

Copies of this document, which comprises listing particulars relating to Colefax and Fowler Group PLC (the "Company") in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, have been delivered for registration to the Registrar of Companies in accordance with Section 149 of that Act.

The Directors of the Company, whose names appear in this document, accept responsibility for the information contained in it. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the Council of The Stock Exchange for the ordinary share capital of the Company, issued and now being issued, to be admitted to the Official List. It is expected that listing will become effective and that dealings will commence on 5th July, 1988.

---



**COLEFAX AND FOWLER  
GROUP PLC**

(Incorporated in England and Wales under the Companies Acts 1948 to 1981.  
Registered No. 1870320)

placing by  
**PHILLIPS & DREW SECURITIES LIMITED**  
of 3,707,400 ordinary shares of 10p each at 125p per share  
payable in full on application

---

***Share Capital***

Authorised		Issued and to be issued, fully paid
£1,650,000	ordinary shares of 10p each	£1,250,000

The ordinary shares now being issued will rank *pari passu* in all respects with the existing issued ordinary share capital of the Company and will rank in full for all dividends and other distributions hereafter declared, paid or made on the ordinary share capital of the Company

---

***Indebtedness***

At the close of business on 15th June, 1988, the Company and its subsidiaries had outstanding secured loans of £525,000, short term bank loans and overdrafts of £1,161,959 and commitments under finance leases of £213,280. At that date, the Company and its subsidiaries had cash balances and short term deposits which amounted to £659,938.

Save as aforesaid, and apart from intra-Group liabilities, neither the Company nor any subsidiary had at that date any loan capital outstanding or created but unissued, term loans (whether guaranteed, unguaranteed, secured or unsecured) or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, commitments under finance leases, hire-purchase commitments, mortgages, charges, guarantees or other material contingent liabilities.

	Page
<b>CONTENTS AND DEFINITIONS</b>	
<b>CONTENTS</b>	
Definitions	3
Directors and Advisers	4
Key Information	5
<b>PART 1</b>	
Introduction	6
History	6
Colefax	7
The Decorating Companies	9
Management and Employees	10
Financial Record	12
Earnings and Assets	12
Dividend Policy	13
Reasons for the Placing and Use of Proceeds	13
Prospects	13
<b>PART 2</b>	
Accountants' Report	14
<b>PART 3</b>	
Statutory and General Information	27

DEFINITIONS

“Company”	Colefax and Fowler Group PLC
“Colefax and Fowler” or “the Group”	the Company and all or any of its subsidiaries and, where the context so requires, their predecessors in business
“Colefax”	Colefax and Fowler Limited, a wholly owned subsidiary of the Company
“SC&JF”	Sibyl Colefax and John Fowler Limited, a wholly owned subsidiary of the Company
“CFA”	C.F. Associates Limited, a wholly owned subsidiary of the Company
“the Decorating Companies”	SC&JF and CFA, the interior design companies
“Directors”	the Directors of the Company
“ordinary shares”	the ordinary shares of 10p each in the Company
“Placing”	the placing by Phillips & Drew of the 3,707,400 ordinary shares as described in this document
“Placed Shares”	the ordinary shares now being placed pursuant to the Placing
“Phillips & Drew”	Phillips & Drew Securities Limited
“Placing price”	125 pence per ordinary share
“The Stock Exchange”	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited

**DIRECTORS AND  
ADVISERS**

Directors	Thomas Simon Parr, <i>Chairman</i> David Brian Green, <i>Chief Executive</i> Henry Chester Jones George Oakes Robert Frank Sentance FCA The Hon Nathaniel Charles Jacob Rothschild, <i>Non-executive</i> all of 39 Brook Street, London W1Y 2JE
Secretary and Registered Office	Robert Frank Sentance FCA 39 Brook Street London W1Y 2JE
Financial Advisers and Stockbrokers	Phillips & Drew Securities Limited 120 Moorgate London EC2M 6XP
Co-distributor	McCaughan Dyson Capel Cure (UK) Limited 65 Holborn Viaduct London EC1A 2EU
Auditors and Reporting Accountants	Arthur Young, <i>Chartered Accountants</i> Rolls House 7 Rolls Buildings Fetter Lane London EC4A 1NH
Solicitors to the Company	Clifford Chance Royex House Aldermanbury Square London EC2V 7LD
Solicitors to the Placing	Nabarro Nathanson 50 Stratton Street London W1X 5FL
Registrars and Transfer Office	The Royal Bank of Scotland PLC Registrar's Department 34 Fettes Row Edinburgh EH3 6UT
Bankers	The Royal Bank of Scotland PLC Drummonds Branch 49 Charing Cross London SW1A 2DX

**KEY INFORMATION**

The following information is derived from, and must be read in conjunction with, the full text of this document.

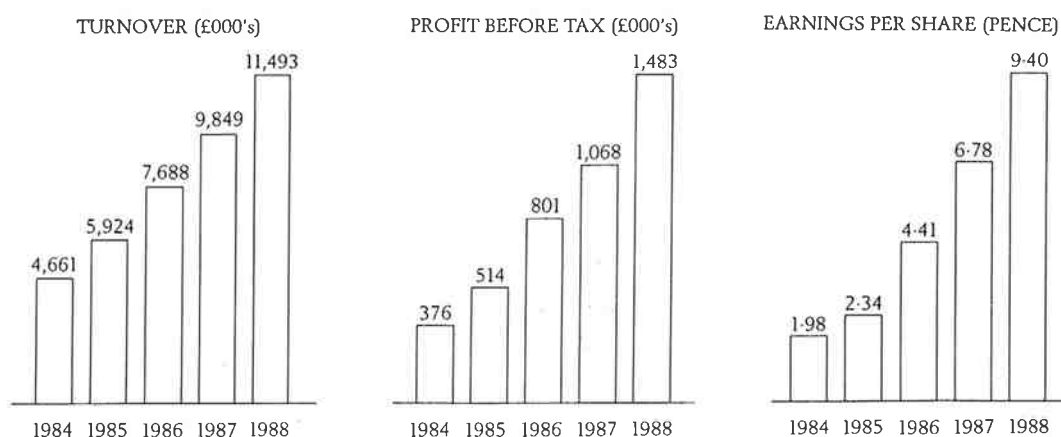
**BUSINESS**

The activities of the Group are: –

the design, marketing, distribution and retailing of furnishing fabrics, wallpapers, carpets, trimmings and related products and the sale of antiques; and interior and architectural design, project management, decorating and furnishing for private and commercial clients.

**TRADING RECORD**

The trading record of Colefax and Fowler for the five financial years ended 30th April, 1988, as extracted from the Accountants' Report in Part 2 of this document, is set out below:



A split of turnover and profit before taxation by activity is set out in Note 7.1 of the Accountants' Report in Part 2.

PLACING STATISTICS	
Placing price	125p
Number of ordinary shares being placed	
– on behalf of the Company	2,500,000
– on behalf of existing shareholders	1,207,400
Percentage of the ordinary share capital being placed	30%
Ordinary shares in issue following the Placing	12,500,000
Market capitalisation at the Placing price	£15,625,000
Earnings per share for the year ended 30th April 1988*	9.4p
Price earnings multiple*	13.3 times
Notional prospective gross dividend yield at the Placing price*	3 per cent.
Net tangible assets per share as at 30th April 1988*	27.1p
*The basis of calculation of these statistics is set out in the sections headed "Earnings and Assets" and "Dividend Policy".	

PART 1

**INTRODUCTION**

Colefax and Fowler has an international reputation for the design of its fabric and wallpaper collections. These collections are marketed in the UK through over 1,500 trade accounts consisting of interior decorating shops, design consultants and stores and in over 20 countries throughout the world, principally the USA and in western Europe. The Group has 3 retail outlets in London.

Colefax and Fowler is also renowned for the traditional decoration and furnishing of private and commercial interiors, offering a complete service of interior and architectural design and project management.

The Directors consider that one of Colefax and Fowler's strengths is the benefit in product design and development derived from the expertise of the Decorating Companies.

**HISTORY**

The Group was founded in 1934 by Lady Colefax who was joined some four years later by John Fowler, possibly one of the best known and most influential English decorators of the twentieth century. Notable examples of the Group's work under John Fowler are: the Gallery at Chequers, the Court Room, the Committee Room and Directors' Dining Room at The Bank of England and the Queen's Audience Room at Buckingham Palace. The Group has been involved in work for the National Trust for over 20 years, examples of which can be seen at Petworth House in Sussex, Clandon in Surrey and Sudbury in Derbyshire.

Tom Parr, the present Chairman, joined the Group in 1960 and brought a more commercial approach to decorating. He and his colleagues have built the decorating company SC&JF into one of the largest and most respected of its kind in the UK. In the late 1960s the Group began retailing Colefax and Fowler fabrics and wallpapers from its Mayfair showroom and in the 1970s opened a retail outlet in Belgravia. Following the success of the fabrics and wallpapers, in the early 1980s the Group began to market and distribute the Colefax and Fowler collections to the trade both in the UK and overseas. David Green, the present Chief Executive, joined the Group in 1986. Since then more emphasis has been placed on the development of UK and overseas markets. Today, the Group has two complementary activities carried out by Colefax and the Decorating Companies.

## COLEFAX

### BUSINESS

The principal activities of Colefax are the design, marketing, distribution and retailing of the Colefax and Fowler product range to UK and overseas trade clients. In addition, Colefax has 3 retail outlets in London selling the full product range as well as products from other manufacturers. The retail outlet in Mayfair is also engaged in the sale of antiques. In the year to 30th April, 1988 the business of Colefax represented approximately 60 per cent. of the Group's turnover.

### THE COLEFAX AND FOWLER PRODUCT RANGE

The Colefax and Fowler product range comprises furnishing fabrics, wallpapers, carpets, trimmings, upholstered furniture, lighting and decorative accessories. The most significant products are the fabric collections of some 380 fabrics based on over 100 different designs and the wallpaper collections of some 200 wallpapers based on 28 different designs. The retail prices of the fabrics and of the wallpapers generally range from £15 to £30 per metre and £12 to £25 per roll respectively.

A new collection has been introduced annually since 1983. In future, it is intended that two collections will be launched each year; in the spring to coincide with the Interior Design Exhibition at Earls Court and in the autumn to coincide with the Decorex Exhibition at Kensington. In addition to the expansion of its own ranges, the Group has begun to distribute the fabric collections of comparable overseas companies. Colefax acts as the distributor outside the USA and Canada for the American fabric house, Cowtan and Tout and in the UK for a leading Spanish fabric house, Gaston y Daniela.

Colefax has recently introduced a range of upholstered furniture, lighting and decorative accessories, which complement the fabric and wallpaper collections. These products, which are primarily sold through the Group's retail outlets, are principally designed in-house with the manufacturing sub-contracted.

### DESIGN

The adaptation of 18th and 19th Century designs, known as documents, together with creative talent and a disciplined approach are considered to be the key ingredients in Colefax and Fowler's consistent success. For the last 50 years the Group has built up its archives of original documents and continues to purchase documents from the libraries of collectors, museums and private individuals. The Group's own design studio, led by George Oakes, works upon the interpretation of documents and the origination of new designs as part of the development of each new collection which takes approximately 18 months from initial conception to launch. The studio, which devotes most of its time to the development of the new collections, also undertakes individual commissions for the Decorating Companies.

The design studio has developed close working relationships with a limited number of UK and European suppliers. In the year ended 30th April, 1988, Colefax purchased the whole of its fabric requirements from nine suppliers, the largest representing 29 per cent of Colefax's total fabric purchases; in the same period, five suppliers provided all of Colefax's wallpaper purchases, the largest representing 76 per cent. The Directors are broadening the supplier base and are satisfied that alternative sources of supply exist both in the UK and Europe, able to produce fabric and wallpapers of the high quality demanded by Colefax.

#### SALES AND MARKETING

Colefax and Fowler collections are distributed in the UK through over 1,500 trade accounts consisting of interior decorating shops, design consultants and stores. No single customer represented more than 1 per cent of the Group's turnover in the year ended 30th April, 1988. Trade accounts are managed by Colefax representatives based at the London trade showroom in Knightsbridge.

Distribution of the Colefax and Fowler collections overseas is by comparable fabric companies. In the USA, which accounted for approximately 5 per cent of the Group's turnover, Clarence House is the sole distributor and, in most west European markets, Colefax operates through similar distribution arrangements. Recently Colefax has agreed to acquire its Australian distributor, which will continue to distribute the full product range.

Retailing of the Colefax and Fowler product range is carried out through the Group's 3 outlets in Mayfair, Belgravia and Chelsea, each offering the full product range displayed in appropriate settings which help to promote the Colefax and Fowler style. The Mayfair showroom also sells antiques, which in the year ended 30th April, 1988, represented approximately 10 per cent. of the Group's turnover.

Consumer and trade awareness of Colefax and Fowler products, which compete with similar products supplied by Osborne & Little, Designers Guild and Warners, is maintained by advertising and editorial coverage in quality magazines, providing support through the supply of display materials to numerous major UK trade accounts and participating in selected interior design exhibitions in the UK and overseas.



## THE DECORATING COMPANIES BUSINESS

The Decorating Companies, whose principal activities are interior and architectural design, project management, decorating and furnishing for private and commercial clients, accounted for approximately 40 per cent. of the Group's turnover in the year ended 30th April, 1988.

The Decorating Companies are based in the Group's premises in Mayfair. SC&JF, which is responsible for private clients, employs 6 design teams each led by an experienced interior decorator. CFA, which is principally responsible for commercial clients, has 2 design teams who work with the Group's project managers and draughtsmen. CFA's work involves conceptual and architectural design and in addition CFA provides SC&JF with the architectural design work needed in the course of its business.

The Decorating Companies are responsible for the design and execution of each scheme; this includes a detailed specification and full estimate of costs, the supervision of the quality of goods and services supplied by sub-contractors, such as upholsterers, curtain makers and carpet layers and the co-ordination of outside contractors for building and ancillary work.

Half of the estimate for a scheme is normally received as a deposit when the estimate is approved and this is followed by one or more stage payments so that most of the value of the estimate is received before the project is completed.

## SALES AND MARKETING

The Decorating Companies' principal market has traditionally been the UK. Recently there has been an increase in the number of contracts carried out overseas. In the year to 30th April, 1988, £3,523,000 of the Decorating Companies' turnover came from the UK and £1,126,000 from overseas. The market for traditional interior design in the UK is fragmented and the Directors believe there is no single competitor of comparable size. Much of the work carried out by the Decorating Companies arises from personal recommendation and their well established reputation.

The contracts for private clients generally range in value from £50,000 to £250,000 and cover all types of properties. Contracts for commercial clients include the traditional design of offices, shops and hotels and examples of commercial clients for whom the Decorating Companies have undertaken major projects include Shearson Lehman Brothers International Inc., Consolidated Goldfields PLC and Metropole Hotels (Holdings) Limited.

**MANAGEMENT  
AND  
EMPLOYEES**

**DIRECTORS**

**Tom Parr** (aged 57), Chairman, joined the Group in 1960 and established a strong reputation as a decorator. He was the driving force in bringing a more commercial approach to decorating and the development of the retail and distribution sides of the business. He is also responsible for the Group's antiques department.

**David Green** (aged 42) was appointed Chief Executive in 1986 when he became a substantial shareholder in Colefax and Fowler. From 1965 to 1983, he was a director of Tangent Industries with his brother, Michael. In 1983 part of this company was acquired by what is now Carlton Communications, a major television company, where for 3 years he held a full-time executive position and where he remains an executive director. David Green now devotes substantially all of his time to the Group and is primarily responsible for increasing the emphasis on the development of UK and overseas markets.

**Chester Jones** (aged 51) obtained a degree in architecture in 1964 from the Regent Street School of Architecture. He then worked for the architects Chapman Taylor Partnership, Building Design Partnership and the interior designer John Siddeley before joining the Group in 1968. He devotes his time to the development of the Decorating Companies and is joint managing director of SC&JF.

**George Oakes** (aged 60) joined the Group in 1959 after seven years as a freelance artist and designer. During the 1970s, as the Group began to expand the fabric and wallpaper collections, he became increasingly involved in and responsible for the design and production of these collections. He is the Director with specific responsibility for this area of operations.

**Robert Sentance** (aged 41) is a Chartered Accountant and joined the Group as Finance Director in 1984. He previously spent ten years in the Finance Department of Sotheby Parke Bernet & Co., ultimately as treasurer for both the UK and Europe.

**Jacob Rothschild** (aged 52) has been a non-executive Director of the Group since 1985. He is Chairman of J. Rothschild Holdings and the proprietor of Clifton Nurseries.

**SENIOR MANAGERS**

**Stanley Falconer** (aged 60), joint managing director of SC&JF, joined the Group in 1963. He has carried out the restoration and decoration of a number of notable buildings and recent commissions include the restoration and decoration of Sudeley Castle, Gloucestershire and the interior design and furnishing of a 70 metre private yacht.

**Imogen Taylor** (aged 61) joined the Group in 1949 and became John Fowler's chief assistant working extensively with him for the National Trust. She formed her own team in 1973 and has carried out significant commissions in both the UK and USA for private and commercial clients.

Other senior managers are as follows:

NAME	AGE	POSITION	LENGTH OF SERVICE
<b>Colefax</b>			
Ann Grafton	29	Merchandise director	3 years
Sarah Graveston	33	Textile designer	4 years
Henry Greenfield	48	Sales development director	9 years
Geoffrey Harrison	41	Manager antiques	4 years
Ianthe Walker	26	Head of UK trade sales	1 year

**The Decorating Companies**

Wendy Nicholls	40	Head of decorating team	12 years
Vivien Greenock	33	Head of decorating team	13 years
Roger Banks-Pye	39	Head of decorating team	11 years
Clive Butcher	45	Design director (CFA)	22 years
Robin Samuel	35	Design director (CFA)	1 year

**EMPLOYEES**

The average numbers of employees of the Group during each of the last three financial years were:

	Years ended 30th April		
	1986	1987	1988
Colefax	34	43	55
The Decorating Companies	37	35	37
The Company	17	15	14
	<u>88</u>	<u>93</u>	<u>106</u>

The Group has a highly motivated workforce. Its policy is to recruit staff who are both technically proficient and have the creative talent for which Colefax and Fowler is renowned. The Group operates a training programme in the principal areas of its activities. In particular the head decorators of the Decorating Companies are responsible for training their assistants and encouraging them to develop their careers in the Group.

Colefax and Fowler has recently introduced an approved executive share option scheme in order to enable senior executives to participate in the future growth of the Group. Details of the scheme are set out in paragraph 7 of Part 3.

**FINANCIAL  
RECORD**

The following summary of Colefax and Fowler's trading results for the five years to 30th April, 1988 has been extracted from the Accountants' Report set out in Part 2 of this document.

	1984 £'000	1985 £'000	1986 £'000	1987 £'000	1988 £'000
Turnover	4,661	5,924	7,688	9,849	11,493
Profit on ordinary activities before taxation	376	514	801	1,068	1,483
Taxation on profit on ordinary activities	(178)	(280)	(360)	(390)	(543)
Profit on ordinary activities after taxation	198	234	441	678	940
Earnings per share	1.98p	2.34p	4.41p	6.78p	9.40p

The financial record of Colefax and Fowler has been presented as if the current corporate structure had been in place throughout the five year period. An analysis of turnover and profit on ordinary activities before taxation by division and the basis of the calculation of earnings per share shown above are set out in notes 7.1 and 7.9 respectively of the Accountants' Report in Part 2.

Group sales have increased by 146 per cent over the five year period. Turnover within Colefax increased by 41 per cent between 1987 and 1988, whilst the Decorating Companies' turnover was static over the same period. The turnover of the Decorating Companies varies according to the mix of work between the supply of goods and the provision of fee-based services. Profit before tax of the Group has increased by 294 per cent over the five year period.

**EARNINGS  
AND ASSETS**

The profit on ordinary activities after taxation for the year ended 30th April, 1988 was £940,000 and, on the basis of the 10 million ordinary shares which will be in issue immediately prior to the Placing, earnings per share were 9.4p. The price earnings multiple at the Placing price is 13.3 times.

The net tangible assets of the Group as at 30th April, 1988 were £2,708,000. On the basis of the 10 million ordinary shares in issue immediately prior to the Placing, the net tangible assets per share at 30th April 1988 were 27.1p.

**DIVIDEND  
POLICY**

The Directors intend to recommend, in respect of each financial year, an interim and a final dividend which will normally be payable in April and October respectively; the first dividend should be an interim dividend to be paid in April, 1989 in respect of the financial year ending 30th April, 1989.

If the Company's enlarged ordinary share capital had been listed throughout the financial year ended 30th April 1988, the Directors would have expected to have recommended a total net dividend of 2.8p per ordinary share. This notional total dividend would have represented a gross dividend yield of 3.0 per cent at the Placing price and would have been covered 3.4 times by the historical earnings per share of 9.4p.

**REASONS FOR THE  
PLACING AND USE  
OF PROCEEDS**

The Placing and subsequent listing will give the Group greater flexibility in financing future growth and, in particular, enable the Directors to consider appropriate acquisition opportunities as they arise, although no specific acquisitions are presently contemplated. The Directors also attach great importance to the opportunity given by the listing to make the Company's share option scheme more attractive to the Group's employees.

Of the 3,707,400 ordinary shares being placed, 2,500,000 are new ordinary shares which will raise approximately £2,700,000 (net of expenses) for the Company. The proceeds will be applied towards the launch of additional fabric and wallpaper collections and also provide further working capital for the Group. The balance of the ordinary shares is being placed on behalf of certain of the existing shareholders as set out in paragraph 8(B) of Part 3. Following the Placing, the Directors will together hold 6,409,900 ordinary shares representing 51 per cent of the enlarged issued share capital of the Company.

**PROSPECTS**

The Directors believe that there is scope for expansion in all areas of the Group's activities, both organically and through acquisition. There are particular opportunities in the area of marketing and distribution of the Colefax and Fowler product range both in the UK and overseas where the Group has a small market share.

Colefax and Fowler's fabric and wallpaper collections will continue to be a major factor in the Group's success and the Directors consider that the Group has the experience and skills to achieve the development and marketing of a greater number of collections.

The 1988 wallpaper collection launched at the Interior Design Exhibition was well received and the design of the 1989 collections is already under way. The new Knightsbridge showroom and the distribution arrangements with Cowtan and Tout and Gaston y Daniela will also provide Colefax with increased opportunities for expansion.

The Group's recent investment in design, marketing and distribution combined with the current encouraging level of forward commitments for the Decorating Companies should ensure continuing growth. Accordingly, the Directors view the Group's prospects with confidence.



## Arthur Young

Chartered Accountants  
Rolls House, 7 Rolls Buildings,  
Fetter Lane, London EC4A 1NH  
Telephone: 01-831 7130

The Directors,  
Colefax and Fowler Group PLC,  
39 Brook Street,  
London W1Y 2JE.

The Directors,  
Phillips & Drew Securities Limited,  
120 Moorgate,  
London EC2M 6XP.

28th June, 1988

Dear Sirs,

### 1. INTRODUCTION

During the five years to 30th April, 1988 Colefax and Fowler consisted of the following entities which are now called:-

	<i>Abbreviation</i>
Colefax and Fowler Group PLC	"the Company"
Colefax and Fowler Limited	"Colefax"
Sibyl Colefax and John Fowler Limited	"SC&JF"
C. F. Associates Limited	"CFA"
Colefax and Fowler	"the Partnership"

Details of changes in the structure of Colefax and Fowler during the period covered by this report are set out in paragraph 2 below. For the purposes of this report "the Group" refers to SC&JF and its subsidiaries, CFA and Colefax, together with the Partnership for the three years ended 30th April, 1986, and to the Company and its subsidiaries for subsequent periods.

We have examined the audited accounts of the companies which comprised the Group for the five years ended 30th April, 1988 and the unaudited accounts of the Partnership for the three years ended 30th April, 1986. This report is based on those accounts, after making such adjustments thereto as we considered necessary. No accounts have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30th April, 1988.

For the three years ended 30th April, 1986 Coopers & Lybrand ("C&L") were the auditors of SC&JF and its subsidiaries and their audit reports were unqualified. We have been auditors to the Group since that date and our audit reports for the two years to 30th April, 1988 were unqualified.

Throughout the three years to 30th April, 1986 C&L prepared accounts for the Partnership from its books and records. Though partnership accounts are not required to be audited, C&L have reported that the accounts were prepared from the accounting records of the Partnership and from information supplied by the partners. We have carried out such additional work as we considered necessary to express an opinion on the financial information set out below.

Our work has been carried out in accordance with the Auditing Guideline "Prospectuses and the reporting accountant".

In our opinion, the financial information set out in paragraphs 3 to 8 below, which has been prepared under the historical cost convention, gives a true and fair view of the results and source and application of funds of the Group for each of the five years ended 30th April, 1988 and the state of affairs of the Group at the end of each of those years.

## 2. GROUP STRUCTURE

During the three years to 30th April, 1986 the Group consisted of three trading entities and two non-trading entities all of which were under common control:

- (a) the Company did not trade.
- (b) Colefax did not trade.
- (c) SC&JF traded as a distributor and retailer of Colefax and Fowler products.
- (d) CFA traded as an interior designer and decorator for commercial and private clients.
- (e) The Partnership traded as interior design consultants for private clients.

With effect from the close of business on 30th April, 1986 the Company purchased:

- (a) the whole of the issued share capital of SC&JF for a consideration of £897,750, discharged by the issue of 44,999 ordinary shares in the Company credited as fully paid;
- (b) the trade and net assets of SC&JF, which included its investment in CFA, a wholly owned subsidiary, in consideration for £1;
- (c) the trade and net assets of CFA in consideration for £1;
- (d) the net assets of the Partnership (excluding the partners' capital and current accounts and tax liabilities) for a consideration of £1,097,250 discharged by the issue of 54,999 ordinary shares in the Company credited as fully paid.

With effect from 25th March, 1987 the Company purchased the entire issued share capital of Colefax in consideration for £1.

With effect from 1st May 1987, the Group's trading activities were transferred to the Company's three wholly-owned subsidiaries, Colefax, SC&JF and CFA.

The Company was re-registered as a public limited company on 21st June, 1988.

## 3. ACCOUNTING POLICIES

The principal accounting policies which have been applied consistently in preparing the financial information in this report are as follows:—

### **Basis of consolidation**

The consolidated financial information in this report has been presented as if a group structure existed in all accounting periods. Details of changes in the structure of the Group during the period covered by this report are set out in paragraph 2 above.

### **Turnover**

Turnover, which excludes value added tax, represents the value of goods sold and services provided during each accounting period.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

Cost is determined on a first in, first out basis and includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolescent, slow moving and defective stocks.

### **Contracts in progress**

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

Long term contracts in progress are stated at cost (defined as for short term contracts) plus attributable profits estimated to be earned to date based on the stage of completion, less provision for any known or anticipated losses and payments on account received or receivable.

### **Deferred taxation**

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

**Leasing commitments**

Assets obtained under finance leases are capitalised in the balance sheet at their value and the corresponding liability set up. Such assets are depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Costs in respect of operating leases are charged to income as incurred.

**Goodwill**

Individual elements of purchased goodwill are written off directly against reserves.

**Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	– over 50 years or, if shorter, over the period of the lease.
Computer	– over 5 years
Furniture, fixtures and fittings	– over 10 years
Motor vehicles	– over 3 years
Printing screens	– over 4 years

**Pension commitments**

The Group has contracted into the state scheme. It has a pension scheme for qualifying directors and employees for which the Group's contribution is fixed and is expensed as incurred.

**Foreign currencies**

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

4. GROUP PROFIT AND LOSS ACCOUNTS

	Notes	Years ended 30th April				
		1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Turnover	7.1	4,661	5,924	7,688	9,849	11,493
Cost of sales		2,827	3,657	4,650	6,192	6,962
Gross profit		1,834	2,267	3,038	3,657	4,531
Operating expenses	7.2	1,513	1,760	2,223	2,582	2,964
Other operating income		321	507	815	1,075	1,567
		62	31	12	32	25
Operating profit	7.3	383	538	827	1,107	1,592
Interest payable (net)	7.4	7	24	26	39	109
Profit on ordinary activities before taxation	7.1	376	514	801	1,068	1,483
Taxation on ordinary activities	7.6	178	280	360	390	543
Profit on ordinary activities after taxation		198	234	441	678	940
Partners drawings	7.7	135	163	2	–	–
Dividends	7.8	20	24	30	60	98
Retained profit for the year	8.11	43	47	409	618	842
Earnings per share	7.9	1.98p	2.34p	4.41p	6.78p	9.40p



5. GROUP BALANCE SHEETS

		30th April				
Notes	1984	1985	1986	1987	1988	
	£000	£000	£000	£000	£000	
<b>FIXED ASSETS</b>						
	Intangible assets	57	—	—	—	
8.1	Tangible assets	174	159	266	1,054	
		<u>231</u>	<u>159</u>	<u>266</u>	<u>1,054</u>	
<b>CURRENT ASSETS</b>						
8.2	Stocks	812	1,040	1,528	2,000	
8.3	Long term contracts	—	—	52	5	
8.4	Debtors	1,136	1,598	2,114	2,081	
	Cash at bank and in hand	184	213	151	11	
		<u>2,132</u>	<u>2,851</u>	<u>3,845</u>	<u>4,097</u>	
8.5	CREDITORS: amounts falling due within one year	1,268	1,849	2,233	2,732	
		<u>864</u>	<u>1,002</u>	<u>1,612</u>	<u>1,365</u>	
	Total assets less current liabilities	<u>1,095</u>	<u>1,161</u>	<u>1,878</u>	<u>2,419</u>	
8.6	CREDITORS: amounts falling due after more than one year	140	173	227	525	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>						
8.7	Deferred taxation	21	15	19	28	
		<u>161</u>	<u>188</u>	<u>246</u>	<u>553</u>	
		<u>934</u>	<u>973</u>	<u>1,632</u>	<u>1,866</u>	
<b>CAPITAL AND RESERVES</b>						
8.8	Called up share capital	12	12	17	100	
8.9	Share premium account	—	—	—	1,042	
8.10	Other reserves	81	73	318	268	
8.11	Profit and loss account	841	888	1,297	1,298	
		<u>934</u>	<u>973</u>	<u>1,632</u>	<u>1,866</u>	
		<u>2,708</u>	<u>2,708</u>	<u>2,708</u>	<u>2,708</u>	

6. CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
<b>SOURCE OF FUNDS</b>					
Profit on ordinary activities before taxation	376	514	801	1,068	1,483
Items not involving the movement of funds:					
Depreciation	60	55	64	110	237
Deferred expenditure written off	19	57	—	—	—
Loss/(profit) on sale of fixed assets	(8)	(4)	(5)	(5)	16
<b>Total generated from operations</b>	<b>447</b>	<b>622</b>	<b>860</b>	<b>1,173</b>	<b>1,736</b>
Funds from other sources:					
Proceeds of sale of tangible fixed assets	38	30	27	28	37
Proceeds of shares issued during the year	—	—	250	1,097	—
Loan	—	—	—	400	—
	<b>485</b>	<b>652</b>	<b>1,137</b>	<b>2,698</b>	<b>1,773</b>
<b>APPLICATION OF FUNDS</b>					
Taxation paid	(42)	(113)	(247)	(234)	(120)
Dividends paid	(15)	(20)	(54)	—	(60)
Purchase of fixed assets	(132)	(66)	(191)	(921)	(710)
Partners drawings and capital repaid (Note 1)	(171)	(267)	(48)	—	—
Retained earnings and capital of the Partnership not taken over by the Company	—	—	—	(288)	—
Purchase of goodwill of the Partnership (Note 2)	—	—	—	(1,193)	—
<b>Increase in working capital</b>	<b>125</b>	<b>186</b>	<b>597</b>	<b>62</b>	<b>883</b>
<b>Represented by:</b>					
Stocks	177	228	488	472	1,178
Long term contracts	—	—	52	(47)	2
Debtors	110	462	516	(33)	1,063
Creditors	(106)	(443)	(174)	(139)	(1,313)
	<b>181</b>	<b>247</b>	<b>882</b>	<b>253</b>	<b>930</b>
<b>Movement in net liquid funds:</b>					
Cash	33	29	(62)	(140)	227
Bank overdraft	(89)	(90)	(223)	(51)	(274)
	<b>125</b>	<b>186</b>	<b>597</b>	<b>62</b>	<b>883</b>

Note<sup>(1)</sup>: Partners' drawings consists of drawings by partners reduced by the notional charges for directors' remuneration as set out in note 7.7 together with capital introduced/repaid.

Note<sup>(2)</sup>: The assets and liabilities of the Partnership acquired comprised:

Net liabilities acquired:	£'000
Tangible fixed assets	63
Stocks	514
Debtors	1,292
Creditors	(1965)
	<u>(96)</u>
Goodwill	1,193
Discharged by the issue of shares	<u>1,097</u>

7. NOTES TO THE GROUP PROFIT AND LOSS ACCOUNTS

7.1 Analysis of turnover by division

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Distribution and retailing	2,677	3,239	4,116	5,184	7,305
Interior design and decorating	2,090	2,853	3,765	4,665	4,649
	<u>4,767</u>	<u>6,092</u>	<u>7,881</u>	<u>9,849</u>	<u>11,954</u>
Less: Intra group sales	(106)	(168)	(193)	—	(461)
	<u>4,661</u>	<u>5,924</u>	<u>7,688</u>	<u>9,849</u>	<u>11,493</u>

Analysis of turnover by geographic market

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
United Kingdom	3,639	4,203	5,759	7,073	8,335
North America	575	1,071	1,435	1,563	1,637
Rest of World	447	650	494	1,213	1,521
	<u>4,661</u>	<u>5,924</u>	<u>7,688</u>	<u>9,849</u>	<u>11,493</u>

Profit on ordinary activities before taxation by division

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Distribution and retailing	273	301	467	651	922
Interior design and decorating	103	213	334	417	561
	<u>376</u>	<u>514</u>	<u>801</u>	<u>1,068</u>	<u>1,483</u>

7.2 Operating expenses

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Distribution costs	684	715	915	1,062	1,449
Administration expenses	829	1,045	1,308	1,520	1,515
	<u>1,513</u>	<u>1,760</u>	<u>2,223</u>	<u>2,582</u>	<u>2,964</u>

7.3 Operating profit

Operating profit is stated after charging:

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Depreciation	60	55	64	110	237
Auditors' remuneration	16	15	21	22	28
Directors' remuneration (see note 7.7)	226	390	557	602	290
Operating lease rentals on land and buildings	72	114	96	98	179
	<u>72</u>	<u>114</u>	<u>96</u>	<u>98</u>	<u>179</u>

7.4 Interest payable (net)

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Bank loans and overdrafts	(13)	(24)	(38)	(40)	(109)
Interest receivable	6	—	12	1	—
	<u>(7)</u>	<u>(24)</u>	<u>(26)</u>	<u>(39)</u>	<u>(109)</u>

7.5 Staff costs

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Wages and salaries and employer's national insurance contributions	928	1,120	1,304	1,487	1,848
Other pension costs	86	100	137	123	111
	<u>1,014</u>	<u>1,220</u>	<u>1,441</u>	<u>1,610</u>	<u>1,959</u>

7.6 Taxation

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Corporation tax	186	286	356	409	543
Deferred taxation	(8)	(6)	4	9	—
	178	280	360	418	543
Overprovision in respect of prior years	—	—	—	(28)	—
	178	280	360	390	543
Rate of corporation tax in force	49.58%	44.58%	39.58%	35.00%	35.00%
Effective rate of corporation tax borne by the Group	47.34%	54.47%	44.94%	36.51%	36.61%

A notional charge for tax based on the profit on ordinary activities before taxation as adjusted for disallowable items, has been calculated as though the Partnership had been incorporated as a company throughout the three years ended 30th April, 1986.

7.7 Directors' remuneration

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Fees	—	—	—	—	—
Other emoluments	226	390	557	572	290
Compensation for loss of office	—	—	—	30	—
	226	390	557	602	290

For the three years to April 30, 1986, directors' remuneration has been calculated on the basis of the amounts the directors of the Group would have received, including pension contributions, had remuneration arrangements with the directors of the Group effective from 1st May 1985 subsisted throughout the periods covered by this report, discounted by reference to the Retail Prices Index over the period. Any excess is shown as partners' drawings.

**7.8 Dividends**

Dividends paid in respect of the five years ended 30th April, 1988 were:

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Ordinary—interim paid	—	—	30	—	—
—final proposed and paid	20	24	—	60	98
	<u>20</u>	<u>24</u>	<u>30</u>	<u>60</u>	<u>98</u>
Dividends per ordinary share in issue	<u>167p</u>	<u>198p</u>	<u>180p</u>	<u>100p</u>	<u>100p</u>
Number of ordinary shares in issue	<u>12,002</u>	<u>12,002</u>	<u>16,625</u>	<u>100,000</u>	<u>100,000</u>

**7.9 Earnings per share**

The calculation of earnings per share for the five years ended 30th April, 1988 is based on profits after taxation, and on the assumption that there were 10,000,000 ordinary shares of 10p each in issue throughout the period covered by this report, being the number of ordinary shares of the Company in issue immediately prior to the Placing.

**8 NOTES TO THE GROUP BALANCE SHEETS**

**8.1 Tangible assets**

	30th April, 1987			30th April, 1988		
	Cost £000	Accumulated depreciation £000	Net book value £000	Cost £000	Accumulated depreciation £000	Net book value £000
Leasehold land and buildings:						
Short leasehold	620	18	602	620	52	568
Leasehold improvements	140	4	136	258	27	231
Computer	87	55	32	260	57	203
Furniture, fixtures and fittings	294	82	212	450	128	322
Motor vehicles	108	36	72	185	76	109
Printing screens	—	—	—	55	14	41
	<u>1,249</u>	<u>195</u>	<u>1,054</u>	<u>1,828</u>	<u>354</u>	<u>1,474</u>

Included in the amounts for computer above are the following amounts relating to assets acquired under finance leases:

	30th April 1987 £000	30th April 1988 £000
Cost	—	166
Accumulated depreciation	—	33
Net book value	<u>—</u>	<u>133</u>

8.2 Stocks

	30th April 1987 £000	30th April 1988 £000
Finished goods for resale	1,679	2,460
Contracts in progress	591	876
Less: progress payments received and receivable	(270)	(158)
	<u>2,000</u>	<u>3,178</u>

8.3 Long term contracts

	30th April 1987 £000	30th April 1988 £000
Cost to date plus attributable profit	921	1,049
Progress payments	(916)	(1,042)
	<u>5</u>	<u>7</u>

Profit is included on long term contracts in accordance with SSAP 9. The inclusion of such profit is a departure from the statutory valuation rules for current assets and is included to enable the accounts to give a true and fair view.

8.4 Debtors

	30th April 1987 £000	30th April 1988 £000
Trade debtors	1,909	2,661
Other debtors	41	181
Prepayments and accrued income	131	307
	<u>2,081</u>	<u>3,149</u>

Included in trade debtors at April 30, 1988 is £4,000 in respect of goods and decorating services supplied to D. B. Green which has since been repaid.

8.5 Creditors: amounts falling due within one year

	30th April 1987 £000	30th April 1988 £000
Bank overdraft (secured)	475	749
Trade creditors and accruals	1,633	2,532
Corporation taxation	511	967
Other taxes and social security creditors	53	301
Finance leases (see note 8.13)	—	21
Proposed dividend	60	98
	<u>2,732</u>	<u>4,668</u>

The bank overdraft is secured by a fixed charge over the Group's book debts, goodwill and any uncalled capital and by a floating charge over the Group's undertaking and property.

**8.6 Creditors: amounts falling due after more than one year**

	30th April 1987 £000	30th April 1988 £000
Finance leases (see note 8.13)	—	145
Loans (see below)	525	525
	<u>525</u>	<u>670</u>
Loans:		
Wholly repayable within 1 year	—	125
Wholly repayable within 1-2 years	125	—
Not wholly repayable within 5 years:		
Bank loan repayable in April 1997	400	400
	<u>525</u>	<u>525</u>

The loans are held with the Royal Bank of Scotland PLC and are secured by a first charge over three of the leasehold properties owned by the Company and over two endowment policies which expire in January 1989 on the life of T. S. Parr, a director of the Company. Interest is charged at 2.5 per cent over bank base rate.

**8.7 Deferred taxation**

Deferred taxation has been fully provided as follows:

	30th April 1987 £000	30th April 1988 £000
Accelerated capital allowances on tangible assets	41	41
Short term timing differences	(13)	(13)
Advance corporation tax	—	(28)
	<u>28</u>	<u>—</u>

**8.8 Share capital**

	30th April 1987 £000	30th April 1988 £000
Authorised Ordinary shares of £1 each	100	120
Allotted, called up and fully paid Ordinary shares of £1 each	<u>100</u>	<u>100</u>

**8.9 Share premium account**

	30th April 1987 £000	30th April 1988 £000
Share premium brought forward	—	1,042
Arising on issue of shares during the year in consideration for the acquisition of the net assets of the Partnership	1,042	—
Share premium carried forward	<u>1,042</u>	<u>1,042</u>



8.10 Other reserves

	30th April 1987 £000	30th April 1988 £000
Consolidation reserve	268	268

8.11 Profit and loss account

	Years ended 30th April				
	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Retained profit brought forward	798	841	888	1,297	456
Retained profit for the year	43	47	409	618	842
	841	888	1,297	1,915	1,298
Retained earnings of the Partnership not taken over by the Company	—	—	—	(266)	—
Goodwill arising on the acquisition of the net assets of the Partnership, written off	—	—	—	(1,193)	—
	841	888	1,297	456	1,298

At 30th April, 1988 the Company had retained profits of £456,000.

8.12 Operating lease commitments

The Group's annual rental commitments under non-cancellable operating leases are as follows:

	30th April 1987		30th April 1988	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
In 2 to 5 years	—	—	43	6
In over 5 years	98	—	216	—

8.13 Obligations under finance leases

	1987 £000	1988 £000
Amounts payable:		
Within one year	—	42
In the second to fifth years inclusive	—	171
	—	213
Less: Finance charges allocated to future periods	—	(47)
	—	166
Finance leases are analysed as follows:		
Current obligations	—	21
Non-current obligations	—	145
	—	166

**8.14 Capital commitments**

The Group had contracted capital commitments at 30th April 1988 amounting to £268,000 (1987 – £200,000).

**8.15 Pension commitments**

The Group has contracted into the state scheme. In addition it has a defined contribution pension scheme for qualifying directors and employees. There is no liability in respect of the above scheme at 30th April 1988 (30th April 1987 – Nil).

**8.16 Post balance sheet events**

On 7th June, 1988 the Group entered into an agreement to purchase the whole of the issued share capital of Fowler Imports Pty Limited, an importer and distributor of fabrics and wallpapers based in Sydney, Australia for A\$200.

On 13th June 1988 the ordinary shares of the Company were subdivided into 10p shares. On 27th June 1988 the issued share capital was increased to £1,000,000 (No. 10,000,000 shares) by way of capitalisation of reserves on the basis of nine new ordinary shares for every one ordinary share held.

Yours faithfully,

Arthur Young

## PART 3

STATUTORY AND  
GENERAL  
INFORMATION

1. **Company**
  - (A) The Company, whose principal place of business and registered office is at 39 Brook Street, London W1Y 2JE, was incorporated in England and Wales under the Companies Acts 1948 to 1981 on 10th December, 1984 (Registered No. 1870320) as a private company limited by shares with the name of Colefax and Fowler Limited and an authorised share capital of £100 divided into 100 shares of £1 each of which two were issued nil paid. On 28th April, 1987 the name of the Company was changed to Colefax and Fowler Group Limited. The Company was re-registered as a public company on 21st June, 1988 pursuant to the Companies Act 1985 at which time its name was changed to its present name.
  - (B) On 1st June, 1985 the authorised share capital of the Company was £100 divided into 100 shares of £1 each of which two were issued fully paid and there have been the following changes in the authorised and issued share capital of the Company since that date:-
    - (i) By a Special Resolution passed on 28th April, 1986, the authorised share capital of the Company was increased to £100,000 by the creation of 99,900 Ordinary Shares of £1 each.
    - (ii) Pursuant to an Agreement dated 19th May, 1986 between all the shareholders in SC&JF (being a total of 15 in number) (1) and the Company (2), the entire issued share capital of SC&JF was sold to the Company with effect from the close of business on 30th April, 1986 for the sum of £897,750 which was satisfied by the issue and allotment to the said shareholders of 44,999 Ordinary Shares of £1 each in the Company credited as fully paid.
    - (iii) Pursuant to an Agreement dated 19th May, 1986 between Michael Tree and others carrying on business in partnership under the name of Colefax and Fowler (being a total of 11 in number) (1) and the Company (2), the assets and business of the partnership of Colefax and Fowler were sold to the Company with effect from the close of business on 30th April, 1986 for the sum of £1,097,250 which was satisfied by the issue and allotment to the said partners of 54,999 Ordinary Shares of £1 each in the Company credited as fully paid.
    - (iv) By an Ordinary Resolution passed on 22nd July, 1987, the authorised share capital of the Company was increased with immediate effect to £120,000 by the creation of 20,000 Ordinary Shares of £1 each.
    - (v) On 13th June, 1988, the existing 120,000 Ordinary Shares of £1 each were subdivided into 1,200,000 ordinary shares of 10p each and the authorised share capital of the Company was increased from £120,000 to £1,650,000 by the creation of a further 15,300,000 ordinary shares of 10p each.
    - (vi) On 27th June, 1988, and pursuant to the authorities referred to in paragraph 3 below, 9,000,000 new ordinary shares of 10p each were issued to the members credited as fully paid by way of capitalisation of reserves on the basis of nine new ordinary shares for every one ordinary share held by each member and a further 2,500,000 new ordinary shares of 10p each were allotted (conditionally on the ordinary share capital of the Company being admitted to the Official List of The Stock Exchange on or before 27th July, 1988) pursuant to the Placing Agreement referred to in paragraph 8 below.
2. **The Subsidiaries**
  - (A) The Company is the holding company of a group of companies and its principal subsidiaries are listed below. Each is a private company incorporated in England and Wales with its registered office at 39 Brook Street, London W1Y 2JE and is wholly owned by the Company.

<u>Name</u>	<u>Issued and fully paid share capital</u>	<u>Date of incorporation</u>	<u>Nature of business</u>
Colefax and Fowler Limited	£2	6th October, 1980	Design, marketing, distribution and retailing
Sibyl Colefax and John Fowler Limited	£16,625	14th November, 1972	Private interior design, decorating and furnishing
C.F. Associates Limited	£1,000	13th August, 1962	Commercial interior and architectural design and project management

- (B) There have been the following material issues and conversion of shares by the subsidiaries (other than intra-Group) in the three years preceding the date of this document:—
- (i) On 30th October, 1985, the 5,040 "A" Ordinary Shares of £1 each and 6,962 "B" Ordinary Shares of £1 each in SC&JF were converted into 12,002 Ordinary Shares of £1 each fully paid. All of the said shares were, at the time of such conversion, fully paid or credited as fully paid.
  - (ii) On 30th October, 1985, the authorised share capital of SC&JF was increased to £16,625 by the creation of 4,623 Ordinary Shares of £1 each, which were issued fully paid for the sum of £250,000 in cash.

### 3. Share Capital

- (A) Pursuant to Special Resolutions of the Company passed in General Meeting on 13th June, 1988:—
- (i) the Directors were authorised to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £1,550,000 such authority to expire on the date of the next Annual General Meeting of the Company following such Resolution;
  - (ii) the Directors were authorised (with such authority expiring on a date fifteen months after the passing of the said Resolution or at the next Annual General Meeting of the Company, whichever shall be the earlier) to allot equity securities (as defined by Section 94(2) of the Companies Act 1985) for cash otherwise than in accordance with Section 89 of the Companies Act 1985 in respect of 2,500,000 ordinary shares to be subscribed pursuant to the Placing Agreement referred to in paragraph 8 below, up to an aggregate nominal amount of £62,500 (being 5.0 per cent. of the aggregate nominal amount of the Company's issued equity share capital immediately following the Placing) and where it is in the opinion of the Directors necessary or expedient so to do in connection with a rights issue. The Company remains subject to the continuing obligations of The Stock Exchange with regard to the issue of securities for cash and the provisions of Section 89 of the Companies Act 1985 (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of the Company which is not the subject of the disapplication referred to above.
- (B) Save as disclosed in paragraphs 1 and 2 above, in the three years preceding the date of this document, no share or loan capital of the Company or, so far as is material, any subsidiary has been issued (otherwise than intra-Group issues by wholly owned subsidiaries and pro rata issues by partly owned subsidiaries) for cash or other consideration and no commissions, discounts, brokerages or other special terms (save in connection with the Placing) have been granted by the Company or any subsidiary in connection with the issue or sale of any such capital.
- (C) Save in connection with the Company's Executive Share Option Scheme (details of which are given in paragraph 7 below) or in connection with the Placing, no share or loan capital of the Company or any subsidiary is proposed to be issued or is under option or is agreed to be put under option.

- (D) Following the Placing, 4,000,000 ordinary shares of 10p each will remain unissued of which 1,090,000 are reserved for issue upon the exercise of options already granted or to be granted under the Company's Executive Share Option Scheme. Save for such reserved shares, no issue of shares will be made by the Company which will effectively alter its control without the prior approval of the Company in General Meeting.
- (E) Save for reserved shares or pursuant to the Placing, no material issue of shares (other than to shareholders pro rata to their shareholdings) will be made by the Company within one year of the date of this document without the prior approval of the Company in General Meeting.

4. **Memorandum and Articles of Association**

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of manufacturers of and dealers in furniture, antiques, objects of art, fabrics of all kinds and other such items and to act as a holding company.

The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 18 below.

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:-

(a) *Voting*

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership or failure to pay to the Company all calls and other sums payable in respect of shares in the Company, and subject to any special terms as to voting on which any shares may be held (as at the date of this document no shares having been issued subject to special terms), every member present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for every 10p of ordinary share capital of the Company held by him.

(b) *Variation of Rights and Alteration of Capital*

(i) All or any of the rights or privileges attached to any class of shares may, subject to the Companies Act 1985, be varied in such manner as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of at least three fourths of the nominal amount of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of the issued shares of that class but not otherwise.

(ii) The Company may by Ordinary Resolution increase its share capital, consolidate all or any of its shares into shares of a larger amount, sub-divide its shares into shares of a smaller amount, cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal value of the shares so cancelled.

(iii) The Company may, subject to the provisions of the Companies Act 1985, by Special Resolution reduce its share capital and any share premium account.

(iv) The Company may, subject to the provisions of the Companies Act 1985, purchase its own shares.

(c) *Transfer of Shares*

The instrument of transfer of a share shall be in any usual form or such other form as shall be approved by the Directors and must be lodged at the registered office of the Company for the time being or at such other place as the Directors may appoint. The instrument of transfer of a share shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The Directors may in their absolute discretion and without assigning any reason therefor refuse to register any transfer of a share which is not fully paid or over which the Company has a lien. The Articles do not contain any pre-emption rights and contain no restrictions on the free transferability of fully paid ordinary shares provided that transfers are in respect of only one class of share and are in favour of not more than four transferees.

(d) *Directors*

- (i) A Director shall not vote or be counted in the quorum in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest other than as a shareholder or debenture holder of the Company. However, a Director shall be entitled to vote and be counted in the quorum in circumstances where:—
- (a) the resolution relates to the giving to him of security or an indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
  - (b) the resolution relates to the giving to a third party of security or an indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or part under a guarantee or indemnity or by the giving of security;
  - (c) the resolution relates to a proposal concerning an offer of shares or debentures or other securities of or by the Company or of any of its subsidiaries for subscription or purchase in which either he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
  - (d) the resolution relates to any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of that company;
  - (e) the resolution relates in any way to a retirement benefit scheme or superannuation fund under which he may benefit and which either relates to both employees and Directors of the Company or which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes; or
  - (f) the resolution relates to any scheme for enabling employees, including full-time Executive Directors, to acquire shares in the Company or to any arrangement for the benefit of employees under which the Director benefits in a similar manner as the employees.
- (ii) The Chairman of the Board Meeting where such question arises shall determine finally and conclusively whether a Director has a material interest and/or whether a Director is entitled to vote, provided that the nature and extent of the Director's interest has been fully disclosed.
- (iii) A Director may hold any other office or place of profit in the Company (save that of auditor) in conjunction with the office of Director on such terms as to remuneration and otherwise as the Directors may arrange and shall not be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either in regard to such other office or place of profit or as vendor, purchaser or otherwise. No such contract, arrangement, transaction or proposal will be avoided simply on the grounds that a Director or any person connected with him is interested therein and a Director shall not be liable to account for any profit so realised provided that he discloses the nature of his interest.
- (iv) A Director may not vote or be counted in the quorum on any resolution concerning his own appointment as holder of any office or place of profit with the Company (or any company in which the Company is interested).
- (v) A Director may vote and be counted in the quorum in respect of a resolution appointing any other Director to an office or employment with the Company (or any company in which the Company is interested) notwithstanding that proposals for his own appointment are under consideration at the same time.
- (vi) The Directors may exercise the voting powers in respect of shares in any other company held or owned by the Company or exercisable by them in their capacity as directors of such other company in such manner as they think fit.
- (vii) The total aggregate funds per annum available to be distributed to the Directors of the Company by way of fees for their services together with any additional remuneration are such as may be determined by the Company in General Meeting.
- (viii) The remuneration of any Executive Director of the Company shall, subject as provided in any contract, be such as the Directors may from time to time determine and

may include the making of provision for the payment to him, his widow or other dependants of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance benefits or may be upon such other terms as the Directors determine.

(ix) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors, including any expenses incurred in attending meetings of the Board or of Committees of the Board or General Meetings and if in the opinion of the Directors it is desirable that any of their number should make special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid such reasonable additional remuneration and expenses therefor as the Directors may from time to time determine.

(x) A Director shall be capable of being appointed or re-elected a Director despite having attained the age of seventy and shall not be required to retire by reason of his having attained that age and Section 293 of the Companies Act 1985 (relating to the appointment and retirement as Directors of persons who are aged seventy or over) shall not apply.

(xi) A Director shall not require a share qualification.

(xii) Unless otherwise determined by the Company in General Meeting, the number of Directors shall not be less than two but there shall be no maximum number of Directors.

(e) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures or other securities. The aggregate amount at any one time owing by the Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the Company or any of its subsidiaries from any other of such companies) shall not at any time without the previous sanction of the Company in General Meeting exceed the sum equivalent to three times the aggregate of the nominal capital of the Company for the time being issued and paid up and the amounts standing to the credit of the consolidated reserves (including share premium account, capital redemption reserve and profit and loss account) of the Company and each of its subsidiary companies after adjustment as specified in the relevant articles.

(f) *Dividends and Distribution of Assets on Liquidation*

The holders of the ordinary shares are entitled *pari passu* amongst themselves, but in proportion to the number of shares held by them and to the amounts paid up or credited as paid up thereon, to share in the whole of the profits of the Company paid out as dividends and in the whole of any surplus in the event of the liquidation of the Company.

(g) *Unclaimed Dividends*

Any dividend unclaimed after a period of 12 years from its date of declaration shall be forfeited and shall revert to the Company.

(h) *Pensions and Gratuities*

The Directors may provide or pay pensions, annuities, gratuities or superannuations or similar allowances or benefits to any director, ex-director, employee or ex-employee of the Company or any of its subsidiaries or any wife, widow, children, or other relatives or dependants of any such person.

(i) *Untraced Shareholders*

The Company may sell any shares in the Company of a member who is untraceable if, during a period of 12 years, no cheque or warrant addressed to the member has been cashed and the Company, at the end of such period of 12 years, gives notice in two national daily newspapers of its intention to sell and also gives notice to The Stock Exchange accordingly.

5. **Directors and Other Interests**

(A) The interests of the Directors in the share capital of the Company (all of which are beneficial) as they appear in the Register of Directors' Interests maintained under the provisions of section 325 of the Companies Act 1985 are at the date of this document and will immediately following the Placing be:-

	<u>At Present</u>		<u>Following Placing</u>	
	No. of ordinary shares	(%)	No. of ordinary shares	(%)
T.S.Parr	1,016,700	10.2	916,700	7.33
D.B.Green	4,000,000	40.0	4,000,000	32.0
H.C.Jones	495,400	4.95	345,400	2.76
G.Oakes	495,400	4.95	445,400	3.56
R.F.Sentance	244,800	2.45	219,800	1.76
The Hon. Jacob Rothschild	482,600	4.83	482,600	3.86

(B) Save as disclosed in paragraph 5(A) above, none of the Directors has any interest in the share capital of the Company or any of its subsidiaries save in respect of Colefax, SC&JF and CFA, where, in each case, R.F.Sentance holds one share as bare nominee for the Company.

(C) Save as set out in paragraph 5(A) above and the holding, immediately following the Placing, of 683,300 ordinary shares (5.5 per cent) in the Company by J.G.Grime and G.S.Lorraine, the Directors are not aware of any person who, immediately following the Placing, will be interested in five per cent or more of the Company's issued share capital or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

(D) During the year ended 30th April, 1988, the Group supplied goods and decorating services to D. B. Green for an invoiced figure of approximately £43,000. Save as aforesaid, no Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which (i) were effected by any member of the Group during the current or immediately preceding financial year or (ii) were effected by any member of the Group during an earlier financial year and remain in any respect outstanding or unperformed.

(E) There are no outstanding loans granted by any member of the Group to any of the Directors nor any guarantees provided by any member of the Group for their benefit.

(F) Two policies of life assurance exist on the life of T.S.Parr by way of part of the security for a mortgage loan granted to the Company by Royal Bank of Scotland plc. Payments in respect of such policies have been made since 1st May, 1986 by the Company. No further payments are to be made and both policies will mature in January 1989, the proceeds of which will be split according to past contributions between the Company and former partners of Colefax and Fowler. The amount which will be receivable by the Company will not exceed £35,000.

6. **Directors' Service Agreements**

(A) On 19th June, 1986, the following Executive Directors entered into service agreements with the Company, each of which is terminable by the Company or the Director giving not less than 12 months' prior written notice to expire at any time and particulars of which are as follows:-

<u>Name</u>	<u>Current Salary</u> (inclusive of Directors' Fees)
T.S. Parr	£48,250
H.C. Jones	£57,000
G. Oakes	£38,000
R.F. Sentance	£43,000



The salaries payable under the said service agreements are subject to review in September of each year, but without the Company being under any obligation to increase the salaries upon such review.

In addition to the above, on 11th August, 1986, D.B. Green entered into a service agreement with the Company, which is terminable by either party giving not less than 12 months' prior written notice expiring on or after 26th August, 1989, to serve the Company as Chief Executive, at a current salary of £50,000 (inclusive of Directors' Fees) subject to review in September 1988 (but without there being any obligation upon the Company to increase the salary upon such review). On 1st June, 1988, D.B. Green and the Company entered into a Deed of Variation in respect of the said service agreement whereby D.B. Green agreed with the Company to devote not less than four and one half days per week to his duties thereunder.

- (B) Save as disclosed above, there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries.
- (C) The aggregate remuneration of and benefits in kind granted to the Directors during the year ended 30th April, 1988 amounted to £290,000 and are estimated to amount to £310,000 during the year ending 30th April, 1989.
- (D) There is no arrangement under which a Director has agreed to waive future emoluments nor have there been any waivers of such emoluments during the past financial year, save that Mr R.F. Sentance has agreed to waive a total of £3,500 of his entitlement to remuneration pursuant to his service agreement between 1st October, 1987 and 30th September, 1988.

## 7. Employee Participation

### *The Company's Executive Share Option Scheme ("the Scheme")*

A total of eight senior employees were between 11th May, 1988 and 16th June, 1988 granted options under the Scheme in respect of a total of 465,000 ordinary shares (representing 3.7% of the issued share capital of the Company immediately following the Placing) at an option price of 40p per share. The number of shares in respect of which options have been granted and the option price reflect adjustments following the matters referred to in paragraphs 1(B)(v) and 1(B)(vi) above, which adjustments are subject to formal Inland Revenue approval.

The Scheme was approved by the Inland Revenue under what is now Schedule 9 to the Income and Corporation Taxes Act 1988 on 24th March 1988. At the Company's Annual General Meeting held on 13th June 1988, a number of amendments to the Scheme rules were approved by shareholders, which amendments were formally approved and adopted by the Board on 27th June 1988. An application for formal Inland Revenue approval of the amendments is being made. The principal terms of the Scheme, as amended, are set out below.

#### (A) Eligibility

All directors and employees of the Company or any of its UK subsidiaries who are required to devote substantially the whole of their working time and, in any event, not less than 20 hours a week (25 hours in the case of a Director) to the service of the Company or any of its UK subsidiaries are eligible to participate in the Scheme at the invitation of the Board.

#### (B) Grant of options

Options to acquire ordinary shares in the Company may be granted under the Scheme within six weeks from the dealing day following the announcement by the Company of its annual or half-yearly results. No price is payable for the grant of an option. Options are not transferable.

#### (C) Price of ordinary shares

Following listing, the price payable for each ordinary share under an option will be determined by the Board but will not be less than the higher of (i) the middle market quotation of an ordinary share (as derived from the Daily Official List of The Stock Exchange) on the first dealing day falling within the period of 21 days ending with the date of grant of the option (or such other dealing day as may be agreed with the Inland Revenue) and (ii) the nominal value.

*(D) Limits*

The Scheme is subject to the following limits of which paragraphs (D)(i) and (D)(ii) below apply to all options granted under the Scheme on or after the date on which the Company's ordinary shares are admitted to the Official List of The Stock Exchange:

- (i) the total number of ordinary shares which may be issued under the Scheme may not exceed 1,250,000 ordinary shares (representing approximately ten per cent of the ordinary share capital in issue on that date) but this number may be adjusted as mentioned in paragraph 7(G) below;
- (ii) the number of ordinary shares which may be issued in any ten year period under the Scheme may not exceed five per cent of the ordinary share capital from time to time and, when aggregated with the number of ordinary shares which may be issued in any ten year period under any other employee share scheme adopted by the Company, may not exceed ten per cent of the issued ordinary share capital of the Company from time to time;
- (iii) the total subscription price payable for ordinary shares under options granted to any one participant under the Scheme and any other executive share option scheme adopted by the Company may not exceed the higher of four times the rate of the participant's relevant emoluments (broadly, the participant's earnings after deduction of tax under Schedule E) and £100,000.

*(E) Exercise of options*

An option granted under the Scheme may not normally be exercised earlier than three years after its grant. No option may be exercised more than ten years after its grant. However, if an option holder dies while in the employment of the Company or any of its UK subsidiaries, his personal representatives may exercise his option during the following twelve months. Early exercise of an option is also allowed if an option holder ceases to be employed by the relevant company by reason of injury, disability, redundancy or retirement. If an option holder ceases to be employed for any other reason, his option may not be exercised at all unless the Board so permits. Special provisions apply in the exceptional circumstances of a takeover, reconstruction or winding-up of the Company or change in control of the Company and such provisions may permit the early exercise of options or, in the case of a takeover, the release of options over the Company's ordinary shares in consideration of the grant of options over the acquiring company's shares. In the case of a winding-up of the Company, options will be exercisable for one month and will then lapse.

*(F) Rights attaching to ordinary shares*

All ordinary shares allotted under the Scheme will rank *pari passu* in all respects with the ordinary shares for the time being in issue save as regards any rights attaching to such ordinary shares by reference to a record date prior to the date of allotment.

*(G) Variation of capital*

In the event of an increase or variation of the share capital of the Company upon a capitalisation or rights issue, subdivision, consolidation or reduction, the Board may make such adjustments as it considers appropriate to (i) the total number of ordinary shares subject to the Scheme as mentioned in paragraph (D)(i) above, (ii) the number of ordinary shares subject to any option, or (iii) the price payable for ordinary shares under any option. Except in the case of a capitalisation issue, any such adjustment must be confirmed in writing by the auditors of the Company to be in their opinion fair and reasonable. No adjustment may be made at a time when the Scheme is approved by the Inland Revenue without the prior approval of the Inland Revenue.

*(H) Alterations*

The Board may at any time amend the Scheme, provided that the prior approval of the Company in General Meeting must be obtained in the case of any amendment to the advantage of option holders to the provisions concerning conditions for eligibility, the periods during which options may be granted and exercised, the price payable for the grant of options

(if any), the price payable for ordinary shares on the exercise of options, the transferability of options, the limits on the number of ordinary shares subject to the Scheme and the maximum entitlements of participants and the rights attaching to ordinary shares issued pursuant to options. However, this proviso will not apply if it is necessary or desirable to amend the Scheme in order to obtain or maintain Inland Revenue approval, to comply with any statutory provision, or to take account of a takeover, reconstruction or winding-up of the Company, provided that it does not affect the basic principles of the Scheme.

8. **Placing Arrangements**

(A) By an Agreement ("the Placing Agreement") entered into on 27th June, 1988, between the Vendors referred to therein (1), the Shareholders of the Company referred to therein (2), the Directors (3), the Company (4) and Phillips & Drew (5), (material contract (iii) below), Phillips & Drew has agreed, conditionally on the admission to the Official List of The Stock Exchange of all the ordinary shares, issued and now being issued, becoming effective not later than 27th July, 1988, *inter alia*, (a) to act as agent for the Vendors in procuring purchasers for or, failing that, in purchasing a total of 1,207,400 ordinary shares at the Placing price; and (b) to act as agent of the Company in procuring subscribers for or, failing that, in subscribing for a total of 2,500,000 ordinary shares at the Placing price.

(B) The Vendors under the Placing Agreement and the number of ordinary shares being sold by each of them are:

Name	No. of Ordinary Shares
M. L. Tree	100,000
J. G. Grime and G. S. Loraine	125,000
Abacus Nominees Limited	100,000
I. R. H. Taylor	212,000
G. Oakes	50,000
S. Falconer	195,400
H. J. Greenfield	150,000
H. C. Jones	150,000
C. M. Butcher	100,000
R. F. Sentance	25,000
	1,207,400

(C) The Placing Agreement contains a number of warranties given by the executive Directors, the Vendors and the Shareholders who have also given an indemnity to the Company and Phillips & Drew regarding taxation (including inheritance tax) and have undertaken not to sell any of the ordinary shares in the Company retained by them following the Placing until the preliminary announcement of the results of the Company for the year ending 30th April, 1990 without the prior written consent of Phillips & Drew. In addition the Directors have given warranties to Phillips & Drew concerning the accuracy of the information in these Listing Particulars and an indemnity to Phillips & Drew in respect of liability arising from the Listing Particulars or the Placing.

(D) The Company has agreed to pay all costs, charges and expenses relating or incidental to the Placing and the application for admission to the Official List including The Stock Exchange Listing fee, the costs and expenses of Arthur Young, its own and Phillips & Drew's legal expenses and the costs of printing, publishing and advertising this document and all other documents in connection with the Placing, together with a fee of £75,000 to Phillips & Drew in consideration for its services in connection with the Placing and commission of 0.5 per cent on the value of the ordinary shares being placed on behalf of the Company and 0.75 per cent on the value of those of the Placed Shares to be placed by McCaughan Dyson Capel Cure (UK) Limited under the arrangements referred to in paragraph 8(E) below.

The total expenses payable by the Company in connection with the Placing are estimated to amount to £390,000 (plus VAT). The total remuneration of Phillips & Drew, including commissions, amounts to approximately £98,000 (exclusive of VAT).

No expenses of the Placing are being charged to any Vendor under the Placing Agreement save for costs specifically referable to the placing of ordinary shares in the Company on behalf of a Vendor. The cash proceeds, net of expenses, receivable by the Company, are estimated to amount to £2.7 million and will be used as described under the heading "Reasons for the Placing and Use of Proceeds" in Part 1 of this document.

- (E) In accordance with the Rules and Regulations of The Stock Exchange, Phillips & Drew will place 2,780,550 ordinary shares and McCaughan Dyson Capel Cure (UK) Limited will place 926,850 ordinary shares.

9. Premises

The principal properties occupied by the Group are leasehold properties as follows:-

Property	Date of Expiry of Term	Next Rent Review	Rent p.a. £	Sq Ft (approx)
10 Haunch of Venison Yard, London W1	Sept 1994	Sept 1989	29,000	3,043
39/39a Brook Street, London W1	} Dec 2016	June 1988	1,250	6,500
22 Avery Row, London W1				
149 Ebury Street, London SW1	Sept 1990	N/A	15,000	865
1a Avery Row, London W1	June 2004	June 1989	23,500	2,413
110 Fulham Road, London SW3	June 1996	June 1991	37,500	2,995
The Gallery, Halkin Arcade, London SW1	Sept 2007	Sept 1992	65,000	3,175
Unit 1, 307 Merton Road, London SW18	Mar 2011	Mar 1991	59,225	11,500

The aggregate net book value of all the Group's properties as shown in the latest audited accounts was £799,000.

10. Taxation

- (A) The Directors have been advised that following completion of the Placing the Company will remain a close company as defined in the Income and Corporation Taxes Act 1988.
- (B) Clearances under Schedule 19 of the Income and Corporation Taxes Act 1988 have been obtained for the Company's subsidiaries in respect of all accounting periods to 30th April, 1987. Clearance has been requested but has not yet been received in respect of the Company for the accounting period to 30th April, 1987. The Directors have been advised that no significant liability is likely to arise as a result of this clearance not having been obtained.
- (C) Clearance has been received from the Inland Revenue under the provisions of Section 707 of the Income and Corporation Taxes Act 1988 in respect of the transactions involved in the Placing.
- (D) When paying a dividend, the Company is required to account to the Inland Revenue for advance corporation tax ("ACT") at a rate which is currently 1/3 of the dividend paid. UK resident shareholders are entitled to a tax credit in relation to the dividend received of an amount equal to the ACT paid up by the Company on the dividend. If an individual UK resident shareholder is liable to higher rates of income tax on the total of the dividends and the tax credit, the tax credit satisfies any liability to basic rate tax in respect of the dividend. A repayment of tax from the Inland Revenue is made to the shareholder to the extent that, because of personal allowances or other reliefs, there is no liability to tax on the dividend. UK resident corporate shareholders are not liable to corporation tax on dividends received and they may use the tax credit to set against their own liability to account for ACT on dividends paid by them.

Whether holders of shares in the Company who are resident in countries other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the UK. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are resident for such tax credit.

- (E) The Directors have been advised in relation to stamp duty and stamp duty reserve tax as follows:-
- (i) on the renunciation of letters of allotment arising pursuant to the capitalisation issue referred to in paragraph 1(B)(vi) above by the Vendors, stamp duty reserve tax at the rate of 50p per £100 or part of £100 of the actual consideration paid will be payable. The Vendors have undertaken to meet that liability to stamp duty reserve tax and arrangements to that effect have been agreed with the Inland Revenue. Where shares are registered in the name of the original placee, no further liability to stamp duty or stamp duty reserve tax will arise. However, these arrangements will not apply to any charge to stamp duty reserve tax, under sections 93 or 96 of the Finance Act 1986, resulting from the fact that the applicant is, or is a nominee for, either a person whose business is, or includes, issuing depositary receipts, or a person whose business is, or includes, the provision of clearance services for the purchase and sale of chargeable securities.
  - (ii) an agreement by a placee (or subsequent transferee) to transfer the rights represented by renounceable letters of acceptance will be liable to stamp duty reserve tax at the rate of 50p per £100 or part of £100 of the actual consideration paid. Accordingly, this tax will apply on any renunciation of letters of acceptance at full value. Where such a renunciation is effected through a stockbroker or other financial intermediary, that intermediary will normally take all necessary action to account for the liability to stamp duty reserve tax and will indicate that this has been done in any contract note issued to a purchaser. In other cases, the purchaser of the rights to shares represented by a renounceable letter of acceptance will be responsible for making payment of stamp duty reserve tax.
  - (iii) no further stamp duty or stamp duty reserve tax will be payable on the registration of renounced letters of acceptance.
  - (iv) transfers of shares, once registered, will be liable to ad valorem stamp duty in the usual way at the rate of 50p per £100 or part of £100 of the price paid.
  - (v) special rules apply to agreements made by market makers in the ordinary course of their business as such and to agreements made by brokers/dealers.
- (F) The above is a summary of current relevant tax legislation; any person who is in doubt as to his taxation position should seek personal financial advice.

**11. Auditors and Financial Information**

- (A) Messrs. Arthur Young of Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, Chartered Accountants, have audited the accounts of the Company for each of its last two financial years. Prior to that Messrs. Coopers & Lybrand of Plumtree Court, London EC4A 4HT audited the accounts of the Company from its incorporation.
- (B) The financial information concerning the Group contained in this document does not amount to full individual accounts within the meaning of Section 254 of the Companies Act 1985. Full accounts of the Company and its subsidiaries for the relevant financial years to which such financial information relates and on which the auditors gave unqualified reports have been delivered to the Registrar of Companies.

12. **Material Changes**  
Save as disclosed herein, there has been no significant change in the financial or trading position of the Group since 30th April, 1988.
13. **Working Capital**  
The Directors of the Company consider that, having regard to the bank facilities available and the net proceeds of the Placing receivable by the Company, the Group has sufficient working capital for its present requirements.
14. **Litigation**  
No litigation or arbitration proceedings are known to the Directors to be pending or threatened against the Company or any of its subsidiaries which may have, or have had during the 12 months immediately preceding the date of this document, a significant effect on the Group's financial position.
15. **Material Contracts**  
The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of this document and are, or may be, material:-
- (i) Shareholders' and Voting Trust Agreement dated 1st July, 1986 between T. S. Parr, J. G. Grime and G. S. Loraine (as trustees of the Peter Payne Jersey Settlement), M. L. Tree, A. E. B. Tree, I. R. H. Taylor, G. Oakes, S. Falconer, W. Nicholls, H. J. Greenfield, H. C. Jones, C. M. Butcher, R. V. Banks-Pye, V. Greenock, N. C. J. Rothschild, R. F. Sentance, D. B. Green (1) and the Company (2) in respect of the exercise by the said persons of their rights as shareholders of the Company, such agreement to terminate automatically upon the share capital of the Company being admitted to the Official List of The Stock Exchange;
  - (ii) an Agreement dated 7th June, 1988 between P. W. Morris and D. Parker (1) and Colefax (2) in respect of the purchase of 10,000 ordinary shares of A\$1 each (being the entire issued share capital) of Fowler Imports Pty. Limited for the sum of A\$200; and
  - (iii) the Placing Agreement referred to in paragraph 8 above.
16. **Consent**  
Messrs. Arthur Young have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report and with the references thereto and to themselves in the form and context in which they appear.
17. **General**
- (A) The Directors are of the opinion that the Group carries reasonable insurance cover for all major risks facing the Group which would be expected to be the subject of insurance cover.
  - (B) The Company has taken out Key-man insurance in respect of Mr. D. B. Green for £250,000.
  - (C) On 22nd April, 1987, the Company purchased leasehold land and buildings at 39/39a Brook Street and 22 Avery Row, London W1 from T. S. Parr, M. L. Tree and A. E. B. Tree, all of whom served as Directors of the Company during the year ended 30th April, 1987, for the sum of £400,000. On 22nd June, 1987, M. L. Tree and A. E. B. Tree received from the Company the sum of £15,000 each in connection with their retirement from office as Directors of the Company.
  - (D) Each dividend on the ordinary shares will be paid by the Registrars of the Company as paying agents to those holders of ordinary shares on the register of members on the record date for such dividend.
  - (E) The Placing is being made by Phillips & Drew Securities Limited (registered number 1546399) whose registered office is at 120 Moorgate, London EC2M 6XP.

- (F) Renounceable letters of acceptance in respect of the ordinary shares being placed are expected to be issued on 4th July, 1988. The ordinary shares now being placed will be registered free of registration fees in the names of the placees or the persons in whose favour renounceable letters of acceptance are duly renounced, provided that, in cases of renunciation, renounceable letters of acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration by 3.00 p.m. on 12th August, 1988. Share Certificates will be despatched by first class post not later than 9th September, 1988.
- (G) Following the Placing and after the expiry of the renunciation period in respect of the Placed Shares, all the issued shares will be in registered form. Prior to the despatch of definitive certificates in respect of the Placed Shares, transfers will be certified against the register.
- (H) Save as disclosed in this document, no payment or other benefits have been paid to or given to a promoter of the Company.
- (I) The Placing price, which is payable in cash, represents a premium of 115p over the nominal value of each ordinary share.
- (J) The founders of the Company are those persons listed in paragraph 15(i) above (with the exception of J. G. Grime and G. S. Loraine, N. C. J. Rothschild, R. F. Sentance and D. B. Green), all of whom have, as their business address, 39 Brook Street, London W1Y 2JE.

18. **Documents for Inspection**

Copies of the following documents may be inspected at the offices of Clifford Chance, Royex House, Aldermanbury Square, London EC2V 7LD during usual business hours on any weekday, Saturdays and public holidays excepted, for a period of 14 days following the date of this document:—

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the audited consolidated accounts of the Company and its subsidiaries for the two years ended 30th April, 1988;
- (iii) the report of Arthur Young and their statement of adjustments relating thereto;
- (iv) the service agreements referred to in paragraph 6 above;
- (v) the rules of the Executive Share Option Scheme referred to in paragraph 7 above;
- (vi) the material contracts referred to in paragraph 15 above; and
- (vii) the written consent referred to in paragraph 16 above.

28th June, 1988