Colefax Group plc

Annual Report and Accounts 2012

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

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COLEFAX & FOWLER LTD

FINANCIAL HIGHLIGHTS

	2012 £'000	2011 £'000	(Decrease)/ increase
Revenue from continuing operations	**70,399**	77,722	(9%)
Profit from continuing operations	**3,151**	6,448	(51%)
Profit before taxation from continuing operations	**3,148**	6,521	(52%)
Profit attributable to shareholders	**2,195**	4,573	(52%)
Basic earnings per share from continuing operations	**15.8p**	33.0p	(52%)
Diluted earnings per share from continuing operations	**15.8p**	32.8p	(52%)
Dividends per share	**3.85p**	3.85p	–
Equity	**26,254**	25,460	3%
Operating cash flow	**7,115**	7,759	(8%)
Cash and cash equivalents	**8,519**	6,298	35%

CHAIRMAN'S STATEMENT

Financial Results

The Group's pre-tax profit for the year to 30th April 2012 decreased by 52% to £3.15 million (2011 – £6.52 million) on sales down 9% at £70.40 million (2011 – £77.72 million). Earnings per share decreased by 52% to 15.8p (2011 – 33.0p) and the Group ended the year with net cash of £8.52 million (2011 – £6.30 million).

During the year, the Group purchased for cancellation 140,000 shares at an average price of £2.44 per share, representing 1.0% of the Group's issued share capital at the start of the year.

The Board has decided to maintain the final dividend at 2.00p per share (2011 – 2.00p), making a total for the year of 3.85p (2011 – 3.85p). The final dividend will be paid on 9th October 2012 to shareholders on the register at the close of business on 14th September 2012.

As stated when we announced our Interim Results the principal reason for the decline in our pre-tax profits was a very weak performance from the Decorating Division which made a loss of £87,000 compared to an exceptional profit of £2.01 million last year. Sales in the Product Division were flat reflecting difficult trading conditions in all of our major markets.

Product Division

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

Sales in the Fabric Division, which represent 87% of Group sales, increased by 1% to £61.27 million on a constant currency basis (2011 – £61.20 million). Profit from operations decreased by 25% to £3.18 million (2011 – £4.23 million).

Sales in the US, which represent 50% of the Fabric Division's sales, increased by 4% on a constant currency basis. Trading conditions in all our main territories have been difficult especially New York which is our largest territory. During the year we moved our US operations to new premises in New York and we have continued to invest in our network of showrooms in the firm belief that this market will recover. We recently assumed full responsibility for our agent showroom in Florida which we believe will increase sales in this important territory.

UK sales, which represent 21% of the Fabric Division's sales, decreased by 1% during the year following a 10% increase in the previous year. I am still surprised by the relative strength of this market and therefore remain concerned that it will continue at this level. The UK housing market is still showing no sign of recovery and the UK economy is being affected by the on going problems in the Eurozone.

Sales in Continental Europe, which represent 26% of the Fabric Division's sales, decreased by 3% on a constant currency basis. There was a wide variation in performance between countries. In our top three markets, sales in France were flat, sales in Italy were down 14% and sales in Germany were up 5%. I believe that, with the possible exception of Germany, all these markets will remain very difficult in the near future. We are about to relocate our showroom in Munich to a far more prominent position which will improve our presence in this important market.

Sales in the rest of the world, which represent 3% of the Fabric Division's sales, were down by 2% in the year. There are opportunities to grow in certain markets and we are targeting the Middle East and Russia as the two principal markets for growth in the coming year.

- **Furniture – Kingcome Sofas**

Sales of Kingcome furniture, which account for 3% of Group sales, decreased by 7% to £2.28 million (2011 – £2.44 million). Operating profit was £63,000 (2011 – £211,000) and whilst this result was disappointing, it reflects very challenging market conditions. The majority of furniture sales are made in the UK and we are currently exploring opportunities to increase export sales in selected markets.

CHAIRMAN'S STATEMENT

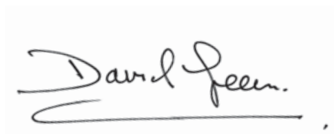
Interior Decorating Division

Interior decorating sales, which account for 10% of Group sales decreased by 51% to £6.85 million (2011 – £14.08 million). This resulted in a loss for the year of £87,000 compared to a profit of £2.01 million last year. The weak performance this year follows an exceptional performance last year and is not unusual after the completion of a number of major projects.

Prospects

Trading in all our major markets remains difficult. However, over the last two months, we have seen a small improvement in our largest market, the US. The current economic conditions prevailing in our most important markets make it difficult to be optimistic about short term growth prospects. The Group has a strong balance sheet and is well placed to deal with adverse market conditions. Until we are confident of an improvement we will continue to run the business prudently focussing on cash flow and tight control of working capital.

I would like to thank all of our staff for their hard work during the year and for their continued commitment to the success of the Group.



David B. Green
Chairman
25th July 2012

REVIEW OF OPERATIONS AND FINANCE

Key Performance Indicators (continuing operations)	2012	2011
Constant Currency Sales Growth	**(9.0%)**	11.8%
Gross Profit Margin	**55.1%**	55.1%
Operating Profit Margin	**4.5%**	8.3%
Basic Earnings Per Share	**15.8p**	33.0p
Operating Cash Flow	**£7.1m**	£7.8m
Stock Turn (Days)	**207**	214
Cost of Equity Capital	**6.6%**	11.5%

Sales Growth

Group sales decreased by 9.4% to £70.40 million (2011 – £77.72 million) and by 9.0% on a constant currency basis. All of this decrease was attributable to the Decorating Division where sales decreased by £7.23 million to £6.85 million (2011 – £14.08 million) following an exceptional year in 2011. The contract based nature of the Decorating Division means that there can sometimes be significant sales fluctuations from one year to another but it was a particularly weak year in 2012 and we are budgeting a 28% increase in Decorating Division sales this year.

In our core Fabric Division sales increased by just 0.7% on a like for like basis reflecting challenging trading conditions in all our major markets. Our most important market is the US which accounts for 50% of Fabric Division sales and this is the market where we have concentrated the majority of our Fabric Division investment. In the first six months US sales increased by 7.0% on a constant currency basis but this slowed to just half a percent in the second half resulting in a full year increase of 3.8% or $1.76 million. The US market is not recovering as fast or as strongly as we had hoped but in contrast to the UK and Europe we do expect continued growth this year and we are budgeting a sales increase of 3% to $49.8 million. This is still 23% below the peak sales that we achieved in 2008. It is fortunate that the significant decline in sales that took place after 2008 has been partially offset by a 20% strengthening in the US dollar exchange rate from an average of $2.01 in 2008 to $1.60 in 2012. Without this the effect on the Group's results would have been much more extreme.

In the UK, which is our second largest individual market, sales declined by 1.0%. Given the problems of the Eurozone this was more resilient than we expected and the UK market would have performed better if we had not adopted a fairly conservative approach to worldwide new product investment. Although the UK housing market remains comparatively weak it seems that the consequences have been largely offset by an increase in refurbishment activity. We are still cautious about prospects in the UK due to the general economic impact of a continuing slowdown in Europe and the fact that our sector tends to lag changes in the wider economy.

Sales in Europe declined by 3.0% for the full year compared to a 5.7% decline in the first six months. Although this suggests that sales may be stabilising the improved second half performance mainly reflects differences in the timing of new product launches and sales in Europe are in fact deteriorating. Currently it is very difficult to be optimistic about growth prospects in Europe and we are budgeting an 8% decline in European sales next year due to the ongoing Euro crisis. This is a major concern as sales in Europe are £16 million and the expected decline will not be offset by growth from a low base in less developed markets such as Russia and the Middle East. Our most important country in Europe is France and sales were flat last year. This year we believe that significant increases in personal taxes for high earners will start to negatively impact the market for luxury products.

Gross Profit Margin

The Group's gross profit margin was flat during the year at 55.1%. This percentage is a composite of the higher margin Fabric Division and the lower margin Decorating Division. The fact that gross margins were flat despite a £7.23 million reduction in decorating sales was due to an offsetting decline in Fabric Division margins. This decline was expected and relates to some substantial supplier price increases dating back to late 2010 following worldwide increases in the cost of cotton, linen and silk. It takes time for these increases to work their way through inventory to the income statement. Although we attempted to mitigate the impact of these increases some were so significant that it was not possible to pass the full increase on to customers. Fortunately the prices of raw cotton, silk and linen all reduced last year and Fabric Division margins have stabilised.

The US dollar exchange rate remains critical to the Group's gross profit margin. This is due to the fact that 50% of Fabric Division sales are invoiced in US dollars but most of the goods sold are sourced in Euros or Sterling. Every one cent change in the US dollar against Sterling impacts Group profits by approximately £75,000. For this reason the Group uses forward foreign currency contracts to hedge some of its cash flow exposure to the US dollar. Unrecognised gains or losses on contracts are recorded in equity and only transferred to cost of goods sold in the income statement when realised. At the 30th April 2012 the Group had unrealised gains on forward contracts of £203,000 net of deferred tax (2011 – £583,000).

REVIEW OF OPERATIONS AND FINANCE

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

	2012	2011	% change
US dollar average	**1.60**	1.57	1.9%
US dollar closing	**1.62**	1.67	(3.0%)
Euro average	**1.17**	1.17	–
Euro closing	**1.23**	1.12	9.8%

Operating Profit Margin

Group profit from continuing operations decreased by 51.2% to £3.15 million (2011 – £6.45 million) representing an operating profit margin of 4.5% (2011 – 8.3%). This is a disappointing performance and most of the decline was due to the weak performance from the Decorating Division which made a loss of £87,000 compared to a profit of £2.01 million last year. In the Fabric Division profits declined by 25% from £4.23 million to £3.18 million which represents an operating margin of 5.2% compared to 6.9% last year. Most of this reduction was due to lower gross profit margins.

The Group is committed to increasing its operating profit margin in the Fabric Division and still aspires to a target operating margin of 10%. The business is highly operationally geared with high gross profit margins and a relatively fixed cost base. This means that sales growth is the key to improving the operating profit margin. The short term growth outlook is challenging with Europe likely to cancel out gains in other territories. The market remains highly competitive with substantial amounts of new product being launched. Inevitably this is putting pressure on the return on new product investment and the fine balance between investment in working capital, profitability and cash flow. The Group's relatively conservative approach to new product investment which seemed a logical response to adverse market conditions has benefitted cash flow but hurt profitability.

Taxation

The Group tax charge on continuing operations was 30.3% compared to 27.1% last year. This is slightly higher than we expected at the start of the year. The increase is mainly due to changes in the split of profits between our US and UK operations. Last year UK taxable profits were proportionately higher due to an exceptional performance from the UK based Decorating Division. Total corporate tax rates in the US which comprise federal, state and city taxes are approximately 40% compared to 25.8% in the UK. This year the Group will benefit from the further reduction in the rate of UK corporation tax to 24% and 23% from April 2013.

The Group statement of financial position includes a significant deferred tax asset of £1.06 million (2011 – £1.37 million) mostly relating to timing differences in the US. During the year the Group incurred substantial capital expenditure relocating its office and warehouse premises in the US. This expenditure benefited from a 100% first year capital allowance which was a one-off government tax incentive only available in 2011. This is the main reason for a net repayment of overseas tax during the year of £383,000. The overall Group tax cash flow during the year was £536,000 compared to a charge of £953,000 in the income statement.

Basic Earnings Per Share

Basic earnings per share decreased by 52.1% to 15.8p (2011 – 33.0p) in line with the reduction in Group profit. The impact of an increase in the Group tax charge from 27.1% to 30.3% was almost exactly offset by a 3.3% reduction in the weighted average number of shares in issue due to share buybacks in the current and prior year.

During the year the Group purchased for cancellation a total of 140,000 shares representing 1.0% of the issued share capital at the start of the year.

Cost of Equity Capital

The Group's cost of equity capital measured in terms of earnings per share as a percentage of the closing share price of 240p is 6.6%, down from 11.5% in 2011. The decrease mainly reflects the 52.0% reduction in Group profits compared to a 16.1% reduction in the Group share price. The Group had net cash of £8.52 million at the year end and the Board remains committed to a strategy of utilising surplus cash for share buybacks provided they enhance shareholder value through their effect on earnings per share, net assets per share and return on capital employed. The Group holding company has significant distributable reserves of £6.86 million to cover further share buybacks but any purchases will continue to depend on cash generation and market conditions.

REVIEW OF OPERATIONS AND FINANCE

At our AGM on 11th September 2012, the Group will seek approval to make annual share buybacks of up to 15% of the issued share capital of the company up to a maximum of 4,774,004 shares over a five year period. The shareholding of David Green, Chairman and Chief Executive is currently 32.8% and as a result further share buybacks will require the renewal of an existing authority to waive Rule 9 of the Takeover Code. Under Rule 9 any person or persons acting in concert with a combined shareholding of 30% or more are required to make an offer for the entire issued share capital of the company. A General Meeting to seek approval of the waiver will be held on 11th September 2012 after our Annual General Meeting.

Dividends

The Board has proposed holding the final dividend at 2.00p (2011 – 2.00p) making a total for the year of 3.85p (2011 – 3.85p). This follows a dividend increase of 24.2% last year. The total cost of the dividend is £534,000 which represents dividend cover of 4.1 times earnings (2011 – 8.5 times). The flat dividend represents a pause in the Board's progressive dividend policy due to the significant decline in profitability and the current uncertain trading environment. Although the dividend is still well covered by earnings the Board continues to believe that the interests of shareholders are best served by utilising the Group's cash and distributable reserves for share buybacks or to fund acquisitions which fit with the Group's existing brand portfolio.

Cash flow

The Group had a strong operating cash flow of £7.12 million which was only slightly down on last year's £7.76 million. However, a significant part of the current year operating cash flow was a one-off reduction in Decorating Division debtors following the exceptional trading performance in the previous year. Group trade and other receivables reduced by £3.21 million. A cautious approach to new product investment meant that inventory remained tightly under control with a small decrease of £115,000 during the year. Maintaining a tight control over working capital is the key to the Group's future cash flow and remains a critical objective.

Capital expenditure during the year was exceptionally high at £3.46 million due to the New York warehouse and office move. Normal recurring capital expenditure is approximately £1.6 million and the Group's annual depreciation charge is £2 million. The cash flow impact of the exceptional capital expenditure in the US was reduced by a one-off 100% capital allowance for tax purposes and overall there was a £174,000 tax refund in the US. This allowance together with a 51.7% reduction in Group profit before tax meant that tax payments were only £536,000 compared to £1.56 million last year.

Cash generation before dividends and share buybacks was £3.14 million (2011 – £3.32 million) and compares to profit after tax of £2.20 million (2011 – £4.57 million). Dividend payments were £534,000 (2011 – £486,000) and share buybacks were £342,000 (2011 – £1.84 million). The Group has ended the year with net cash of £8.52 million. Together with an HSBC bank overdraft facility of £3.00 million the Group has £11.52 million of cash resources at its disposal.

Going Concern

The Directors are confident having made appropriate enquiries that the Group and the Company has adequate resources to continue in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

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*
W. Nicholls, *Decorating Managing Director*
K. Hall, *Chief Executive Officer – USA*
A. K. P. Smith, *Non-Executive Director*

Secretary and Registered Office

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

Registered in England No. 1870320

Nominated Advisers and Stockbrokers

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Moor House
120 London Wall
London EC2Y 5ET

Auditors

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55 Baker Street
London W1U 7EU

Solicitors

SJ Berwin
10 Queen Street Place
London EC4R 1BE

Bankers

HSBC Bank plc
31 Holborn
London EC1N 2HR

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

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

Registrars and Transfer Office

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY

DIRECTORS' REPORT

The Directors submit their report and Group financial statements for the year ended 30th April 2012.

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 Review of Operations and Finance on pages 4 to 6.

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

Resolution Number 6, proposed as an ordinary resolution, would authorise the Directors to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum of one third of the issued share capital of the Company for a period expiring on the date of the next Annual General Meeting or 15 months after the passing of the resolution, whichever occurs first.

In addition, Resolution Number 6 would also authorise the Directors to allot equity securities in connection with a rights issue up to a maximum of one third of the issued share capital of the Company for a period expiring on the date of the next Annual General Meeting or 15 months after the passing of the resolution, whichever occurs first.

Resolution Number 7, proposed as a special resolution, would authorise the Directors to allot shares for cash, on rights issues and other issues to existing shareholders in proportion to their existing holdings and also allows issues or sales other than to existing shareholders in respect of a maximum of 5% of the existing issued share capital of the Company, for a period again expiring on the date of the next Annual General Meeting or 15 months after the passing of the resolution, whichever occurs first.

Resolution Number 8, proposed as a special resolution, would authorise the Directors to make annual share buybacks of up to 15% of the issued ordinary share capital over a period of five years from the passing of the resolution up to a total nominal value of £477,400 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 34% of the issued share capital as at 25th July 2012. Previously the Company has passed annual resolutions permitting a market purchase under s701 and consequently due to the shareholding of David Green passed a waiver of obligations under Rule 9 of the Takeover Code ("Rule 9 Waiver"). The Company has now decided to take advantage of the amendments to s701(5) of the Companies Act 2006 permitting resolutions authorising a buyback by way of a market purchase to have a five year duration. This will enable the Rule 9 Waiver to have a five year duration and therefore save on time and money for the Company. 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.

Results and Dividends
The Group's profit after tax was £2,195,000 (2011 – £4,573,000). An interim dividend of 1.85p (2011 – 1.85p) per share was paid to shareholders on 10th April 2012. The Directors recommend the payment of a final dividend of 2.00p (2011 – 2.00p) per share to be paid on 9th October 2012 to shareholders on the register at the close of business on 14th September 2012. The total dividend is 3.85p (2011 – 3.85p) per share and the total of the interim and proposed final dividend is £534,000 (2011 – £540,000).

Principal Risks and Uncertainties
The Directors have identified a number of financial risks facing the Group and these are explained in note 20 to the financial statements, *"Financial Instruments"*.

The Group has a broad geographical spread of revenue and is not wholly dependent upon any one market. The most significant business risk is the US market which accounts for 43% of the Group's revenue. This risk is mitigated by a broad customer base, with no reliance on any one customer, and a large product range across five individual fabric brands.

The Group has detailed disaster recovery plans in place to ensure business continuity and also has business interruption insurance policies to mitigate any financial losses arising from unforeseen events.

DIRECTORS' REPORT

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 the 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.

Payment to Suppliers
It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 30th April 2012, the Group had an average of 31 days purchases outstanding to trade creditors (2011 – 33 days). The parent company has no trade creditors.

Charitable Donations
During the year the Group made various charitable donations totalling £14,000 (2011 – £15,000).

Events after the Reporting Date
No significant events have occurred since 30th April 2012 at the date of approval of these financial statements.

Freehold Property
The Group's freehold property was last valued on 28th 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 an historical cost basis, was £175,000 at 30th April 2012 (2011 – £178,000).

Directors
The Directors listed on page 7 have held office throughout the year to 30th April 2012.

In accordance with Article 14.1 of the Company's Articles of Association, R. Barker will retire by rotation at the Annual General Meeting. Resolution 5 proposes his re-election as Director. R. Barker has a service contract, which is terminable by one year's notice by either the Company, or the Director.

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

Directors' Remuneration

	Salary and fees £'000	Bonus £'000	Benefits in kind £'000	Pension contributions £'000	**2012 Total £'000**	2011 Total £'000
Executive Directors:						
D. B. Green	508	–	39	–	**547**	574
R. M. Barker	147	–	7	20	**174**	257
W. Nicholls	173	7	20	–	**200**	145
K. Hall	255	–	–	17	**272**	288
Non-executive Directors:						
A. K. P. Smith	23	–	–	–	**23**	29
	1,106	7	66	37	**1,216**	1,293

DIRECTORS' REPORT

Substantial Shareholdings

Interests amounting to 3% or more in the issued share capital of the Company were as follows as at 25th July 2012:

	Number of shares	%
D. B. Green	**4,558,862**	32.8
Discretionary Unit Fund Managers	**2,910,000**	20.9
Schroder plc	**2,144,927**	15.4
Hunter Hall Investment Management	**1,621,500**	11.7

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	
	2012	2011
D. B. Green	**4,558,862**	4,558,862
R. M. Barker	**268,700**	284,000
W. Nicholls	**226,354**	226,354
K. Hall	**201,500**	132,000
A. K. P. Smith	**45,000**	45,000

No Director has interests in the shares of any subsidiary company. On 12th October 2011 K. Hall acquired 100,000 shares through the exercise of ESOP share options and, following the exercise of these options, sold 30,500 shares at a price of 242p per share. On 4th April 2012 R. M. Barker transferred 15,300 shares to his adult daughter for nil consideration.

Share Options

The following options are outstanding in respect of the Colefax Group plc Employee Share Ownership Plan Trust. The options each have an exercise price of £1 in total.

	Total Exercise price	At 1st May 2011	Exercised during the year	**At 30th April 2012**	Date of Grant	Exercisable from	Expiry date
K. Hall	£1	100,000	(100,000)	–	30.04.08	30.04.08	29.04.18

The market price of the Company's shares at 30th April 2012 was 240.0p. The range of market prices during the financial year was between 197.5p and 286.0p.

Corporate Governance

Although it is not a requirement of AIM listed companies, the Group seeks within the practical confines of a smaller company to act in compliance with the principles of good governance and the code of best practice as set out in the UK Corporate Governance Code. The Audit Committee and Remuneration Committee are headed by the Group's non-executive director. The whole Board acts as a Nomination Committee. The Board has identified the principal business and financial risks facing the Group and documented the key control procedures that are in place to manage these risks. This document is subject to review by the Audit Committee and updated on a regular basis.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

R. M. Barker

R. M. Barker BSc ACA
Secretary
25th July 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Directors' responsibilities
The directors are responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLEFAX GROUP PLC

We have audited the financial statements of Colefax Group plc for the year ended 30th April 2012 which comprise the group income statement and statement of comprehensive income, the group and company statement of financial position, the group and company statement of cash flows, the group and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with sections 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 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
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30th April 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

Scott McNaughton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
25th July 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GROUP INCOME STATEMENT

For the year ended 30th April 2012

	Notes	2012 £'000	2011 £'000
Continuing operations:			
Revenue	3	**70,399**	77,722
Cost of sales		**31,595**	34,929
Gross profit		**38,804**	42,793
Operating expenses	5	**35,653**	36,345
Profit from operations	6	**3,151**	6,448
Finance income		**–**	74
Finance expense		**(3)**	(1)
	8	**(3)**	73
Profit before taxation		**3,148**	6,521
Tax expense			
– UK		**(691)**	(1,329)
– Overseas		**(262)**	(436)
	9	**(953)**	(1,765)
Profit from continuing operations		**2,195**	4,756
Trading loss on discontinued operations, net of tax		**–**	(111)
Loss on disposal, net of tax		**–**	(72)
Loss on discontinued operations, net of tax	10	**–**	(183)
Profit for the year attributable to equity holders of the parent		**2,195**	4,573
Basic earnings per share	12	**15.8p**	31.8p
Diluted earnings per share	12	**15.8p**	31.5p
Continuing operations:			
Basic earnings per share	12	**15.8p**	33.0p
Diluted earnings per share	12	**15.8p**	32.8p

The notes on pages 20 to 40 form part of these Consolidated financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th April 2012

	Notes	2012 £'000	2011 £'000
Profit for the year		**2,195**	4,573
Other comprehensive (expense)/income:			
Currency translation differences on foreign currency net investments		**(62)**	(610)
Cash flow hedges:			
(Losses)/gains recognised directly in equity		**(120)**	1,012
Transferred to profit and loss for the year		**(400)**	(235)
Tax on components of other comprehensive income	19	**57**	50
Total other comprehensive (expense)/income		**(525)**	217
Total comprehensive income for the year attributable to equity holders of the parent		**1,670**	4,790

The notes on pages 20 to 40 form part of these Consolidated financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

At 30th April 2012

	Notes	**2012 £'000**	2011 £'000
Non-current assets:			
Property, plant and equipment	13	**7,319**	5,909
Deferred tax asset	19	**1,062**	1,372
		8,381	7,281
Current assets:			
Inventories and work in progress	15	**12,215**	12,283
Trade and other receivables	16	**8,894**	12,640
Cash and cash equivalents	17	**8,519**	7,132
		29,628	32,055
Current liabilities:			
Trade and other payables		**11,064**	13,042
Current corporation tax		**438**	388
Provisions		**–**	205
	18	**11,502**	13,635
Net current assets		**18,126**	18,420
Total assets less current liabilities		**26,507**	25,701
Non-current liabilities:			
Pension liability	25	**253**	241
Net assets		**26,254**	25,460
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	21	**1,391**	1,405
Share premium account	22	**11,148**	11,148
Capital redemption reserve	22	**1,483**	1,469
ESOP share reserve	22	**(96)**	(96)
Share based payment reserve	22	**19**	94
Foreign exchange reserve	22	**1,238**	1,383
Cash flow hedge reserve	22	**203**	583
Retained earnings	22	**10,868**	9,474
Total equity		**26,254**	25,460

The financial statements were approved by the board of directors and authorised for issue on 25th July 2012.

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

The notes on pages 20 to 40 form part of these Consolidated financial statements.

Company No. 1870320

COMPANY STATEMENT OF FINANCIAL POSITION

At 30th April 2012

	Notes	2012 £'000	2011 £'000
Non-current assets:			
Investments	14	**27,629**	27,629
Current assets:			
Trade and other receivables	16	**6,186**	6,113
Cash and cash equivalents	17	**–**	–
		6,186	6,113
Current liabilities:			
Trade and other payables	18	**2,149**	2,283
Net current assets		**4,037**	3,830
Net assets		**31,666**	31,459
Capital and reserves attributable to equity holders of the Company:			
Called up share capital	21	**1,391**	1,405
Share premium account	22	**11,148**	11,148
Merger reserve	22	**10,762**	10,762
Capital redemption reserve	22	**1,483**	1,469
Share based payment reserve	22	**19**	94
Retained earnings	22	**6,863**	6,581
Total equity		**31,666**	31,459

The financial statements were approved by the board of directors and authorised for issue on 25th July 2012.

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

The notes on pages 20 to 40 form part of these Consolidated financial statements.

Company No. 1870320

GROUP STATEMENT OF CASH FLOWS

For the year ended 30th April 2012

	Notes	2012 £'000	2011 £'000
Operating activities			
Profit before taxation – continuing operations		**3,148**	6,521
Loss before taxation – discontinued operations	10	**–**	(278)
Finance income		**–**	(74)
Finance expense		**3**	1
Depreciation	13	**1,991**	2,044
Cash flows from operations before changes in working capital		**5,142**	8,214
Decrease/(increase) in inventories and work in progress		**115**	(566)
Decrease in trade and other receivables		**3,213**	316
Decrease in trade and other payables		**(1,355)**	(205)
Cash generated from operations		**7,115**	7,759
Taxation paid			
UK corporation tax paid		**(919)**	(1,280)
Overseas tax received/(paid)		**383**	(279)
		(536)	(1,559)
Net cash inflow from operating activities		**6,579**	6,200
Investing activities			
Payments to acquire property, plant and equipment	13	**(3,460)**	(2,885)
Receipts from sales of property, plant and equipment		**20**	29
Interest received		**–**	74
Purchase of ESOP shares		**–**	(95)
Net cash outflow from investing		**(3,440)**	(2,877)
Financing activities			
Purchase of own shares	21	**(342)**	(1,840)
Interest paid		**(3)**	(1)
Equity dividends paid		**(534)**	(486)
Net cash outflow from financing		**(879)**	(2,327)
Net increase in cash and cash equivalents		**2,260**	996
Cash and cash equivalents at beginning of year		**6,298**	5,472
Exchange losses on cash and cash equivalents		**(39)**	(170)
Cash and cash equivalents at end of year	17	**8,519**	6,298

The notes on pages 20 to 40 form part of these Consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30th April 2012

	Notes	2012 £'000	2011 £'000
Operating activities			
Profit before taxation		**1,150**	4,449
Finance income		**(187)**	(242)
Finance expense		**3**	1
Cash flows from operations before changes in working capital		**966**	4,208
Increase in trade and other receivables		**(2,445)**	(4,159)
(Decrease)/increase in trade and other payables		**(16)**	14
Cash generated from operations		**(1,495)**	63
Taxation paid			
UK corporation tax paid		**(919)**	(1,306)
Net cash outflow from operating activities		**(2,414)**	(1,243)
Investing activities			
Interest received		**187**	242
Dividends received from subsidiaries		**3,224**	–
Purchase of ESOP shares		**–**	(95)
Net cash inflow from investing		**3,411**	147
Financing activities			
Purchase of own shares		**(342)**	(1,840)
Interest paid		**(3)**	–
Equity dividends paid		**(534)**	(486)
Net cash outflow from financing		**(879)**	(2,326)
Net increase/(decrease) in cash and cash equivalents		**118**	(3,422)
Cash and cash equivalents at beginning of year		**(2,267)**	1,155
Cash and cash equivalents at end of year	17	**(2,149)**	(2,267)

The notes on pages 20 to 40 form part of these Consolidated financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30th April 2012

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	ESOP share reserve £'000	Share based payment reserve £'000	Foreign exchange reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
At 1st May 2011	1,405	11,148	1,469	(96)	94	1,383	583	9,474	25,460
Profit for the year	–	–	–	–	–	–	–	2,195	2,195
Foreign exchange	–	–	–	–	–	(62)	–	–	(62)
Cash flow hedges:									
Losses	–	–	–	–	–	–	(120)	–	(120)
Transfers	–	–	–	–	–	–	(400)	–	(400)
Tax on other comprehensive income	–	–	–	–	–	(83)	140	–	57
Share buybacks	(14)	–	14	–	–	–	–	(342)	(342)
Share options exercised	–	–	–	–	(75)	–	–	75	–
Dividends paid	–	–	–	–	–	–	–	(534)	(534)
At 30th April 2012	**1,391**	**11,148**	**1,483**	**(96)**	**19**	**1,238**	**203**	**10,868**	**26,254**
At 1st May 2010	1,470	11,148	1,404	(18)	196	1,741	8	7,106	23,055
Profit for the year	–	–	–	–	–	–	–	4,573	4,573
Foreign exchange	–	–	–	–	–	(610)	–	–	(610)
Cash flow hedges:									
Gains	–	–	–	–	–	–	1,012	–	1,012
Transfers	–	–	–	–	–	–	(235)	–	(235)
Tax on other comprehensive income	–	–	–	–	–	252	(202)	–	50
Share buybacks	(65)	–	65	–	–	–	–	(1,840)	(1,840)
ESOP shares granted	–	–	–	17	19	–	–	–	36
Share options exercised	–	–	–	–	(121)	–	–	121	–
Dividends paid	–	–	–	–	–	–	–	(486)	(486)
Purchase of ESOP shares	–	–	–	(95)	–	–	–	–	(95)
At 30th April 2011	1,405	11,148	1,469	(96)	94	1,383	583	9,474	25,460

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30th April 2012

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1st May 2011	1,405	11,148	10,762	1,469	94	6,581	31,459
Profit for the year	–	–	–	–	–	1,083	1,083
Share buybacks	(14)	–	–	14	–	(342)	(342)
Share options exercised	–	–	–	–	(75)	75	–
Dividends paid	–	–	–	–	–	(534)	(534)
At 30th April 2012	**1,391**	**11,148**	**10,762**	**1,483**	**19**	**6,863**	**31,666**
At 1st May 2010	1,470	11,148	10,762	1,404	196	4,546	29,526
Profit for the year	–	–	–	–	–	4,240	4,240
Share buybacks	(65)	–	–	65	–	(1,840)	(1,840)
ESOP shares granted	–	–	–	–	19	–	19
Share options exercised	–	–	–	–	(121)	121	–
Dividends paid	–	–	–	–	–	(486)	(486)
At 30th April 2011	1,405	11,148	10,762	1,469	94	6,581	31,459

The notes on pages 20 to 40 form part of these Consolidated financial statements.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

1. Accounting policies

General Information

Colefax Group Plc is a public limited company incorporated and domiciled in the United Kingdom. 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 7. The principal activities of the Group are the design, marketing, distribution and retailing of furnishing fabrics, wallpapers, trimmings, related products and upholstered furniture in the UK and overseas and the sale of antiques, interior and architectural design, project management, decorating and furnishing for private individuals and commercial firms.

Basis of Preparation

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

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

The Group Income Statement has been prepared on the basis of continuing operations. The trading loss of the beachwear division, and the costs associated with its sale in the prior year, have been disclosed separately.

Changes in Accounting Policies

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position for the current reporting period:

– *Revised IAS24 'Related Party Disclosures'* (effective for accounting periods beginning on or after 1st January 2011). This revision has been endorsed for use in the EU. This revision will only impact disclosure and have no effect on the net assets or result of the Group.

– *IFRIC19, 'Extinguishing Financial Liabilities with Equity Instruments'* (effective for accounting periods beginning on or after 1st July 2010). This interpretation has been endorsed for use in the EU.

– *Improvements to IFRS issued in 2010*. These affect disclosure only.

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Group as these are not effective for the current year. The Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods:

– *Amendments to IAS 1: Presentation of Items of Other Comprehensive Income* (effective for periods beginning on or after 1st July 2012). This amendment has not yet been endorsed for use in the EU.

– *IFRS9 'Financial Instruments'* (effective for accounting periods beginning on or after 1st January 2015). This standard has not yet been endorsed for use in the EU.

– *IFRS 10: Consolidated Financial Statements* (effective for periods beginning on or after 1st January 2013). This amendment has not yet been endorsed for use in the EU.

– *IFRS 13: Fair Value Measurement* (effective for periods beginning on or after 1st January 2013). This amendment has not yet been endorsed for use in the EU.

– *IAS 27: Separate Financial Statements* (effective for periods beginning on or after 1st January 2013). This amendment has not yet been endorsed for use in the EU.

– *IAS 19: Employee Benefits* (effective for periods beginning on or after 1st January 2013). This amendment has not yet been endorsed for use in the EU.

– *Amendments to IFRS 10, IFRS 11, IFRS 12: Condolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (effective for periods beginning on or after 1st January 2013). This amendment has not yet been endorsed for use in the EU.

– *Improvements to IFRSs (2011)* – Minor amendments to various accounting standards. These amendments have been endorsed for use in the EU.

– *Improvements to IFRSs (2012)* – Minor amendments to various accounting standards. These amendments have been endorsed for use in the EU.

The following principal accounting policies have been applied consistently in the preparation of the financial statements:

Basis of Consolidation

Where the Group has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of Colefax Group Plc and its subsidiaries as if they formed a single entity.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

1. **Accounting policies** *continued*

No income statement is presented for the Company as provided in S.408 of the Companies Act 2006. The profit dealt with in the financial statements of Company was £1,083,000 (2011 – 4,240,000). Total comprehensive income relating to the year for the Company consists of the profit for the year only.

Acquisitions are accounted for using the acquisition method. Under the acquisition method the results of subsidiary undertakings are included from the date of acquisition.

Where merger accounting was used in business combinations prior to 1st May 2006 (transition date), the investment is still recorded in the Company's statement of financial position at the nominal value of the shares issued, together with the fair value of any additional consideration paid as the Group has applied the IFRS 1 'First-time Adoption of International Financial Reporting Standards' exemption relating to business combinations.

In the Group Financial Statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. Any difference between the nominal value of the shares acquired by the Group and those issued by the company to acquire them is taken to reserves.

Goodwill

Goodwill arising on acquisitions prior to 30th April 1998 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated upon transition to IFRS.

Investments in Subsidiaries

Investments in subsidiaries in the Company statement of financial position are stated at cost less any provision for impairment.

Revenue Recognition

Revenue, which excludes value added taxes, represents the amounts receivable from customers for goods and services supplied including disbursements. Sales of goods are recognised when goods are delivered and title has passed. Revenue for services is recognised in the period in which they are rendered. Where projects are ongoing at the year end, revenue is recognised on a stage of completion basis, when the Group has a right to consideration for those services.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price and costs directly incurred in bringing the asset into use. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all property, plant and equipment other than freehold land at rates calculated to write off the cost less estimated residual value evenly over its expected useful life, as follows:

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

Inventories

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

Work in Progress

Work in progress is valued at cost less progress payments received and receivable. Cost includes all direct expenditure on material and external services that have been incurred in bringing the work in progress to its present location and condition. Provision is made for any losses expected to arise on completion of the work entered into at the date of the statement of financial position.

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 by the date of the statement of financial position.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

1. **Accounting policies** *continued*

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

Current and Deferred Tax for the year
Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to other comprehensive income or equity, in which case the tax is also recognised directly in other comprehensive income or equity.

Lease Commitments
Leases where substantially all of the risks and rewards incidental to ownership of a leased asset are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the lease term.

Retirement Benefits
Defined Contribution Schemes
The Group operates defined contribution pension schemes which are externally administered. Payments made to the funds are charged when payable to the income statement as part of employment costs. There are no outstanding or prepaid contributions at the year end.

Defined Benefit Schemes
One Group company operates a defined benefit pension scheme for employees. The scheme's funds are administered by trustees and are independent of Group finances. Annual contributions are based on external actuarial advice. The scheme was closed to new members on 31st December 1997.

The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit credit method are recognised in the Group's statement of financial position as a pension asset or liability as appropriate. Any related deferred tax is recognised within the Group's deferred tax asset or liability following the principles described in the deferred tax accounting policy note.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to the income statement in accordance with IAS 19 'Employee Benefits'.

Foreign Currency
The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Great British Pounds ('GBP'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Group
The assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the date of the statement of financial position and the results of overseas subsidiaries are translated at the average rate of exchange for the year. The exchange differences arising on the retranslation of opening net assets and on loans which form part of the net investment are taken directly to reserves. Loans are designated as part of the net investment, when settlement is neither planned nor likely to occur in the foreseeable future.

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 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
Cash and Cash Equivalents
Cash equivalents are defined as including short term deposits with original maturity within 3 months. For the purposes of the statements of cash flow, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts held.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

1. **Accounting policies** *continued*

Trade and Other Receivables
Trade and other receivables do not carry interest and are stated at their nominal (invoiced) value as reduced by appropriate allowances for estimated irrecoverable amounts. When a trade receivable is considered uncollectible, it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against the allowance. Changes in the carrying amount of the allowance are recognised in the income statement.

Trade and Other Payables
Trade and other payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

Forward Foreign Currency Contracts
The Group uses forward foreign currency contracts to hedge its risk associated with foreign currency fluctuations. Such forward foreign currency contracts are stated at fair value which is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

It is the Group's policy not to hold forward foreign currency contracts for speculative purposes.

Hedge accounting can be applied to financial assets and financial liabilities only where all of the relevant hedging criteria under IAS 39 are met. The Group accounts for forward foreign currency contracts as a cash flow hedge. The effective part of the contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from highly probable forecast transactions, are measured at fair value with changes in fair value recognised directly in equity (the "cash flow hedge reserve").

The cumulative gain or loss initially recognised in equity is 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.

Employee Share Option Plan (ESOP)
The cost of the Group's shares held by the ESOP is debited to the ESOP share reserve and is deducted from shareholders' funds in the Group statement of financial position. Any cash received by the ESOP on disposal of the shares it holds is also recognised directly in shareholders' funds.

Any shares held by the ESOP are treated as cancelled for the purposes of calculating earnings per share.

Share-Based Payments
The Group operates an equity-settled share based payment scheme for directors and employees. When shares and share options are granted to employees a charge is made to the income statement and a corresponding entry made in reserves to record the fair value of the award. This charge is spread over the period of performance relating to the grant.

Company
When shares and share options are granted to employees of subsidiary companies, the fair value of the award made is treated as a capital contribution spread over the period of performance relating to the grant. The corresponding entry is made in reserves.

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

Segmental Reporting
For internal management purposes the Group reports by 'product division' and 'decorating division'.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

2. Critical accounting estimates and judgements

In preparation of consolidated financial statements under IFRS the Group makes estimates and assumptions regarding the future. Estimates and judgements 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 to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include the success of future collections, competitor actions, supplier prices and economic trends.

Trade Receivables
The Group reviews its trade receivables to provide assurance that their carrying value is reduced by an appropriate allowance for irrecoverable amounts. Factors which are considered as part of that review include the age of the receivable and the creditworthiness of the customer.

Pension Assumptions
The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 25. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated income statement and the statement of financial position.

Income Taxes
The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Financial Instruments
As described in note 20, the Board use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

For forward foreign currency contracts, assumptions are based on quoted market rates adjusted for specific features of the contract. Details of the assumptions used are provided in note 20.

Share based payments
The Group operates an equity-settled share based remuneration scheme for directors and employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of the share options is estimated on the date of the grant based on certain assumptions. Those assumptions are described in note 23.

3. Revenue

	2012 **£'000**	2011 £'000
Revenue arises from:		
Sale of goods	**69,412**	76,574
Provision of services	**987**	1,148
	70,399	77,722

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

4. Segmental analysis

The Board of Colefax Group plc manages the operations of the Group as two divisions:

Product division – This division is involved in the design and distribution of furnishing fabrics, wallpapers, upholstered furniture and related products;

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

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

	Product division		Decorating division		Total	
Business segments	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Continuing operations						
Revenue:						
Total revenue	**63,672**	63,823	**6,854**	14,080	**70,526**	77,903
Inter-segment revenue	**(127)**	(181)	**–**	–	**(127)**	(181)
Revenue from external customers	**63,545**	63,642	**6,854**	14,080	**70,399**	77,722
Segment result:						
Profit/(loss) from operations	**3,238**	4,438	**(87)**	2,010	**3,151**	6,448
Finance income	**–**	74	**–**	–	**–**	74
Finance expense	**(3)**	(1)	**–**	–	**(3)**	(1)
Profit/(loss) before taxation	**3,235**	4,511	**(87)**	2,010	**3,148**	6,521
Tax expense	**837**	1,183	**116**	582	**953**	1,765
Profit/(loss) from continuing operations	**2,398**	3,328	**(203)**	1,428	**2,195**	4,756
Loss on discontinued operations, net of tax					**–**	(183)
Profit for the year attributable to equity holders of the parent					**2,195**	4,573
Total assets	**32,117**	32,894	**5,892**	6,442	**38,009**	39,336
Total liabilities	**9,937**	11,360	**1,818**	2,516	**11,755**	13,876
Net assets	**22,180**	21,534	**4,074**	3,926	**26,254**	25,460
Capital expenditure	**3,432**	2,779	**28**	106	**3,460**	2,885
Depreciation	**1,899**	1,951	**92**	93	**1,991**	2,044

Inter-segment sales are priced along the same lines as sales to external customers.

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

	External revenue by location of customers		Non-current assets by location of assets	
Geographical segments	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
United Kingdom	**19,396**	22,374	**1,839**	2,104
United States	**30,151**	29,845	**5,442**	3,872
Europe	**17,091**	17,485	**1,100**	1,305
Rest of World	**3,761**	8,018	**–**	–
	70,399	77,722	**8,381**	7,281

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

		2012 £'000	2011 £'000
5. **Operating expenses**	Distribution and marketing costs	**23,906**	23,724
	Administrative costs	**11,747**	12,621
	Total operating expenses	**35,653**	36,345

		2012 £'000	2011 £'000
6. **Profit from operations**	This has been arrived at after charging/(crediting):		
	Audit services – group	**32**	36
	Audit services – subsidiaries	**107**	107
	Non-audit services – taxation	**82**	113
	Non-audit services – corporate finance	**15**	15
	Non-audit services – pensions	**10**	9
	Depreciation of owned property, plant and equipment	**1,991**	2,044
	Operating lease rentals – land and buildings	**4,200**	3,942
	Operating lease rentals – plant and machinery	**55**	54
	Profit on the disposal of property, plant and equipment	**(1)**	(6)
	Exchange gains	**(461)**	(274)
	Pension costs (see note 25)	**293**	252
	Share-based payment (see note 23)	**–**	36

		2012 £'000	2011 £'000
7. **Staff costs**	Staff costs, including Executive Directors, were as follows:		
	Wages and salaries	**13,178**	13,034
	Social security costs	**1,683**	1,647
	Pension costs	**293**	252
		15,154	14,933

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

	No.	No.
Distribution and marketing	**282**	287
Administration	**62**	63
	344	350

The holding Company had no employees during the year (2011 – nil).

	2012 £'000	2011 £'000
Directors' (key management personnel) remuneration was as follows:		
Emoluments	**1,179**	1,257
Pension contributions	**37**	36
Gain on exercise of share options	**242**	85
	1,458	1,378
Emoluments of the highest paid director:		
Emoluments	**547**	574

One director exercised share options during the year (2011 – one).

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.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

7. Staff costs *continued*

Two directors participated in Group defined contribution pension schemes in 2012 (2011 – two). No directors participated in Group defined benefit pension schemes in 2012 (2011 – nil).

One (2011 – one) director exercised options in the year. No options were granted to directors in the year (2011 – nil) and therefore, of the share based payment charge for the year (see note 23), £nil relates to share based payments to directors (2011 – £nil).

8. Finance income and expense

	2012 £'000	2011 £'000
Finance expense:		
Bank loans and overdrafts repayable within five years	**(3)**	(1)
Finance income:		
Bank and other interest receivable	**–**	74
	(3)	73

9. Taxation on continuing operations

	2012 £'000	2011 £'000
(a) Analysis of charge for the year		
UK corporation tax		
UK corporation tax on profits of the year	**599**	1,430
Adjustments in respect of previous years	**6**	(24)
	605	1,406
Overseas tax		
Overseas tax on profits of the year	**72**	141
Adjustments in respect of previous years	**(109)**	(28)
	(37)	113
Total current tax	**568**	1,519
Deferred tax		
Origination and reversal of temporary differences	**385**	246
Total income tax expense	**953**	1,765

(b) Factors affecting the tax charge for the year
The tax assessed for the year is higher (2011 – lower) than the standard rate of corporation tax in the UK.

The differences are explained below.

	2012 £'000	2011 £'000
Profit before taxation	**3,148**	6,521
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 25.8% (2011 – 27.8%)	**812**	1,813
Effect of:		
Disallowed expenses and non-taxable income	**49**	42
Adjustments in respect of prior period (current tax)	**(103)**	(52)
Adjustments in respect of prior period (deferred tax)	**(12)**	(2)
Prior year losses now recognised	**–**	(51)
Rate differences	**207**	185
French tax credit received	**–**	(170)
Total tax expense	**953**	1,765

On 1st April 2012, the UK corporation tax rate reduced from 26% to 24% and as a result a hybrid rate of 25.8% (2011 – 27.8%) has been used to calculate the Group's UK corporation tax charge.

The Group's overseas tax rates are higher than those in the UK primarily because profits earned in the United States are taxed at a rate in excess of 25.8%.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

10. **Discontinued operations**

On 17th September 2010 the sale of the Manuel Canovas Beachwear Division, to management, was completed.

The trading result of the discontinued operation up to the date of sale, as well as the associated loss on disposal, was as follows:

	2012 £'000	2011 £'000
Revenue	–	336
Cost of sales	–	297
Gross profit	–	39
Operating expenses	–	208
Loss before taxation	–	(169)
Taxation	–	58
Loss on discontinued operations	–	(111)
Loss on disposal, net of tax	–	(72)
Loss on discontinued operations, net of tax	–	(183)
Basic loss per share (note 12)	–	(1.3p)
Diluted loss per share (note 12)	–	(1.3p)

The loss on disposal comprises the following:	**2012 £'000**	2011 £'000
Loss on sale of business	–	109
Taxation	–	(37)
	–	72

Included in the Group statement of cash flows are cash outflows of £nil (2011 – £444,000) in operating activities, £nil (2011 – £nil) in investing activities and £nil (2011 – £nil) in financing activities which relate to discontinued operations.

11. **Dividends**

	2012 £'000	2011 £'000
Final (paid) of 2.00p (2010 – 1.55p) on 11th October 2011	**277**	224
Interim (paid) of 1.85p (2011 – 1.85p) on 10th April 2012	**257**	262
	534	486
Final dividend proposed for the year of 2.00p (2011 – 2.00p)	**277**	278

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.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

12. **Earnings per share**

Basic earnings/(loss) per share has been calculated using the following data:

	2012	2011
	£'000	£'000
Profit after tax from continuing operations	**2,195**	4,756
Loss after tax on discontinued operations	**–**	(183)
Total	**2,195**	4,573
	No.	No.
Weighted average number of ordinary shares in issue	**13,918,662**	14,396,731

Shares owned by the Colefax Group plc Employees' Share Ownership Plan (ESOP) Trust are excluded from the basic earnings per share calculation.

Diluted earnings/(loss) per share has been calculated using the following data:

	2012	2011
	£'000	£'000
Profit after tax from continuing operations	**2,195**	4,756
Loss after tax on discontinued operations	**–**	(183)
Total	**2,195**	4,573
	No.	No.
Weighted average number of ordinary shares in issue	**13,918,662**	14,396,731
Dilutive effect of shares under option	**15,000**	115,000
	13,933,662	14,511,731

NOTES TO THE ACCOUNTS
For the year ended 30th April 2012

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 1st May 2011	231	7,934	6,240	519	5,455	20,379
Exchange adjustment	–	160	(70)	(4)	154	240
Additions	–	1,933	632	20	875	3,460
Disposals	–	(2,187)	(1,281)	(79)	(2,348)	(5,895)
At 30th April 2012	**231**	**7,840**	**5,521**	**456**	**4,136**	**18,184**
Depreciation:						
At 1st May 2011	53	6,060	4,150	328	3,879	14,470
Exchange adjustment	–	147	17	(3)	119	280
Charge for the year	3	555	498	82	853	1,991
Disposals	–	(2,187)	(1,280)	(61)	(2,348)	(5,876)
At 30th April 2012	**56**	**4,575**	**3,385**	**346**	**2,503**	**10,865**
Net Book Value:						
At 30th April 2012	**175**	**3,265**	**2,136**	**110**	**1,633**	**7,319**
At 1st May 2011	178	1,874	2,090	191	1,576	5,909
At 1st May 2010	231	7,519	5,865	517	5,667	19,799
Exchange adjustment	–	(517)	(217)	1	(436)	(1,169)
Additions	–	932	946	101	906	2,885
Disposals	–	–	(354)	(100)	(682)	(1,136)
At 30th April 2011	231	7,934	6,240	519	5,455	20,379
Depreciation:						
At 1st May 2010	51	5,877	4,254	329	3,979	14,490
Exchange adjustment	–	(407)	(225)	1	(320)	(951)
Charge for the year	2	590	453	97	902	2,044
Disposals	–	–	(332)	(99)	(682)	(1,113)
At 30th April 2011	53	6,060	4,150	328	3,879	14,470
Net Book Value:						
At 30th April 2011	178	1,874	2,090	191	1,576	5,909
At 1st May 2010	180	1,642	1,611	188	1,688	5,309

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

14. Investments

	Shares £'000	Loans £'000	Total £'000
Company:			
At 1st May 2011 and 30th April 2012	**19,979**	**7,650**	**27,629**
At 1st May 2010	19,943	7,650	27,593
Share options granted to subsidiary employees	36	–	36
At 30th April 2011	19,979	7,650	27,629

The principal subsidiaries of the Group, all of which have been included in these consolidated financial statements, are as follows:

Name of Company	**Incorporation and Principal Country of Operation**	**Effective % of Issued Share Capital held by the Group**	**Principal Products**
Colefax and Fowler 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 SAS*	France	100%	Fabrics and Wallpapers
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.

At 30th April 2012, the ESOP Trust owned 60,000 (2011 – 160,000) ordinary shares of 10p in the Company at cost, with a market value of £144,000 (2011 – £457,600). Dividends on these shares have been waived.

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

15,000 shares in the ESOP were under option at the balance sheet date:

Number of shares	Number of option holders	Exercise price	Date of grant	Exercisable from	Expiry date
15,000	2	£1 total	28.04.11	28.04.11	27.04.21

15. Inventories and work in progress

	Group 2012 £'000	Group 2011 £'000
Finished goods for resale	**12,148**	12,217
Work in progress	**299**	420
Less: progress payments received and receivable	**(232)**	(354)
	12,215	12,283

The cost of inventories recognised as an expense and included in cost of sales amounted to £21,432,000 (2011 – £20,858,000).

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

16. Trade and other receivables

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Amounts owed by subsidiary undertakings	**–**	–	**5,898**	5,105
Trade receivables	**6,188**	9,357	**–**	–
Other receivables	**976**	1,238	**96**	439
Forward foreign currency contracts	**268**	787	**–**	–
Prepayments and accrued income	**1,462**	1,258	**192**	569
	8,894	12,640	**6,186**	6,113

As at 30th April 2012 the Group had trade receivables of £1,838,000 (2011 – £5,060,000) which were past due but not individually impaired. The ageing of these receivables is as follows:

	2012 £'000	2011 £'000
Up to 3 months past due	**1,734**	4,205
3 to 6 months past due	**77**	853
6 to 12 months past due	**–**	2
Over 12 months past due	**27**	–
	1,838	5,060

As at 30th April 2012 the Group had trade receivables of £521,000 (2011 – £687,000) which were past due and individually impaired. The ageing of these receivables is as follows:

	2012 £'000	2011 £'000
Up to 3 months past due	**75**	109
3 to 6 months past due	**48**	88
6 to 12 months past due	**32**	467
Over 12 months past due	**366**	23
	521	687

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

	2012 £'000	2011 £'000
At beginning of year	**1,162**	539
Provided during the year	**62**	705
Receivables written off as uncollectable	**(535)**	(23)
Unused amounts reversed	**(114)**	(64)
Exchange differences	**(29)**	5
At end of year	**546**	1,162

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

	2012 £'000	2011 £'000
Sterling	**2,773**	5,518
Euro	**1,801**	2,357
US Dollar	**1,347**	1,177
Other	**267**	305
	6,188	9,357

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

17. Cash and cash equivalents

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

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**8,519**	7,132	**–**	–
Bank overdrafts	**–**	(834)	**(2,149)**	(2,267)
	8,519	6,298	**(2,149)**	(2,267)

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents are considered to be their book value.

18. Current liabilities

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Bank overdraft	**–**	834	**2,149**	2,267
Trade payables	**3,529**	4,121	**–**	–
Accruals	**2,649**	3,596	**–**	16
Provisions	**–**	205	**–**	–
Payments received on account	**1,216**	1,209	**–**	–
Corporation tax	**438**	388	**–**	–
Other taxes and social security costs	**722**	836	**–**	–
Other payables	**2,948**	2,446	**–**	–
	11,502	13,635	**2,149**	2,283

The movement in provisions is as follows:

	Group	
	2012	2011
	£'000	£'000
At 1st May	**205**	606
Paid in the year	**(205)**	(606)
Recognised in the year	**–**	205
At 30th April	**–**	205

A provision of £205,000 in relation to restructuring of an overseas operation was recognised at the date of the previous statement of financial position.

The Group's overdraft facilities are secured by an unlimited multilateral company guarantee and a first fixed and floating charge over all assets of the Company.

19. Deferred taxation

	Group	
	2012	2011
	£'000	£'000
Deferred taxation has been provided as follows:		
Accelerated capital allowances on property, plant and equipment	**1,081**	82
Excess of depreciation over capital allowances on property, plant and equipment	**(149)**	(127)
Short-term temporary differences	**(1,250)**	(1,209)
Tax losses	**(744)**	(118)
	(1,062)	(1,372)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where the directors believe it is probable that the assets are recoverable.

This is made up as follows:		
Deferred taxation included in non-current assets	**(1,062)**	(1,372)
Deferred taxation included in non-current liabilities	**–**	–
	(1,062)	(1,372)

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

19. Deferred taxation *continued*

	Deferred taxation £'000	£'000
Movements in provisions:		
At 1st May	**(1,372)**	(1,639)
Charged to the income statement – continuing operations	**385**	246
Credited directly to other comprehensive income	**(57)**	(50)
Translation adjustment	**(18)**	71
At 30th April	**(1,062)**	(1,372)

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

	2012 £'000	2011 £'000
Fair value reserves in shareholders' equity:		
Cash flow hedge reserve	**(140)**	202
Deferred tax on long-term loan foreign currency movements	**83**	(252)
	(57)	(50)

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.

20. Financial instruments

The financial instruments of the Group as classified in the financial statements as at 30th April 2012 can be analysed under the following IAS 39 categories:

Group	Assets at fair value through profit or loss 2012 £'000	2011 £'000	Loans and receivables 2012 £'000	2011 £'000	Total 2012 £'000	2011 £'000
Financial assets						
Trade and other receivables	**–**	–	**7,164**	10,595	**7,164**	10,595
Cash and cash equivalents	**–**	–	**8,519**	7,132	**8,519**	7,132
Forward foreign currency contracts	**268**	787	**–**	–	**268**	787
Total	**268**	787	**15,683**	17,727	**15,951**	18,514

	Liabilities at fair value through profit or loss 2012 £'000	2011 £'000	Other financial liabilities 2012 £'000	2011 £'000	Total 2012 £'000	2011 £'000
Financial liabilities						
Trade and other payables	**–**	–	**6,178**	7,922	**6,178**	7,922
Bank overdraft	**–**	–	**–**	834	**–**	834
Total	**–**	–	**6,178**	8,756	**6,178**	8,756

The Group's principal financial instruments comprise of cash, short-term deposits, bank overdrafts, bank loans, forward foreign currency contracts and various items such as trade and other receivables and trade and other payables that arise directly from its operations.

Forward foreign currency contracts are carried at fair value, measured using level 2 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.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

20. **Financial instruments** *continued*

The main risks arising from the Group's financial instruments are interest rate risk, 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.

Interest Rate Risk

The Group has a seasonal cash flow that moves between net cash and net debt in the course of each year. The Group is exposed to cash flow interest rate risk on floating rate deposits and bank overdrafts.

Liquidity Risk

The Group's objective is to maintain an appropriate balance between continuity of funding and flexibility through the use of multi-currency overdrafts and bank loans. The Group has various borrowing facilities available to it amounting to £3.0 million (2011 – £3.0 million). The undrawn committed facilities available at 30th April 2012 in respect of which all conditions had been met at that date total £3.0 million (2011 – £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 30th April 2012 the Group's trade payables were £3.5 million (2011 – £4.1 million) and trade receivables were £6.2 million (2011 – £9.4 million) giving a ratio of 1.8 (2011 – 2.3). This, together with the Group's unused borrowing facility, constitutes a very low liquidity risk.

Credit Risk

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

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

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

Foreign Currency Risk

Due to the international nature of its operations, the Group faces currency exposures in respect of exchange rate fluctuations against sterling. The most significant of these is the US where revenue in US dollars represents 43% of Group revenue from continuing operations.

The majority of the US subsidiary's revenue is sourced by imports from the UK and Europe. This revenue is invoiced in US dollars. The Group minimises the currency translation exchange risk by the use of forward foreign currency contracts. The fair value of these contracts at 30th April 2012 is detailed below.

The Group's profit is reduced by approximately £75,000 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 30% of Group revenue from continuing operations 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.

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 30th April 2012, the Group was in three forward foreign currency contract arrangements to sell US dollars. The hedged transactions are expected to occur in 2012/13.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

20. **Financial instruments** *continued*

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

	2012 £'000	2011 £'000
Fair value of forward foreign currency contracts – asset	**268**	787

Capital Disclosures

The directors consider the Group's capital to consist of its share capital and reserves.

The Group's objective when maintaining capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

To the extent that the Group considers it has surplus capital it has been Group policy to return this to shareholders through share buy backs.

Other Financial Instruments

The book amount for trade and other receivables, cash and cash equivalents, bank overdrafts, and trade and other payables with an expected life of 12 months or less, is considered to reflect its fair value.

	Loans and receivables		Total	
Company	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Financial assets				
Trade and other receivables	**5,994**	5,544	**5,994**	5,544
Total	**5,994**	5,544	**5,994**	5,544

	Other financial liabilities		Total	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Financial liabilities				
Bank overdrafts	**2,149**	2,267	**2,149**	2,267
Total	**2,149**	2,267	**2,149**	2,267

The Company acts as a holding company for the Group's subsidiaries and does not trade. Its financial instruments comprise cash, bank overdraft, amounts receivable and payable from subsidiary undertakings and other receivables and payables.

The Company faces interest rate risk on its bank overdraft and liquidity risk on managing cash flows from its subsidiary undertakings. The Company participates in a Group wide multi-currency overdraft facility of £3.0 million (2011 – £3.0 million) which is available to the UK companies in the Group.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

21. Share capital

	Authorised 2012	Authorised 2011	Allotted, called up and fully paid 2012	Allotted, called up and fully paid 2011
Ordinary shares of 10p each	**£3,300,000**	£3,300,000	**£1,391,000**	£1,405,000
Number of shares	**33,000,000**	33,000,000	**13,910,000**	14,050,000

	Allotted, called up and fully paid			
	2012 Number	**2012 £**	2011 Number	2011 £
Ordinary shares of 10p each				
At beginning of year	**14,050,000**	**1,405,000**	14,705,000	1,470,500
Purchase of own shares for cancellation	**(140,000)**	**(14,000)**	(655,000)	(65,500)
At end of year	**13,910,000**	**1,391,000**	14,050,000	1,405,000

Details of share options and shareholdings of Directors are shown in the Directors' Report on pages 8 to 10.

Share options over the ESOP shares are shown in note 14 on page 31.

During the year the Company purchased 140,000 ordinary shares in the market for cancellation, for a consideration of £342,000, representing approximately 1.0% of the issued share capital at the start of the year.

22. Reserves

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

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
ESOP share	Weighted average cost of own shares held by the ESOP trust.
Share based payment	Difference between cost and fair value of ESOP options granted.
Merger	Premium on shares issued to fund acquisitions prior to 1999, which was used for write-off of goodwill on consolidation.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement less distributions made.
Foreign exchange	Unrealised cumulative net gains and losses arising on the retranslation of the opening net assets and loans of overseas subsidiary undertakings.
Cash flow hedge	Unrealised gains and losses, net of deferred tax, arising on the revaluation of forward foreign currency contracts at the date of the statement of financial position.

23. Share-based payment

The Group operates an equity-settled share based remuneration scheme for directors and employees. Share options vest immediately but the shares cannot be sold for a minimum of three years. The shares in this scheme are disclosed in the table below.

	2012 Weighted average exercise price	**2012 Number**	2011 Weighted average exercise price	2011 Number
Outstanding at 1st May	**£1 total**	**115,000**	£1 total	235,000
Granted during the year	**£1 total**	**–**	£1 total	15,000
Exercised during the year	**£1 total**	**(100,000)**	£1 total	(135,000)
Outstanding at 30th April	**£1 total**	**15,000**	£1 total	115,000

All of the options outstanding at the beginning and end of the year had vested and were exercisable. Each tranche of options is exercisable for a total consideration of £1.

The weighted average share price (at date of exercise) of options exercised during the year was 242.0p (2011 – 249.9p).

No options were granted during the year. The weighted average fair value of each option granted during the previous year was 286.0p.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

23. Share-based payment *continued*

Share based payment charge

In calculating the share based payment charge for the previous year, the market value of the shares at the date of grant was used as an approximation of the fair value of the share options issued as the exercise price is minimal. This charge was discounted at a rate of 15% to take into account the fact that the shares under option cannot be sold within three years of the date of grant.

	2012 £'000	2011 £'000
The share-based remuneration expense (note 6) comprises:		
Employee share option scheme	**–**	36

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous year.

24. Commitments under operating leases

At 30th April 2012 the Group had total commitments under non-cancellable operating leases as follows:

	2012 Land and Buildings £'000	**2012 Other £'000**	2011 Land and Buildings £'000	2011 Other £'000
Within one year	**3,563**	**50**	3,334	36
Between two and five years	**10,607**	**65**	11,318	19
Over five years	**8,582**	**–**	10,606	–
	22,752	**115**	25,258	55

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

25. 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 £293,000 (2011 – £252,000).

The Group's US subsidiary Cowtan & Tout operates a funded defined 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 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 2012 using the projected unit credit method. As the scheme is closed to new members and all benefits have been frozen, assumptions concerning inflation and the rate of increase of salaries, pensions and deferred pensions are not applicable. The rate used to discount scheme liabilities was 5% (2011, 2010 – 5%). The market value of investments at 30th April 2012 was £699,000 (2011 – £699,000, 2010 – £741,000), all of which have an expected long term rate of return of 5% (2011, 2010 – 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 2012 was £952,000 (2011 – £940,000, 2010 – £1,061,000), resulting in a net pension liability of £253,000 (2011 – £241,000, 2010 – £320,000). An accrual of £253,000 (2011 – £241,000, 2010 – £320,000) covering the unfunded actuarial accrued liability is included in the Group statement of financial position together with a related deferred tax asset of £101,000 (2011 – £96,000, 2010 – £128,000).

A total of £52,000 in actuarial losses (2011 – £36,000 gains) and a total of £11,000 (2011 – £15,000) in finance charges were recognised in Group operating expenses in the year.

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

25. **Pension commitments** *continued*

The fair value of the assets in the scheme and the expected rate of return at 30th April 2012 were:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Cash and cash equivalents	**–**	–	116	25	14
Fixed income	**264**	350	350	311	335
Equities	**435**	349	275	274	286
Total market value of assets	**699**	699	741	610	635
Present value of scheme liabilities	**(952)**	(940)	(1,061)	(1,095)	(867)
Net pension liability	**(253)**	(241)	(320)	(485)	(232)

Reconciliation of plan assets:

	2012 £'000	2011 £'000
At beginning of year	**699**	741
Exchange gain/(loss)	**19**	(62)
Expected return	**35**	35
Contributions by Group	**58**	35
Benefits paid	**(89)**	(90)
Actuarial (loss)/gain	**(23)**	40
At end of year	**699**	699

Reconciliation of plan liabilities:

	2012 £'000	2011 £'000
At beginning of year	**940**	1,061
Exchange loss/(gain)	**26**	(85)
Interest cost	**46**	50
Benefits paid	**(89)**	(90)
Actuarial loss	**29**	4
At end of year	**952**	940

History of experience gains and losses:

	2012	2011	2010	2009	2008
Actual return less expected return on scheme assets (£'000)	**(23)**	40	81	(173)	(6)
As a % of plan assets	**(3.3%)**	5.7%	10.9%	(28.4%)	(1.0%)
Experience (losses)/gains on scheme liabilities (£'000)	**(29)**	(4)	(39)	27	(11)
As a % of plan liabilities	**3.0%**	0.4%	3.7%	(2.5%)	1.3%

26. **Guarantees**

The Company has given an unlimited guarantee to HSBC Bank plc to secure all the present and future indebtedness and liabilities to the Bank of the Company, Colefax and Fowler Incorporated and Cowtan & Tout Incorporated. There is a cross guarantee between the Company and each of its U.K. subsidiaries in respect of their overdraft facilities. At 30th April 2012, the value of subsidiary overdrafts covered by the guarantee amounted to £nil (2011 – £nil).

NOTES TO THE ACCOUNTS

For the year ended 30th April 2012

27. **Related party transactions**

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

	2012 **£'000**	2011 £'000
Interest charged on long-term loans to Colefax and Fowler Holdings Limited	**187**	171

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

	2012 **£'000**	2011 £'000
Colefax and Fowler Holdings Limited	**7,651**	7,651
Colefax and Fowler Limited	**4,127**	2,432
Sibyl Colefax and John Fowler Limited	**1,708**	358
Kingcome Sofas Limited	**62**	90
Manuel Canovas SAS	**–**	2,224
	13,548	12,755

FIVE YEAR REVIEW

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Revenue from continuing operations	**70,399**	77,722	69,188*	75,076*	77,789*
Profit from continuing operations	**3,151**	6,448	4,387	2,918	6,859
Profit before taxation from continuing operations	**3,148**	6,521	4,388	2,911	6,720
Profit attributable to shareholders	**2,195**	4,573	2,376	1,830	4,065
Basic earnings per share from continuing operations	**15.8p**	33.0p	21.6p	14.1p	31.0p
Diluted earnings per share from continuing operations	**15.8p**	32.8p	21.2p	13.5p	29.4p
Dividends per share	**3.85p**	3.85p	3.10p	2.88p	4.20p
Equity	**26,254**	25,460	23,055	21,133	19,229
Operating cash flow	**7,115**	7,759	5,429	5,176	6,956
Cash and cash equivalents	**8,519**	6,298	5,472	3,078	2,419

* Restated

NOTICE OF MEETING

Notice is hereby given that the 2012 Annual General Meeting of Colefax Group plc will be held at 19-23 Grosvenor Hill, London W1K 3QD on 11th September 2012 at 11.00 a.m. to transact the following business:

Ordinary Business

1. To receive, and if thought fit, to adopt the audited Annual Accounts of the Company for the year ended 30th April 2012, together with the reports of the Directors and of the auditors thereon.
2. To declare a final dividend of 2.00p per ordinary share.
3. To re-appoint BDO LLP as auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
4. To authorise the Directors to determine the remuneration of the auditors.
5. To re-elect R. Barker, who retires by rotation, as a Director.

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 6 will be proposed as an ordinary resolution and 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 £463,666 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the earlier of the date falling 15 months following the date of the Annual General Meeting and the end of the next annual general meeting of the Company, save that the Company may before expiry of this authority make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after expiry of this authority and the Directors may allot shares, or grant rights to subscribe for or convert any security into shares, in pursuance of that offer or agreement as if this authority had not expired; and

   (b) in addition, to allot equity securities (within the meaning of section 560 of the Act) in connection with a rights issue in favour of holders of ordinary shares in proportion (as nearly as may be) to their respective holdings of ordinary shares (but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with treasury shares, fractional entitlements or any legal or practical problems arising under the laws or regulations of, or the requirements of any regulatory body or stock exchange in, any territory) up to a maximum nominal amount of £463,666 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 Companies Act 2006 (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

NOTICE OF MEETING

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

(b) the allotment (other than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £69,550.

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 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 15% of the issued ordinary share capital per annum up to a maximum of 4,774,004 shares over a five year period;

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

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

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

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

By order of the Board
R. M. Barker BSc ACA
Secretary
25th July 2012

Registered Office
39 Brook Street
London W1K 4JE

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 8th September 2012.

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 8th September 2012 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 8th September 2012 (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 24th July 2012 (being the last business day prior to the date of this notice) the company's issued share capital consisted of 13,910,000 ordinary shares each carrying one vote per share. Accordingly the total number of voting rights in the company as at 24th July 2012 were 13,910,000.

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

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

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

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

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

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

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