FINANCIAL HIGHLIGHTS

	2003 £'000	2002 £'000	Increase/ (Decrease)
Turnover	**64,422**	67,307	(4)%
Operating profit	**3,037**	4,225	(28)%
Profit before taxation	**2,801**	3,859	(27)%
Profit attributable to shareholders	**1,794**	2,535	(29)%
Basic earnings per share	**8.9p**	11.1p	(20)%
Diluted earnings per share	**8.8p**	10.9p	(20)%
Dividends per share	**3.40p**	3.40p	—
Shareholders' funds	**13,331**	14,640	(9)%
Operating cash flow	**6,191**	6,909	(10)%
Net debt	**5,042**	4,761	6%

CHAIRMAN'S STATEMENT

Financial Results
The Group generated a pre-tax profit for the year to 30th April 2003 of £2.8 million (2002 – £3.9 million) on sales down 4% at £64.4 million (2002 – £67.3 million). Earnings per share decreased by 20% to 8.9p (2002 – 11.1p). Group net borrowings at the year end were £5.0 million (2002 – £4.8 million), which represents gearing of 38% to net assets.

The Board has decided to recommend that the final dividend is maintained at 2.06p (2002 – 2.06p) making a total for the year of 3.40p (2002 – 3.40p). The final dividend will be paid on 10th October 2003 to shareholders on the register at the close of business on 12th September 2003.

This year's results have been achieved in a very challenging trading environment. Our prime market, the US, has been in decline throughout the year. The UK market remained flat and Continental Europe weakened significantly in the second half of the year. Considering these difficult market conditions and the sudden weakness of the US dollar, I believe we produced a creditable performance reflecting the considerable strength of our brands and the loyal support of our customers.

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

Sales in the US, which represent 55% of the Fabric Division's sales, decreased by 3% on a constant currency basis. This market has remained difficult throughout the year. We have consolidated our distribution centre into one location at 111 Eighth Avenue in New York and extended our lease so we will not need to relocate in the near future.

UK sales, which represent 20% of the Fabric Division's turnover, decreased by 2% during the year and the market is showing signs of getting tougher. This reflects the weak state of the high end housing market.

Sales in Continental Europe, which represent 22% of the Fabric Division's turnover, decreased by 5% during the year on a constant currency basis. Our principal market, France, deteriorated sharply towards the end of the year and currently market conditions in our three main markets of France, Italy and Germany are very challenging.

Sales in the Rest of the World, which represent 3% of the Fabric Division sales, increased by 12% during the year. We exhibited for the first time at the INDEX show in Dubai and we have seen an increase in orders from the Middle East, a market in which we were traditionally very weak. We will continue to try and grow in this market and are currently seeing some growth in the Far East.

- **Furniture—Kingcome Sofas**

Sales of furniture decreased by 9% during the year in a particularly difficult market. We have reduced costs in our manufacturing facility and refocused our sales effort with the introduction of an exclusive Kingcome range of fabrics. The early signs are that this is proving successful and I am confident of an improvement this year.

- **Accessories—Manuel Canovas**

Manuel Canovas accessories had a good year during which sales grew by 41% and now represent 5% of total Group sales. We are currently investing in this activity so the design, origination and marketing costs are significant. I believe there is a good future for this type of product which will ultimately make a meaningful contribution to the Group's profits.

Decorating Division
Interior Decorating sales were down by just 2% during the year and antique sales remained flat. Activity is currently reasonable for this area of the Group and we have started a number of significant new projects which will keep our decorating teams busy in the current year.

CHAIRMAN'S STATEMENT

Prospects

Currently there are no real signs of improvement in any of our major markets. The current exchange rate of the dollar to the pound will have a negative effect on our results if these rates persist. There is little in the short term that will improve our results but we are well placed to take advantage of the upturn when it comes.

The Group's performance this year has been achieved by the hard work and commitment of all our staff and I would like to thank them for their efforts.

David B. Green
Chairman

OPERATING AND FINANCIAL REVIEW

Financial Review

Group turnover decreased by 4.3% to £64.4 million (2002 – £67.3 million) and by 1% on a constant currency basis. The like for like decrease of 1% follows a 5% like for like decrease last year and whilst the rate of decline has slowed there is no evidence of any pickup in market conditions. The key external driver for the majority of Group sales is the level of transactions in the high end housing market and these remain depressed in spite of historically very low interest rates. To some extent we believe our core fabric sales lag the general economic cycle. This is supported by the record sales achieved in 2001 some time after the peak in the wider economy.

In the Group's core fabric division, all of the main geographical markets reported lower like for like sales with the US down 3%, the UK down 2% and Europe down 5%. In sterling terms the decline in Europe was more than offset by the 6% appreciation in the Euro but it remains the weakest of our three major geographical territories.

Gross profit margins during the year decreased slightly from 56.6% to 56.4%. The relatively small decrease was in spite of a significant deterioration in the dollar in the second half of the year. Most of our US sales are of goods sourced in sterling or euros and the Group's gross margin was protected by forward contracts put in place in prior years. Excluding forward contracts the gross margin would have declined by 1.1% to 55.4%.

Group operating profits decreased by 28.1% to £3.0 million (2002 – £4.2 million) representing a return on sales of 4.7% (2002 – 6.3%). Relatively high gross profit margins mean that Group operating profits are particularly sensitive to small fluctuations in revenues. Until we see a return to growth the Group's operational focus will continue to emphasise cost control and cash generation.

A significant feature of this year's results has been the rapid decline of the US dollar against the Euro and to a lesser extent Sterling. This trend has continued into the current year. The results of our overseas operations are translated at the average rate for the year and assets and liabilities are translated at the closing rate for the year. The average and closing rates were as follows:

	2003	2002	% Change
US Dollar Average	1.57	1.43	10%
US Closing	1.60	1.46	10%
Euro Average	1.54	1.63	(6%)
Euro Closing	1.43	1.62	(12%)

Over 73% of Group sales are made outside of the UK and 92% of this amount is invoiced in local currency. The US is our largest market representing just under 49% of total sales. The Group's performance is significantly influenced by movements in the US dollar because the majority of stock purchases by our US subsidiary Cowtan and Tout are denominated in sterling or euros. The Group seeks to protect its US gross profit margin by entering into forward contracts to cover future purchases. This year forward contracts produced a profit of £655,000 compared to £42,000 last year. The Group has forward contracts in place for the majority of sterling purchases next year but after that there is significant US dollar exposure.

Share Buyback

During the year the Group purchased and cancelled 3.36 million shares representing 14.4% of the issued share capital at a cost of £2.4 million or 71.9p per share. Since September 1999 the Group has purchased and cancelled 8.57 million shares at a cost of £6.4 million. At the Annual General Meeting in September Colefax Group plc will seek shareholder approval to buy back up to 15% of its issued ordinary shares.

The rationale for share buybacks is to reduce the Group's weighted average cost of capital, increase earnings per share and maximize return on capital employed. Despite lower levels of profitability the Group's cost of equity capital of 12.4% is still four times higher than the post tax cost of debt capital of 3%. The high cost of equity capital is an important hurdle in appraising investment decisions especially acquisitions.

OPERATING AND FINANCIAL REVIEW

The Directors will only proceed with buybacks if they believe them to be in the best interests of shareholders. The 15% limit is within the debt capacity of the Group and should have no adverse impact on existing operations or current investment plans.

Basic Earnings Per Share

Earnings per share decreased by 20% to 8.9p (2002 – 11.1p), notwithstanding an 11.7% reduction in the weighted-average number of shares in issue during the year.

Diluted earnings per share which take into account the potential dilutive effect of share options, including ESOP options are 1.5% below basic earnings per share at 8.8p (2002 – 10.9p).

Dividends

The Board has proposed a final dividend of 2.06p per share (2002 – 2.06p) making a total for the year of 3.40p (2002 – 3.40p) unchanged on the prior year. Prior to the current year the dividend has been increased every year since 1994. The decision to break with the Group's progressive dividend policy reflects the current weak trading conditions in our major markets and the threats posed to the Group by a continued weak dollar. The total dividend cost is £594,000 and represents dividend cover of 2.6 times. At the year end mid-market closing price of 61.5p the dividend yield is 5.5%.

Taxation

The overall tax rate for the year was 36.0% compared to an underlying rate of 34.3% in 2002. This year's tax charge includes a 5% withholding tax of £74,000 on dividends paid from the US to the UK to provide distributable reserves to finance share buybacks. Excluding this amount the underlying rate of tax was 33.3%. Our corporate tax rate in the US, including state taxes, is 41% compared to a corporate tax rate of 30% in the UK. The lower underlying Group tax charge is mainly due to lower profits in the US.

Cashflow

Group borrowings increased by £281,000 during the period to £5.0 million. This represents gearing of 38% to net tangible assets (2002 – 33%) and is comfortably within the Group's available bank facilities of £9.8 million. Excluding the £2.4 million spent on share buybacks, the Group generated £2.1 million of cash during the year (2002 – £2.2 million) and £2.7 million before dividends (2002 – £2.9 million).

The Group's cash generation of £2.1 million before share buybacks compares to a retained profit for the year of £1.2 million. A number of factors have contributed to the positive differential. Firstly depreciation exceeded capital expenditure by £441,000 continuing the lower capital spending trend of last year. Secondly, working capital reduced by £526,000, although much of this was due to the timing of creditor payments rather than significant reductions in stock. Tight control of working capital remains a key operational objective.

Net interest paid amounted to £222,000 (2002 – £414,000) reflecting significantly lower interest rates during the year and also lower average borrowings. All of the Group's borrowings are subject to floating rates of interest.

Tax paid during the year amounted to £1.2 million compared to £1.6 million in the previous year and is consistent with the reduction in profits.

R. M. Barker

Rob Barker
Group Finance Director

DIRECTORS, BANKERS AND ADVISERS

Directors

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

Secretary and Registered Office

R. M. Barker BSc ACA
39 Brook Street, London W1K 4JE

Registered in England No. 1870320

Financial Advisers and Stockbrokers

KBC Peel Hunt Ltd
111 Old Broad Street
London EC2N 1PH

Auditors

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

Solicitors

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

U.S. Counsel

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425 Lexington Avenue
New York
NY 10017–3909
U.S.A.

Bankers

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31 Holborn
London EC1N 2HR

HSBC
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New York
NY 10019
U.S.A.

Registrars and Transfer Office

Computershare Services PLC
P.O. Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

DIRECTORS' REPORT

The Directors submit their report and Group financial statements for the year ended 30th April 2003.

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, decoration and furnishing for private and commercial clients.

Review of the Business and Future Developments
Details of the Group's activities during the year and of future plans are contained in the Chairman's Statement on pages 2 and 3.

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

Resolution Number 8, proposed as an ordinary resolution, would authorise the Directors to allot shares in the Company up to a maximum of the authorised but unissued share capital of the Company (this represents 21.6% of the issued share capital as at 22nd July 2003) for a period expiring on the date of the next Annual General Meeting or 15 months after the passing of the resolution, whichever first occurs.

Resolution Number 9, proposed as a special resolution, would authorise the Directors to allot shares for cash, other than to existing shareholders in proportion to their existing holdings, in respect of a maximum of 5% of the existing issued share capital of the Company, for a period again expiring on the date of the next Annual General Meeting or 15 months after the passing of the resolution, whichever first occurs.

Resolution Number 10, proposed as a special resolution, would authorise the Directors to purchase up to a total nominal value of £301,352 of the Company's ordinary shares at prices from 10p up to a maximum of 5% above the middle market quotations for the preceding five business days. This represents 15% of the issued share capital as at 22nd July 2003. 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 shareholders. The number of options for ordinary shares which were outstanding at 22nd July 2003, the latest practical date prior to publication of this report, was 516,000 (2.6 % of the current issued ordinary share capital). If the proposed authority for the Company to purchase its own shares is used in full, the total number of such options will represent 3.0% of the issued ordinary share capital.

During the year to 30th April 2003 the Company purchased 10p shares in the market with an aggregate nominal value of £335,916. This represented 14.4% of the issued share capital at the time. The shares were subsequently cancelled.

Results and Dividends
The Group's profit on ordinary activities after taxation was £1,794,000 (2002 – £2,535,000). An interim dividend of 1.34p (2002 – 1.34p) per share was paid to shareholders on 10th April 2003. The Directors recommend the payment of a final dividend of 2.06p (2002 – 2.06p) per share to be paid on 10th October 2003 to shareholders on the register at the close of business on 12th September 2003. The total dividend is 3.40p (2002 – 3.40p) per share and the total dividend cost is £594,000 (2002 – £741,000), leaving a profit of £1,200,000 (2002 – £1,794,000) to be transferred to retained earnings.

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.

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

Payment to Suppliers
It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. At 30th April 2003, the Company had an average of 38 days purchases outstanding to trade creditors (2002 – 42 days).

Charitable Donations
During the year the Group made various charitable donations totaling £46,758 (2002 – £36,701).

Directors
The Directors listed on page 6 have held office throughout the year to 30th April 2003.

In accordance with the Combined Code for Corporate Governance appended to the Listing Rules of the Financial Services Authority, K. Hall and Sir M. Sorrell will retire by rotation at the Annual General Meeting. Resolutions 6 and 7 propose their re-election as Directors. K. Hall has a service contract and Sir M. Sorrell has an appointment with the Company, both of which are terminable by one year's notice by either the Company, or the Directors.

K. Hall joined the Group in 1994 and since March 1999 has been Chief Executive Officer of the Group's US subsidiary, Cowtan & Tout Inc. Sir M. Sorrell was appointed as a non-executive Director in September 1997. He is chief executive of WPP Group plc.

Non-Executive Directors
Alan Smith was appointed as non-executive Director in February 1994. He is non-executive Director of the Big Food Group plc. Alan is also non-executive Chairman of Space NK Ltd and non-executive Director of Whitehead Mann plc.

Sir Martin Sorrell was appointed as non-executive Director in September 1997. He is chief executive of WPP Group plc.

Substantial Shareholdings
Interests amounting to 3% or more in the issued share capital of the Company were as follows as at 22nd July 2003:

	Number of shares	%
D. B. Green	4,220,462	21.0
Hunter Hall Investment Management	3,780,000	18.8
Discretionary Unit Fund Managers	3,000,000	14.9
Schroder Investment Management	2,437,855	12.1
Colefax Group Plc ESOP	1,057,422	5.3

Auditors
A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

R. M. Barker

By order of the Board

R. M. Barker BSc ACA
Secretary
22nd July 2003

REMUNERATION REPORT

Information not subject to audit

1. Remuneration Committee

The Remuneration Committee comprises Mr. A. K. P. Smith (Chairman) and Mr. D. B. Green. Its main purpose is to set the overall policy on executive Directors' employment conditions and to determine the specific remuneration, benefits and terms of employment for each executive Director. As an executive Director Mr. D. B. Green takes no part in the setting of his own remuneration.

2. Remuneration Policy

The remuneration of the non-executive Directors is fixed by the executive Directors and consists of fees in respect of Board and Committee meetings.

The policy on executive Directors' remuneration for 2003 and subsequent financial years is to ensure that individual rewards and incentives are directly aligned with the performance of the Group and the interests of the shareholders. In recommending individual salaries as well as overall remuneration packages, the Committee has regard to levels adopted by comparable companies in terms of size and business sector. In framing the remuneration policy, the Committee has given full consideration to schedule A of the provisions for the design of performance related remuneration annexed to the Combined Code.

The remuneration package of each Director comprises the following elements:

Basic Salary

Basic salary for each executive Director is determined by the Remuneration Committee and takes into account the performance of the individual and information from independent sources on the rates of salary for similar posts.

Annual Bonus

The executive Directors each participate in an annual performance related bonus scheme based on the achievement of target levels for pre-tax profit. The bonus is on a scale from 5% to a maximum of 25% of basic salary. Directors are encouraged to take some or all of their performance related bonus in the form of a one pence option over shares held by the Colefax Group Plc Employee Share Ownership Plan Trust. There was no bonus paid for the year ended 30th April 2003.

Long Term Incentive Plan

Under the 1998 Colefax Group plc Executive Share Option Plan, options may be granted at current market value and are exercisable, in normal circumstances, between three and ten years after grant. Options are subject to performance criteria. These stipulate that in the three years up to the date of exercise earnings per share must grow by the rate of increase in the Retail Price Index plus 9%. There were no grants of options in the year ended 30th April 2003.

Taxable benefits

UK executive Directors are entitled to private medical insurance paid by the Company, and either a fully expensed company car or salary alternative.

Pensions

Directors' pensions comprise defined contribution money purchase pension schemes which are managed on the Group's behalf by independent life assurance companies. Contributions are based on a fixed percentage of basic salary determined by the Remuneration Committee and are charged to the profit and loss account as they become payable. In addition, Mr. D. B. Green receives a fixed annual pension contribution of £22,000 in recognition of his services as Chief Executive.

3. Service Contracts

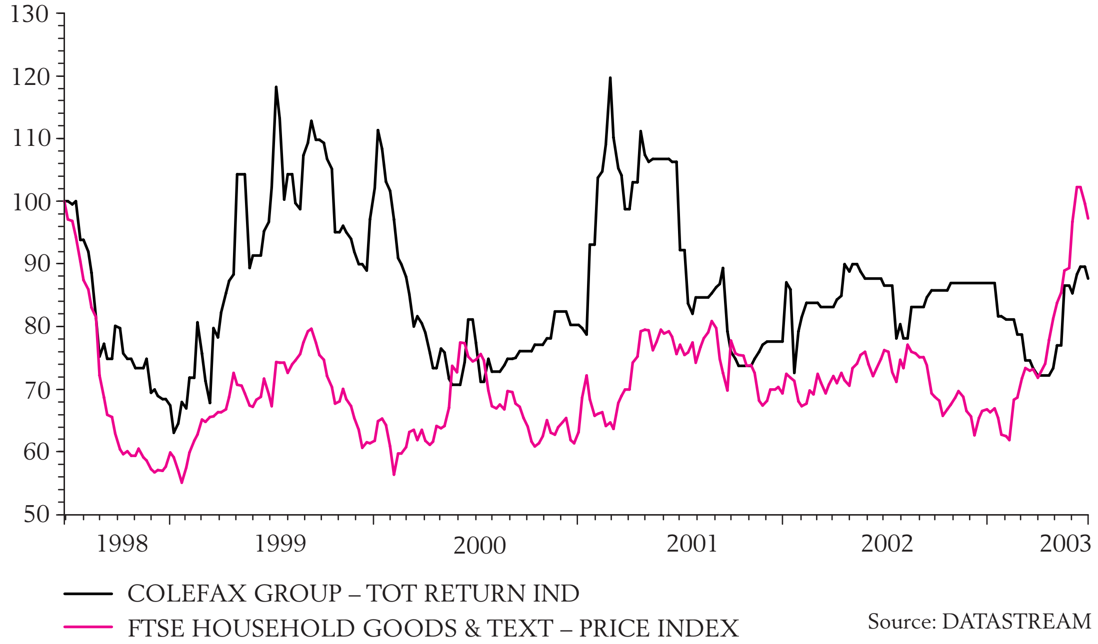
All executive Directors have service contracts with a notice period of one year.

Non-executive Directors do not have service contracts but have letters of appointment for a period of three years. The appointment of A. K. P. Smith, a non-executive Director, was renewed for three years with effect from 1st February 2003. Sir M. Sorrell's appointment as a non-executive Director was renewed for three years with effect from 22nd September 2000. Appointments can be terminated at any time by either party without compensation.

REMUNERATION REPORT

4. Performance Graph

The following graph shows the Company's performance measured by total shareholder return (share price growth plus dividends reinvested) compared to the FTSE Household Goods Sector for the five years from May 1998 to April 2003. This index was selected by the Committee as the most appropriate for comparative purposes.



Information subject to audit

5. Directors' Emoluments

	Salary	Fees	Benefits	Pensions	Annual Incentive	**2003 Total (including pensions)**	2002 Total (including pensions)	**2003 Total (excluding pensions)**	2002 Total (excluding pensions)
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Executive Directors									
D. B. Green	260	—	20	45	—	**325**	360	**280**	317
A. Grafton	204	—	17	16	—	**237**	245	**221**	229
R. M. Barker	140	—	13	11	—	**164**	176	**153**	165
W. Nicholls	135	—	15	10	—	**160**	149	**150**	139
K. Hall	160	—	—	11	—	**171**	190	**160**	176
Non-Executive Directors									
A. K. P. Smith	—	30	—	—	—	**30**	30	**30**	30
Sir M. Sorrell	—	30	—	—	—	**30**	30	**30**	30
Totals	899	60	65	93	—	**1,117**	1,180	**1,024**	1,086

REMUNERATION REPORT

6. Directors' Interests

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

	Ordinary shares of 10p each	
	2003	2002
D. B. Green	**4,322,862**	4,322,862
A. Grafton	**159,242**	159,242
R. M. Barker	**105,000**	75,000
W. Nicholls	**305,354**	305,354
A. K. P. Smith	**20,000**	20,000
Sir M. Sorrell	**50,000**	50,000
K. Hall	**—**	—

Mr D. B. Green's shareholding included 102,400 (2002 – 102,400) ordinary shares in which his interest was non-beneficial. No Director was interested in the shares of any subsidiary company. There was no change in the interest held by the Directors in office between 30th April 2003 and 22nd July 2003.

7. Share Options

	Exercise Price	At 1st May 2002 No.	Exercised during the year No.	**At 30th April 2003 No.**	Date of Grant	Exercisable from	Expiry Date
R. M. Barker	35p	30,000	(30,000)	**—**			
	78p	45,000	—	**45,000**	22.08.94	22.08.97	21.08.04
K. Hall	111p	20,000	—	**20,000**	24.07.97	24.07.00	23.07.07
	83p	100,000	—	**100,000**	06.04.99	06.04.02	05.04.09

On 2nd March 2003 R. M. Barker exercised options over 30,000 shares at an exercise price of 35p. At the date of exercise the Company's share price was 67.5p resulting in a gain of £9,750.

In addition to the above executive share options, the following options are outstanding in respect of the Colefax Group plc Employee Share Ownership Plan Trust. The options have an exercise price of 1p and the full cost of the options has been provided in previous years.

	Shares	Date of Grant	Exercisable from	Expiry Date
David Green	120,000	14.11.01	14.11.02	13.11.11
Key Hall	50,000	14.11.01	14.11.02	13.11.11
Ann Grafton	20,000	14.11.01	14.11.02	13.11.11
Rob Barker	20,000	14.11.01	14.11.02	13.11.11

The market price of the Company's shares at 30th April 2003 was 61.5p. The range of market prices during the financial year was between 78.5p and 61.5p.

8. Resolution

A resolution to shareholders to approve the Report of the Remuneration Committee will be put forward at the AGM.

On behalf of the Board

A. K. P. Smith
Chairman of the Remuneration Committee
22nd July 2003

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the provisions set out in the Combined Code for Corporate Governance appended to the Listing Rules of the Financial Services Authority.

Part A—Directors

A1 The Board—The Board comprises five executive and two non-executive Directors. The full Board meets every two months and has a formal schedule of matters specifically reserved to it for decision. There is a written procedure for the Directors to take independent professional advice in furtherance of their duties.

A2 Chairman and Chief Executive Officer—The roles of Chairman and Chief Executive Officer are performed by David Green. The full Board has set out formal terms of reference covering the executive responsibility for running the business. Alan Smith is the senior independent Director.

A3 The Board Balance—The Board has two non-executive Directors both of whom are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

A4 Supply of Information—To enable the Board to discharge its duties all Directors receive appropriate and timely information. Briefing papers are distributed by the Company secretary to all Directors in advance of Board meetings.

A5 Appointments to the Board—Terms of reference are prepared by the Board on appointment of all new Directors.

A6 Re-election—The Company's Articles of Association require that all Directors are subject to re-election at least every three years.

Part B—Directors' Remuneration

B1 Levels of remuneration are set to attract and retain the Directors needed to run the Company successfully and are linked to performance criteria. All executive Directors have notice periods of one year.

B2 The Remuneration Committee comprises Alan Smith and David Green. Alan Smith, a non-executive Director, is Chairman of the Committee.

B3 The Remuneration Report is set out on pages 9 to 11. The Board complies with the disclosure requirements laid down by the Financial Services Authority Listing Rules.

Part C—Relations with Shareholders

C1 Dialogue with Institutional Shareholders—Communications with shareholders are given a high priority. There is regular dialogue with institutional shareholders including presentations after the Company's preliminary announcement of full year and interim results.

C2 Use of the AGM—The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. All Directors are expected to be present at the AGM.

Part D—Accountability and Audit

D1 Financial Reporting—The Directors are responsible for ensuring that the Preliminary Statement, Report and Accounts and Interim Statement present a balanced and understandable assessment of the Company's position and prospects.

D2 Internal Control—The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets. All key business risks are identified and closely monitored. The effectiveness of the Group's system of internal controls is reviewed twice a year. The review covers all controls including financial, operational and compliance controls and risk management.

D3 Audit Committee—The Board has established an Audit Committee with written terms of reference. These include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditors.

CORPORATE GOVERNANCE

Combined Code Compliance
The Directors consider that throughout the accounting period the Company complied with all the provisions of Section 1 of the Combined Code annexed to the Financial Services Authority Listing Rules with the exceptions listed below:

A2.1 The Board does not have a separate Chairman and Chief Executive officer as it considers that, in view of the size and composition of the Board, separate roles are unnecessary.

A3.1 The Board has five executive and two non-executive Directors and the balance is considered to be appropriate for the size of the Company.

A5.1 The Company does not have a separate Nomination Committee and in view of the size of the Company nomination issues are dealt with by the Board as a whole.

B2.1/B2.2 The remuneration committee comprises Alan Smith, a non-executive Director, and David Green and hence does not consist exclusively of non-executive Directors. Alan Smith is Chairman of the Remuneration Committee and the balance is considered to be appropriate for the size of the Company.

D2.2 There is no formal internal audit function and in view of the size and complexity of the Company a separate internal audit department is not considered necessary at the present time. In addition to the procedures performed by the external auditors periodical internal audits are conducted by the Group Accounts department.

D3.1 The Audit Committee comprises Alan Smith, a non-executive Director and Rob Barker, the Financial Director, and hence does not comprise a majority of non-executive Directors. Alan Smith is Chairman of the Audit Committee and the balance is considered to be appropriate for the size of the Company.

Going Concern
After making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Internal Control and Risk Management
The Combined Code has extended the requirement that the Board review the effectiveness of the Group's system of internal control to cover all controls including financial, operational, compliance and risk management. The Company has established procedures to ensure full compliance with this requirement.

The Board is responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the year ended 30th April 2003 up until the date of approval of the annual report, is regularly reviewed by the Board and accords with the Turnbull Report. The Board confirms it has carried out a review of the effectiveness of the Group's system of internal controls. The review encompassed operational financial and compliance controls as well as risk management. The review process has been driven "bottom up" throughout the Group and included the following elements:

- Individual business units have each prepared risk assessments and action plans.
- Risks have been assessed in terms of potential financial impact and probability.
- Group executive Directors have provided input into the risk assessment process where relevant.
- Individual risk assessments have been consolidated at Group level into a formal Group Risk Assessment Report.
- The Group Risk Assessment Report has been reviewed by the Audit Committee and the Group Board.

CORPORATE GOVERNANCE

The key procedures which the Directors use to provide effective internal control are as follows:

(i) *Control Environment*
The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. The Group Board has formally adopted a schedule of matters which are required to be brought to it for decision.

(ii) *Identification of Major Business Risks*
The Group Board has a responsibility for identifying major business risks and establishing appropriate internal controls to monitor and mitigate these risks. The identification and monitoring of risks is a continuous process carried out by the Group Board, the Audit Committee and senior management.

(iii) *Information Systems*
The Group has a comprehensive financial reporting system including annual budgets, cash flow forecasts, profit forecasts and monthly management accounts which include key performance indicators and variance analysis.

(iv) *Main Control Procedures*
The Group has established control procedures for each of the major business risks identified. These included authorisation controls over capital and new product expenditure, standard financial controls throughout the Group and physical controls to safeguard the Group's assets.

(v) *Monitoring System used by the Board*
Each year the subsidiary and Group Boards review and approve the annual budget. There are established procedures for budgetary planning, regular forecasts and monthly reporting systems for monitoring the performance of the Group's operations. Explanations are sought for significant budget variances.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

Becket House
1 Lambeth Palace Road
London
SE1 7EU

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC

We have audited the Group's financial statements for the year ended 30th April 2003 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, unaudited part of the Remuneration Report, Chairman's Statement, Operating and Financial Review and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30th April 2003 and of the profit of the group for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

ERNST & YOUNG LLP
Registered Auditor
London
22nd July 2003

GROUP PROFIT AND LOSS ACCOUNT
For the year ended 30th April 2003

	Notes	2003 £'000	2002 £'000
Turnover	2	**64,422**	67,307
Cost of sales		**28,088**	29,235
Gross profit		**36,334**	38,072
Operating expenses	3	**33,297**	33,847
Operating profit	4	**3,037**	4,225
Interest	6	**(236)**	(366)
Profit on ordinary activities before taxation		**2,801**	3,859
Tax on profit on ordinary activities			
—UK		**(445)**	(608)
—Overseas		**(562)**	(716)
	7	**(1,007)**	(1,324)
Profit on ordinary activities after taxation		**1,794**	2,535
Dividends on equity shares	8	**(594)**	(741)
Retained profit for the year	20	**1,200**	1,794
Basic earnings per share	9	**8.9p**	11.1p
Diluted earnings per share	9	**8.8p**	10.9p

All activity has arisen from continuing operations.

GROUP BALANCE SHEET

At 30th April 2003

	Notes	**2003** **£'000**	2002 £'000
Fixed assets:			
Tangible assets	10	**7,068**	7,759
Investments	11	**687**	687
		7,755	8,446
Current assets:			
Stocks and contracts in progress	12	**13,039**	13,489
Debtors	13	**9,211**	8,397
Cash at bank and in hand	14	**1,639**	1,911
		23,889	23,797
Creditors: amounts falling due within one year	15	**16,683**	16,522
Net current assets		**7,206**	7,275
Total assets less current liabilities		**14,961**	15,721
Creditors: amounts falling due after more than one year	16	**1,500**	1,029
Provision for liabilities and charges:			
Deferred taxation	17	**130**	52
		13,331	14,640
Capital and reserves:			
Called up share capital	19	**2,009**	2,332
Share premium account	20	**11,087**	11,055
Capital redemption reserve	20	**857**	521
Profit and loss account	20	**(622)**	732
Equity shareholders' funds	21	**13,331**	14,640

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

22nd July 2003

The notes on pages 21 to 34 form part of these accounts.

COMPANY BALANCE SHEET
At 30th April 2003

	Notes	**2003 £'000**	2002 £'000
Fixed assets:			
Investments	11	**26,208**	26,208
Current assets:			
Debtors	13	**6,289**	9,159
Creditors: amounts falling due within one year	15	**5,393**	9,964
Net current assets/(liabilities)		**896**	(805)
Total assets less current liabilities		**27,104**	25,403
Creditors: amounts falling due after more than one year	16	**1,500**	—
		25,604	25,403
Capital and reserves:			
Called up share capital	19	**2,009**	2,332
Share premium account	20	**11,087**	11,055
Merger reserve	20	**10,762**	10,762
Capital redemption reserve	20	**857**	521
Profit and loss account	20	**889**	733
Equity shareholders' funds		**25,604**	25,403

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

22nd July 2003

The notes on pages 21 to 34 form part of these accounts.

GROUP CASH FLOW STATEMENT
For the year ended 30th April 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	4(b)	**6,191**	6,909
Returns on investments and servicing of finance:			
Interest received		**40**	54
Interest paid		**(262)**	(468)
		(222)	(414)
Taxation:			
UK Corporation tax paid		**(572)**	(562)
Overseas tax paid		**(668)**	(1,039)
		(1,240)	(1,601)
Capital expenditure and financial investment:			
Payments to acquire tangible fixed assets		**(2,106)**	(2,194)
Receipts from sales of tangible fixed assets		**93**	235
		(2,013)	(1,959)
Equity dividends paid		**(661)**	(756)
Cash inflow before financing		**2,055**	2,179
Financing:			
Purchase of own shares		**(2,414)**	(928)
New long-term loan		**2,000**	—
Repayment of long-term loan		**(957)**	(1,045)
Net cash outflow from financing		**(1,371)**	(1,973)
Increase in cash in the period	14	**684**	206

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30th April 2003

		2003 £'000	2002 £'000
Profit for the financial year		**1,794**	2,535
Currency translation differences on foreign currency net investments		**258**	(57)
Currency translation differences on foreign currency loans		**(674)**	(196)
Deferred tax on long-term loan foreign currency movements		**276**	57
Total recognised gains and losses relating to the year	21	**1,654**	2,339

NOTES TO THE ACCOUNTS
At 30th April 2003

1. Accounting Policies

(a) Accounting Convention
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Basis of Consolidation
The Group financial statements consolidate the financial statements of Colefax Group PLC and its subsidiaries for the year ended 30th April 2003. No profit and loss account is presented for the Company as provided in S.230 of the Companies Act 1985. The profit dealt with in the financial statements of the holding company was £3,164,000 (2002 – £1,704,000).

(c) Goodwill
Goodwill arising on acquisitions to 30th April 1998 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS 10.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

(d) Depreciation
Depreciation and amortisation are provided on all tangible fixed assets other than freehold land at rates calculated to write off the cost less estimated residual value based on prices prevailing at date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	— 30–50 years
Leasehold land and buildings and leasehold improvements	— 50 years or, if shorter, over the period of the lease or life of the asset
Furniture, fixtures and equipment	— 5–10 years
Motor vehicles	— 4 years
Screens and originations	— 4 years

Assets in the course of construction are not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(e) Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolescent, slow moving and defective stocks.

(f) Contracts in Progress
Short term contracts in progress are valued at cost less progress payments received and receivable. Cost includes all direct expenditure on material, external services, labour and related overheads that have been incurred in bringing the contracts in progress to their present location and condition. Provision is made for any losses expected to arise on completion of the contracts entered into at the date of the balance sheet, whether or not work on these has commenced.

(g) Deferred Tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely that not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognized where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE ACCOUNTS
At 30th April 2003

1. **Accounting Policies** continued

(h) Leasing Commitments
Rentals in respect of operating leases are charged on a straight line basis over the lease term.

(i) Pension Scheme Arrangements
The Group operates a defined contribution money purchase pension scheme which is externally administered. Payments made to the funds are charged when payable to the profit and loss account as part of employment costs. The funds are valued on a daily basis by the managers of the pension scheme. There are no outstanding or prepaid contributions at the year end.

One Group company operates a defined benefit pension scheme for employees. The scheme's funds are administered by trustees and are independent of Group finances. Annual contributions are based on external actuarial advice and the expected cost of providing pensions is recognised on a systematic and rational basis over the expected average service lives of members of the scheme.

(j) Foreign Currencies
Group
The assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date 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 are as permanent as equity are taken directly to reserves.

Company
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(k) Financial Instruments
The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates associated with the Group's underlying business activities. It is the Group's policy not to undertake any trading activity in financial instruments. Gains or losses resulting from changes in exchange rates on contracts designated as hedges of forecast foreign exchange are deferred until the financial period in which they are realised.

(l) Comparative Amounts
Comparative amounts are restated where necessary to conform to current presentation.

NOTES TO THE ACCOUNTS
At 30th April 2003

2. Turnover and Segmental Analysis

Turnover represents the value of goods sold and services provided during the accounting period which fall within the Group's ordinary activities, stated net of value added tax.

Turnover, net assets and operating profit are:

	Turnover		Net Assets		Operating Profit	
	2003	2002	**2003**	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Business Activity:						
Product division	**57,002**	59,707	**18,021**	18,300	**2,745**	3,900
Decorating division	**7,420**	7,600	**1,071**	1,910	**292**	325
	64,422	67,307	**19,092**	20,210	**3,037**	4,225
Geographical Area:						
Country of Origin:						
United Kingdom	**32,412**	32,781	**10,334**	11,663		
United States of America	**28,752**	32,341	**6,552**	7,138		
Europe	**3,258**	2,185	**2,206**	1,409		
	64,422	67,307	**19,092**	20,210		
Country of Destination:						
United Kingdom	**17,178**	17,585				
United States of America	**31,485**	34,596				
Europe	**13,627**	12,855				
Rest of World	**2,132**	2,271				
	64,422	67,307				

Net assets are stated before cash, bank overdrafts and loans of £5,042,000 (2002 – £4,761,000) and net tax payable of £719,000 (2002 – £809,000).

In the opinion of the Directors, it would be seriously prejudicial to the Group to disclose an analysis of profit by geographical area.

3. Operating Expenses

	2003	2002
	£'000	£'000
Distribution and Marketing costs	**22,449**	23,206
Administrative costs	**10,848**	10,641
Total operating expenses	**33,297**	33,847

4. Operating Profit

	2003	2002
	£'000	£'000
(a) This is stated after charging or (crediting):		
Auditors' remuneration—audit (UK)	**57**	57
—audit (overseas)	**60**	48
—non audit (UK only)	**58**	65
Depreciation of owned fixed assets	**2,454**	2,646
Operating lease rentals—land and buildings	**2,775**	2,515
—other	**71**	76
Royalties received	**(118)**	(307)

(b) Cash flow statement		
Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	**3,037**	4,225
Depreciation charges	**2,454**	2,646
Profit on sale of tangible fixed assets	**(22)**	(144)
Decrease in stocks	**171**	1,333
(Increase)/Decrease in debtors	**(200)**	282
Increase/(Decrease) in creditors	**751**	(1,433)
Net cash inflow from operating activities	**6,191**	6,909

NOTES TO THE ACCOUNTS
At 30th April 2003

		2003 £'000	2002 £'000
5. **Staff Costs**	Staff costs, including Executive Directors, were as follows:		
	Wages and salaries	**13,204**	13,409
	Social security costs	**1,699**	1,707
	Other pension costs	**283**	297
		15,186	15,413

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

	No.	No.
Distribution and marketing	**376**	392
Administration	**93**	91
	469	483

Details of Directors' remuneration for each Director, pension contributions and share options are shown in the Remuneration Report on pages 9 to 11.

		2003 £'000	2002 £'000
6. **Interest**	Interest payable:		
	Bank loans and overdrafts repayable within five years	**276**	420
	Interest receivable:		
	Bank and other interest receivable	**(40)**	(54)
		236	366

		2003 £'000	2002 £'000
7. **Tax on Profit on ordinary activities**	(a) Analysis of charge for the year		
	UK corporation tax		
	UK corporation tax on profits of the period	**1,181**	602
	Adjustments in respect of previous periods	**19**	3
		1,200	605
	Double taxation relief	**(649)**	—
		551	605
	Overseas tax		
	Overseas tax on profits of the period	**599**	1,121
	Total current tax	**1,150**	1,726
	Deferred tax		
	Originating and reversal of timing differences	**(143)**	(402)
		1,007	1,324

(b) Factors affecting the tax charge for the year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK.

The differences are explained below.

NOTES TO THE ACCOUNTS

At 30th April 2003

			2003 £'000	2002 £'000
7.	**Tax on Profit on ordinary activities** *continued*	Profit on ordinary activities before taxation	**2,801**	3,859
		Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 – 30%)	**840**	1,158
		Effect of:		
		Disallowed expenses and non-taxable income	**122**	127
		Depreciation in excess of capital allowances	**24**	178
		Short-term timing differences	**(2)**	(65)
		Adjustments in respect of previous periods	**19**	3
		Excess foreign tax on overseas income	**216**	318
		Tax losses	**(68)**	—
		Other	**(1)**	7
			1,150	1,726

			2003 £'000	2002 £'000
8.	**Dividends**	Interim (paid) of 1.34p (2002 – 1.34p) on 10th April 2003	**255**	298
		Final (proposed) of 2.06p (2002 – 2.06p) payable on 10th October 2003	**392**	459
		Dividends overprovided in previous years	**(53)**	(16)
			594	741

9. **Earnings per share**

Basic earnings per share have been calculated on the basis of earnings of £1,794,000 (2002 – £2,535,000) and on 20,176,029 (2002 – 22,844,735) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Shares owned by the Colefax Group Plc Employees' Share Ownership Plan (ESOP) Trust are excluded from the basic earnings per share calculation.

Diluted earnings per share have been calculated on the basis of earnings of £1,794,000 (2002 – £2,535,000) and on 20,476,029 (2002 – 23,166,795) being the weighted average number of shares in issue during the year, calculated as follows:

	2003	2002
Basic weighted average number of shares	**20,176,029**	22,844,735
Dilutive potential ordinary shares, including shares under option owned by the Colefax Group Plc ESOP Trust	**300,000**	322,060
	20,476,029	23,166,795

			Freehold Property £'000	Short Leasehold £'000	Furniture, Fixtures and Equipment £'000	Motor Vehicles £'000	Screens and Originations £'000	Total £'000
10.	**Tangible Fixed Assets**	Group						
		Cost:						
		At 1st May 2002	231	6,517	6,008	383	5,368	18,507
		Exchange adjustment	—	(397)	(43)	2	(371)	(809)
		Additions	—	188	667	184	1,067	2,106
		Disposals	—	(110)	(673)	(184)	(1,088)	(2,055)
		At 30th April 2003	231	6,198	5,959	385	4,976	17,749
		Depreciation:						
		At 1st May 2002	27	3,353	3,972	216	3,180	10,748
		Exchange adjustment	—	(227)	(85)	2	(227)	(537)
		Charge for the year	3	542	770	89	1,050	2,454
		Disposals	—	(110)	(658)	(129)	(1,087)	(1,984)
		At 30th April 2003	30	3,558	3,999	178	2,916	10,681
		Net Book Value:						
		At 30th April 2003	201	2,640	1,960	207	2,060	7,068
		At 1st May 2002	204	3,164	2,036	167	2,188	7,759

NOTES TO THE ACCOUNTS
At 30th April 2003

		Group		Company	
		2003	2002	**2003**	2002
		£'000	£'000	**£'000**	£'000
11. **Investments**	Investments in subsidiary undertakings				
	Shares	**—**	—	**17,871**	17,871
	Loans	**—**	—	**7,650**	7,650
	Own Shares at cost	**687**	687	**687**	687
		687	687	**26,208**	26,208

The Group has the following principal subsidiary undertakings:

Name of Company	**Country of Registration or Incorporation and Principal Country of Operation**	**Effective % of Issued Share Capital held by the Group**	**Principal products**
Jane Churchill Limited*	England and Wales	100%	Fabrics and Wallpapers
Sibyl Colefax and John Fowler Limited*	England and Wales	100%	Interior and Architectural Design
Kingcome Sofas Limited*	England and Wales	100%	Upholstered Furniture
Colefax and Fowler Holdings Limited*	England and Wales	100%	Holding Company for Colefax and Fowler Inc.
Cowtan & Tout Incorporated	USA	100%	Fabrics and Wallpapers
Manuel Canovas SA*	France	100%	Fabrics and Wallpapers and accessories
Colefax and Fowler GmbH	Germany	100%	Fabrics and Wallpapers
Colefax and Fowler Srl	Italy	100%	Fabrics and Wallpapers

*Owned directly by parent company

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

The Own Shares are 1,057,422 ordinary shares of 10p at cost in the Company held by an Employees' Share Ownership Plan (ESOP) Trust. The Company set up the ESOP on 29th September 1995 with a loan facility of £500,000. At 30th April 2003, the market value of the shares was £650,000 (2002 – £830,000). Dividends on these shares have been waived. No provision has been made for the difference between the carrying value and market value of the Own Shares of £37,000.

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

300,000 shares in the ESOP were under option at the balance sheet date.

NOTES TO THE ACCOUNTS
At 30th April 2003

12. Stocks and Contracts in Progress

	Group 2003 £'000	Group 2002 £'000
Finished goods for resale	**12,879**	13,296
Contracts in progress	**1,153**	796
Less: progress payments received and receivable	**(993)**	(603)
	13,039	13,489

The difference between purchase price and replacement cost of stocks is not material.

13. Debtors

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Amounts owed by subsidiary undertakings	**—**	—	**6,289**	9,159
Trade debtors	**7,047**	6,974	**—**	—
Other debtors	**501**	320	**—**	—
Prepayments and accrued income	**1,166**	1,103	**—**	—
Deferred taxation	**497**	—	**—**	—
	9,211	8,397	**6,289**	9,159

14. Cash and Financing

Reconciliation of Net Cash Flow to Movement in Net Debt	Group 2003 £'000	Group 2002 £'000
Increase in cash	**684**	206
New bank loan	**(2,000)**	—
Repayment of bank loan	**957**	1,045
Movement in net debt resulting from cash flows	**(359)**	1,251
Translation differences	**78**	17
Movement in net debt in the period	**(281)**	1,268
Net debt at 1st May	**(4,761)**	(6,029)
Net debt at 30th April	**(5,042)**	(4,761)

Analysis of Net Debt	At 1st May 2002 £'000	Cash flow £'000	Other £'000	Exchange differences £'000	At 30th April 2003 £'000
Cash at bank and in hand	1,911	(188)	—	(84)	**1,639**
Overdrafts	(4,614)	872	—	—	**(3,742)**
	(2,703)	684	—	(84)	**(2,103)**
Debt due within one year	(1,029)	957	(1,457)	90	**(1,439)**
Debt due after one year	(1,029)	(2,000)	1,457	72	**(1,500)**
Net debt	(4,761)	(359)	—	78	**(5,042)**

NOTES TO THE ACCOUNTS
At 30th April 2003

		Group		Company	
		2003	2002	**2003**	2002
		£'000	£'000	**£'000**	£'000
15. **Creditors: amounts falling due within one year**	Current instalments due on loans	**1,439**	1,029	**500**	—
	Bank overdraft	**3,742**	4,614	**3,707**	9,419
	Amounts owed to subsidiary undertakings	**—**	—	**770**	—
	Trade creditors	**4,497**	4,108	**—**	—
	Accruals	**2,882**	2,952	**24**	38
	Payments received on account	**1,295**	880	**—**	—
	Corporation tax	**719**	809	**—**	48
	Other taxes and social security costs	**916**	900	**—**	—
	Other creditors	**801**	771	**—**	—
	Proposed dividend	**392**	459	**392**	459
		16,683	16,522	**5,393**	9,964

		Group		Company	
		2003	2002	**2003**	2002
		£'000	£'000	**£'000**	£'000
16. **Creditors: amounts falling due after more than one year**	Bank loans repayable within 1-2 years	**500**	1,029	**500**	—
	Bank loans repayable within 2-5 years	**1,000**	—	**1,000**	—
		1,500	1,029	**1,500**	—

Interest payable on the bank loan outstanding at 30th April 2002 is at 1.25% over the US LIBOR rate.

Interest payable on the bank loan outstanding at 30th April 2003 is at 1.00% over HSBC Bank's base rate.

		Group	
		2003	2002
		£'000	£'000
17. **Deferred Taxation:**	Deferred taxation has been provided as follows:		
	Accelerated capital allowances on tangible fixed assets	**(98)**	78
	Short-term timing differences	**(269)**	(26)
		(367)	52
	Deferred taxation included in Debtors	**497**	—
		130	52

	Deferred taxation
	£'000
Movements in Provisions:	
At 1st May 2002	52
Provided in the year	(417)
Released in the year	(2)
At 30th April 2003	(367)

Factors affecting the future tax charge:

A deferred tax asset amounting to £52,000 (2002 – £61,000) for capital losses has not been recognised because in the opinion of the Directors there will be no suitable taxable gains in the foreseeable future.

A deferred tax asset of £315,000 (2002 – £465,000) in respect of US tax losses has not been recognised on the basis that it cannot be regarded as more likely than not that there will be suitable taxable profits from which any future reversal of the underlying timing differences can be deducted.

NOTES TO THE ACCOUNTS
At 30th April 2003

18. **Financial Instruments**

In the numerical disclosures that follow short term debtors and creditors have been excluded as permitted by FRS 13 except in the currency exposure disclosure.

Currency Exposures
The table below shows the Group's currency exposures that give rise to net currency gains or losses recognised in the profit and loss account. Such exposures comprise the monetary assets of the Group that are not denominated in the functional currency of the unit involved.

At 30th April 2003

		Net foreign currency monetary assets/(liabilities)			
	Sterling £'000	US Dollar £'000	Eurozone £'000	Other £'000	Total £'000
Functional Currency of group unit					
Sterling	—	(36)	(3,931)	237	(3,730)
US Dollar	2,214	—	—	—	2,214
Total	2,214	(36)	(3,931)	237	(1,516)

At 30th April 2002

		Net foreign currency monetary assets/(liabilities)			
	Sterling £'000	US Dollar £'000	Eurozone £'000	Other £'000	Total £'000
Functional Currency of group unit					
Sterling	—	(17)	(1,662)	218	(1,461)
US Dollar	3,828	—	—	—	3,828
Total	3,828	(17)	(1,662)	218	2,367

Borrowing Facilities
The Group has various borrowing facilities available to it amounting to £9.8 million (2002 – £9.1 million). The undrawn committed facilities available at 30th April 2003 in respect of which all conditions had been met at that date total £4.8 million (2002 – £4.3 million) and expire within one year.

Gains and losses on hedges
The Group enters into forward foreign currency contracts to eliminate transactional currency exposures on future expected sales denominated in US Dollars. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging are as follows:

		2003	
	Gains £'000	**Losses £'000**	**Total £'000**
Unrecognised gains on hedges at 1st May 2002	**175**	**—**	**175**
Gains arising in previous years that were recognised in the current year	**655**	**—**	**655**
Gains arising in the year that were not recognised in the current year	**316**	**—**	**316**
Unrecognised gains on hedges at 30th April 2003	**585**	**—**	**585**
of which			
Expected to be recognised in the year ended 30th April 2004			**477**
Expected to be recognised in the year ended 30th April 2005			**107**

NOTES TO THE ACCOUNTS
At 30th April 2003

18. Financial Instruments *continued*

	2002 Gains £'000	2002 Losses £'000	2002 Total £'000
Unrecognised losses on hedges at 1st May 2001	—	(105)	(105)
Gains arising in previous years that were recognised in the current year	42	—	42
Gains arising in the year that were not recognised in the current year	186	—	186
Unrecognised gains on hedges at 30th April 2002	175	—	175
of which			
Expected to be recognised in the year ended 30th April 2003			87
Expected to be recognised in the year ended 30th April 2004			88

Financing
The Group's financial instruments, other than derivatives, comprise cash, bank overdrafts, bank loans and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions in the form of forward foreign currency contracts. The purpose of such transactions is to manage the currency risks arising from the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity 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 since 1st May 1998.

Interest rate risk
The interest rate profile of the Group is as follows:

At 30th April 2003	Floating Rate Financial Assets £'000	Floating Rate Financial Liabilities £'000	Total net Financial Liabilities £'000
Sterling	27	(2,899)	(2,872)
US Dollar	1,121	(964)	157
Euro Currencies	435	(2,818)	(2,383)
Swedish Kronor	19	—	19
Other	37	—	37
	1,639	(6,681)	(5,042)

At 30th April 2002	Floating Rate Financial Assets £'000	Floating Rate Financial Liabilities £'000	Total net Financial Liabilities £'000
Sterling	5	(3,652)	(3,647)
US Dollar	1,376	(2,080)	(704)
Euro Currencies	477	(940)	(463)
Swedish Kronor	16	—	16
Other	37	—	37
	1,911	(6,672)	(4,761)

NOTES TO THE ACCOUNTS

At 30th April 2003

18. **Financial Instruments** *continued*

The floating rate financial assets comprise solely of cash balances at interest rates tied to UK base rates and US Libor rates. The floating rate financial liabilities comprise of bank loans and overdrafts with interest rates linked to UK base rates and US Libor rates.

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. At 30th April 2003 19% of net borrowings were in the form of a US dollar denominated bank loan, repayable in 4 quarterly instalments from June 2003. In addition, at 30th April 2003 40% of net borrowings were in the form of a sterling denominated bank loan, repayable in 4 half-yearly instalments from October 2003.

Foreign currency risk

Due to the international nature of its operations, the Group faces currency exposure in respect of exchange rate fluctuation against sterling. The most significant of these is the US which represents 45% of total Group sales.

The majority of the US subsidiary's turnover is sourced by imports from the UK and Europe. These sales are invoiced in US dollars. The Group minimises the currency translation exchange risk by the use of forward contracts.

About 25% of the sales of the Group are to customers in countries other than the UK and US. Most of these sales are invoiced in the currencies of the countries involved. The Group does not hedge currency exposures on these sales using forward foreign currency contracts as any exchange rate risk is considered to be insignificant due to the offsetting effect of imports.

At 30th April 2003, the Group has outstanding forward contracts with a fair value of £585,000 (2002 – £175,000).

The Group has continued its policy of not hedging balance sheet 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 profit and loss account translation exposures.

The balance sheet 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 reserves. The profit and loss accounts of overseas business are translated at an average rate of exchange.

Fair values of financial assets and financial liabilities

The Group's financial assets comprise of cash at bank and in hand. The financial liabilities comprise of bank loans and overdrafts. The cash, bank loans and overdrafts are all at floating rates of interest and hence there is no difference between their book value and their fair value.

		Authorised		Allotted, called up and fully paid	
		2003	2002	**2003**	2002
19. **Called Up Share Capital**	Ordinary shares of 10p each	**£3,300,000**	£3,300,000	**£2,009,010**	£2,332,490

In the 2002 Annual General Meeting, shareholders gave the Company renewed authority to purchase up to 15% of its ordinary share capital. During the period to 30th April 2003 the company purchased 10p shares in the market for an aggregate nominal value of £335,916. This represented 14.4% of the issued share capital at the time. These shares were subsequently cancelled. During the year, 124,361 shares were issued under the Executive Share Option Scheme at 35p each.

Pursuant to the Company's Executive Share Option Scheme, the following options, including options held by Directors, have been granted and were outstanding at 30th April 2003:

(a) Share Options

Number of shares	Number of options	Exercise price	Date of grant	Exercisable from	Expiry Date
97,000	7	78p	22.08.94	22.08.97	21.08.04
75,000	11	111p	24.07.97	24.07.00	23.07.07
314,000	34	83p	06.04.99	06.04.02	05.04.09
30,000	2	72p	20.10.00	20.10.03	20.10.10

Details of share options and shareholdings of Directors are shown in paragraph 7 of the Remuneration Report on page 11.

NOTES TO THE ACCOUNTS
At 30th April 2003

20. Reserves

	Merger Reserve £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Profit and Loss Account £'000
Group:				
At 1st May 2002	—	11,055	521	732
Share buy backs	—	—	336	(2,414)
Exercise of share options	—	32	—	—
Foreign currency translation	—	—	—	(140)
Profit retained	—	—	—	1,200
At 30th April 2003	—	11,087	857	(622)
Company:				
At 1st May 2002	10,762	11,055	521	733
Share buy backs	—	—	336	(2,414)
Exercise of share options	—	32	—	—
Profit retained	—	—	—	2,570
At 30th April 2003	10,762	11,087	857	889

The cumulative amount of goodwill written off on all acquisitions to date is £23,062,000 (2002 – £23,062,000).

21. Group Reconciliation of Movements in Shareholders' Funds

	2003 £'000	2002 £'000
Total recognised gains and losses relating to the year	**1,654**	2,339
Dividends	**(594)**	(741)
Repurchase of shares	**(2,414)**	(928)
Exercise of share options	**45**	—
Net (decrease)/increase in shareholders' funds	**(1,309)**	670
Shareholders' funds at 1st May	**14,640**	13,970
Shareholders' funds at 30th April	**13,331**	14,640

22. Commitments under Operating Leases

At 30th April 2003 the Group had annual commitments under non-cancellable operating leases as follows:

	2003		2002	
	Land and Buildings £'000	**Other £'000**	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	**337**	**6**	—	12
In two to five years	**1,028**	**44**	743	47
After five years	**1,509**	**—**	1,840	—
	2,874	**50**	2,583	59

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

NOTES TO THE ACCOUNTS
At 30th April 2003

23. **Pension Commitments**

Group companies operate a defined contribution money purchase pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund during the year and amounted to £47,545 (2002 – £45,540).

Group companies also 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 £235,499 (2002 – £251,750).

SSAP 24 disclosures for the year ended 30 April 2003:
The Group's US subsidiary Cowtan & Tout operates a funded defined benefit pension scheme. This scheme relates to the acquisition of Jack Lenor Larsen Inc on 1st July 1997. The costs for the financial reporting period have been assessed with the advice of a qualified external actuary using the projected unit method of valuation. The most recent valuation was as at 30th April 2003. The actuary valued the fund at £1,064,590 (2002 – £1,065,467) which was sufficient to cover 90% (2002 – 89%) of the benefits accrued to the members. The principle actuarial assumptions adopted in the valuation were a long term rate of return on assets of 5% (2002 – 5%), no annual increase in total pensionable remuneration and a discount on liabilities of 5.5% (2002 – 6%).

FRS 17 disclosure for the year ended 30th April 2003:
The Accounting Standards Board (ASB) has deferred the full mandatory adoption of FRS 17 following an announcement by the International Accounting Standards Board that it is to review IAS 19, the current international accounting standard for retirement benefits. Currently, FRS 17 requires disclosures only. This is the second year that disclosures have been made for the Group under FRS 17, and this year extends to performance information for the first time.

The Group's US subsidiary Cowtan & Tout operates a funded benefit pension scheme. This scheme relates to the acquisition of Jack Lenor Larsen on 1st July 1997. The scheme was closed to new members on 31st December 1997. Existing members' current pension contributions were transferred to a defined contribution money purchase scheme and hence all future benefits became fixed on the date the scheme was closed. The most recent actuarial valuation of the fund was on 30th April 2003 using the projected unit method. As the scheme is closed to new members and all benefits have been frozen, assumptions concerning inflation and the rate of increase of salaries, pensions and deferred pensions are not applicable. The rate used to discount scheme liabilities was 5.5% (2002 – 6%). The market value of investments at 30th April 2003 was £1,064,590 (2002 – £1,065,467), all of which were held in government bonds with an expected long term rate of return of 5% (2002 – 5%). Due to the nature of the investments, the actuarial value of the assets and the market value are the same. The present value of scheme liabilities at 30th April 2003 was £1,180,477 (2002 – £1,193,696), resulting in an unfunded actuarial accrued liability of £115,887 (2002 – £128,229). An accrual of £175,000 (2002—£192,000) covering the unfunded actuarial accrued liability is included in the Group balance sheet together with a related deferred tax asset of £71,750 (2002—£78,720).

Had the Group adopted FRS 17 early, the amounts that would have been charged to the Group profit and loss account and Group statement of total recognised gains and losses for the year ended 30th April 2003 are set out below:

	2003 £'000	
Group profit and loss account:		
Expected return on pension scheme assets	52	
Interest on pension liabilities	(58)	
Net charge to finance income	(6)	
Total charge to profit and loss account	(6)	
		% scheme assets/ (liabilities)
Group statement of total recognised gains and losses:		
Actual return less expected return on pension scheme assets	117	11%
Experience losses arising on the pension scheme liabilities	(132)	(12%)
Actuarial loss	(15)	(1%)

NOTES TO THE ACCOUNTS
At 30th April 2003

23. **Pension Commitments (continued)**

Had the Group adopted FRS 17 in full for the year ended 30th April 2003, the additional pension charge in the Group profit and loss account would be as follows:

	2003 £'000
FRS 17 profit and loss charge—including unfunded pension plans	(6)
SSAP 24 profit and loss charge—including unfunded pension plans	—
Difference	(6)

Movement in the unfunded actuarial accrued liability in the year:	
Deficit in scheme at 1st May 2002	(128)
Cash contributions	22
Finance charge	(6)
Actuarial loss recognised in statement of total recognised gains and losses	(15)
Currency translation differences	11
Deficit in scheme at 30th April 2003	(116)

24. **Guarantees**

The Company has given an unlimited guarantee to HSBC to secure all the present and future indebtedness and liabilities to the Bank of the Company, Colefax and Fowler Incorporated and Cowtan & Tout Incorporated. There is a cross guarantee between the Company and each of its U.K. subsidiaries in respect of their overdraft facilities.

FIVE YEAR REVIEW

	2003 **£'000**	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Turnover	**64,422**	67,307	70,412	63,923	64,556
Operational profit	**3,037**	4,225	6,461	5,185	5,207
Profit before taxation	**2,801**	3,859	5,918	4,751	4,635
Profit attributable to shareholders	**1,794**	2,535	3,952	2,988	3,244
Basic earnings per share	**8.9p**	11.1p	16.5p	12.5p	11.6p
Earnings per share after exceptional items	**8.9p**	11.1p	16.5p	11.2p	11.6p
Dividends per share	**3.40p**	3.40p	3.30p	3.15p	3.00p
Shareholders' funds	**13,331**	14,640	13,970	11,325	11,216
Operating cash flow	**6,191**	6,909	8,058	7,251	5,332
Net debt	**5,042**	4,761	6,029	5,632	5,628

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Colefax Group plc will be held at 39 Brook Street, London W1K 4JE on 18th September 2003 at 11.00 a.m. to transact the following business.

Ordinary Business

1. To receive and adopt the Annual Accounts of the Company for the year ended 30th April 2003, together with the reports of the Directors and of the auditors thereon.
2. To declare a final dividend.
3. To re-appoint Ernst & Young LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
4. To authorise the Directors to fix the remuneration of the auditors.
5. To re-elect K. Hall, who retires by rotation, as a Director.
6. To re-elect Sir M. Sorrell, who retires by rotation, as a Director.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolutions 7 and 8 will be proposed as an ordinary resolution and resolutions 9 and 10 will be proposed as special resolutions.

7. To approve the Directors' Remuneration Report for the financial year ended 30th April 2003.
8. THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of that section) of the Company up to an aggregate nominal amount of £4,339,331(being the amount of the authorised but unissued share capital of the Company) for a period expiring (unless previously renewed varied substituted or revoked by the Company in general meeting) fifteen months after the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, save that the Company may prior to such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement.
9. THAT, subject to the passing of Resolution 8, the Directors be and are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company pursuant to the authority conferred by Resolution 8 as if Section 89(1) of the Act did not apply to such allotment provided that this power:

    (A) shall expire fifteen months after the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, save that the Company may prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement; and

    (B) shall be limited to:

    (a) allotments of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of equity securities in proportion (as nearly as may be) to their existing holdings subject only to the Directors having a right to make such exclusions or other arrangements in connection with such offering as they deem appropriate, necessary or expedient;

    (i) to deal with equity securities representing fractional entitlements; and

    (ii) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and

    (b) allotments of equity securities for cash otherwise than pursuant to paragraph (a) up to an aggregate nominal amount of £100,450.

NOTICE OF MEETING

10. THAT the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of s163 (3) of the Companies Act 1985) 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 3,013,515 (representing 15% of the issued ordinary share capital);

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

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

    (d) this authority expires at the conclusion of the next Annual General Meeting of the Company or within twelve months from the date of the passing of this resolution, whichever is earlier; and

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

By order of the Board
R. M. Barker BSc ACA
Secretary
Dated 22nd July 2003

Registered Office:
39 Brook Street
London W1K 4JE

Notes:

1. Only those members entered in the register of members of the Company as at 6.00 p.m. on 16th September 2003 shall be entitled to attend and vote at the above meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00 p.m. on 16th September 2003 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote, on a poll, on his/her behalf. A proxy need not be a member of the Company. A Form of Proxy is enclosed.

3. Members who are unable to be present at the Annual General Meeting are invited to complete and return the Form of Proxy, which in order to be effective, must reach the Company's registrars not less than 48 hours before the time appointed for the meeting. The lodgement of a Form of Proxy will not preclude a shareholder from attending and voting at the meeting in person.

4. Further details of the resolutions proposed at this Annual General Meeting can be found in the Directors' Report on pages 7 to 8.

5. The following documents will be available for inspection at the registered office of the Company during normal business hours on each business day from the date of the notice convening the Annual General Meeting up to the close of the meeting:

    (i) the Register of Interests of Directors (and their families) in the capital of the Company;

    (ii) copies of all contracts of service under which Directors of the Company are employed by the Company or any of its subsidiaries.

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FORM OF PROXY

For use by holders of shares in COLEFAX GROUP PLC

I/we (capital letters) ....

of ....
being (a) registered holder(s) of ordinary shares of 10p each in the above-mentioned Company hereby appoint the Chairman of the Meeting (see note (iv) below) .... as my/our proxy to attend and vote for me/us on my/our behalf in the manner indicated below at the Annual General Meeting of the Company to be held at 39 Brook Street, London W1K 4JE on 18th September 2003 at 11.00 a.m. and at any adjournment thereof.

I/we direct that my/our proxy vote as indicated below in respect of the resolutions set out in the notice convening the Meeting. (Unless otherwise instructed, the proxy may vote or abstain as he/she thinks fit in respect of the resolutions specified and also on any other business (including amendments to resolutions) which may properly come before the meeting.)

	Resolution	For	Against
1.	To receive the annual accounts		
2.	To declare the final dividend		
3.	Re-appointment of auditors		
4.	Remuneration of auditors		
5.	To re-elect K. Hall		
6.	To re-elect Sir M. Sorrell		
7.	To approve the Directors' Remuneration Report		
8.	Authority to allot shares		
9.	Disapplication of pre-emption rights*		
10.	Purchase of own shares*		

*Special resolution

Please indicate with an 'X' in the relevant box how you wish your proxy to vote.

Date .... Signature(s) ....

Notes:

(i) A member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A member may appoint two or more persons as proxies in the alternative, but if he does so only one of such proxies may attend as such and vote instead of such member on any one occasion. A proxy need not be a member of the Company. To be valid, the Form of Proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be received at the address shown overleaf not less than forty-eight hours before the time appointed for the Meeting or any adjournment thereof.

(ii) If two or more persons are jointly entitled to a share then in voting upon any question the vote of the senior who tenders the vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders of the share, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

(iii) The Form of Proxy, if completed by a corporation, should be duly executed as a deed by that corporation or be signed by an officer or attorney duly authorised to do so, proof of whose capacity should be included.

(iv) A member wishing to appoint as his proxy a person or persons other than the Chairman of the Meeting should print in block capitals the full name(s) of the person(s) of his choice and delete the words "the Chairman of the Meeting". All alterations should be initialled.

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