee amounted to £nil (2021 – £nil).

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 2022 amounted to £9.5 million (2021 – £10.9 million).

NOTES TO THE ACCOUNTS

For the year ended 30 April 2022

26. Related party transactions

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

	2022 £'000	2021 £'000
Interest charged on long-term loans to Colefax and Fowler Holdings Limited	**49**	71

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

	2022 £'000	2021 £'000
Colefax and Fowler Holdings Limited	**(9)**	3,940
Colefax and Fowler Limited	**15,888**	14,703
Kingcome Sofas Limited	**105**	208
Sibyl Colefax and John Fowler Limited	**833**	864
	16,817	19,715

The Company received dividend income from subsidiaries in the year of £6,197,000 (2021 – £4,250,000).

FIVE YEAR REVIEW

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Revenue	**101,796**	77,908	78,364	86,355	86,052
Profit before taxation	**10,823**	5,422	2,176	5,095	4,719
Profit attributable to shareholders	**8,493**	4,046	1,920	3,830	3,832
Basic and diluted earnings per share	**102.5p**	45.1p	21.4p	39.3p	38.1p
Dividends per share	**2.5p**	0.0p	0.0p	5.20p	5.00p
Equity	**33,147**	31,108	28,210	26,439	27,419
Operating cash flow less lease payments	**12,789**	11,433	5,702	7,907	8,909
Cash and cash equivalents	**21,785**	19,344	11,538	9,458	9,177

NOTICE OF MEETING

Notice is hereby given that the 2022 Annual General Meeting of Colefax Group plc will be held at 19-23 Grosvenor Hill, London W1K 3QD on 29 September 2022 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 2022, together with the reports of the directors and the auditors thereon.

2. To appoint PKF Littlejohn 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 declare a final dividend of 2.7p per ordinary share.

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

5. To re-elect R Barker who retires by rotation.

Special Business

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

6. THAT, in place of all existing authorities (save to the extent relied upon prior to the passing of this resolution), the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act"):

   (a) to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum nominal amount of £264,584 (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 £264,584 (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.

7. THAT, subject to the passing of resolution 6 above and in place of all existing powers, the Directors be generally and unconditionally authorised pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 6 above as if section 561 of the Act did not apply to any such allotment. This power shall be limited to:

   (a) the allotment of equity securities in connection with an offer of such securities or an invitation to apply to subscribe for such securities (whether by way of rights issue, open offer or otherwise) in favour of holders of ordinary shares in proportion (as nearly as may be) to their respective holdings of ordinary shares but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with treasury shares, fractional entitlements or legal or practical issues under the laws of any jurisdiction or territory or the regulations or requirements of any regulatory or stock exchange authority in any jurisdiction or territory; and

NOTICE OF MEETING

(b) the allotment (other than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £39,687 (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 6 above" and "pursuant to the authority granted by resolution 6 above" were omitted.

8. 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 1,190,630 (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 (unless previously renewed, varied or revoked by the Company in a general meeting) at the conclusion of the next annual general meeting of the Company or, if earlier, 15 months following the date of the Annual General Meeting; 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 ACA
Secretary
16 August 2022

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 27 September 2022.

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 27 September 2022 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 27 September 2022 (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 15 August 2022 (being the last business day prior to the date of this notice) the Company's issued share capital consisted of 7,937,535 ordinary shares each carrying one vote per share. Accordingly the total number of voting rights in the Company as at 15 August 2022 were 7,937,535.

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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