

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.

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**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

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***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

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***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.

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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.

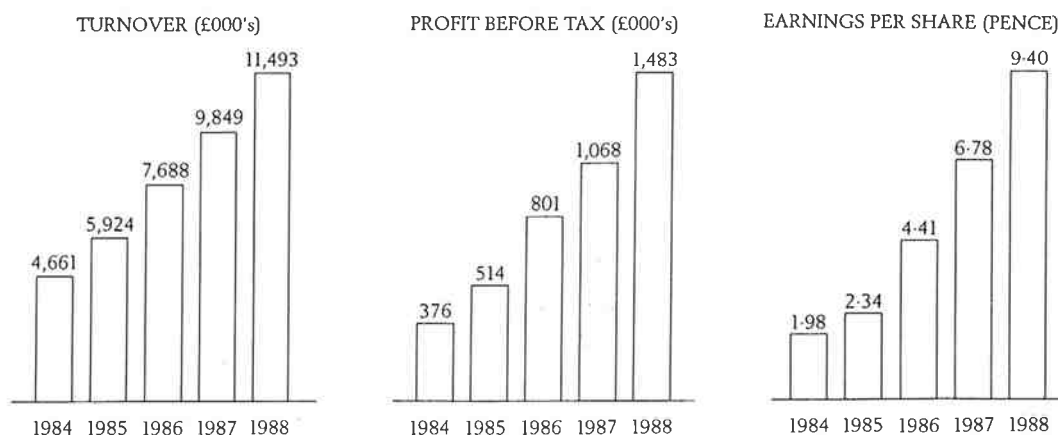
**BUSINESS**

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
	<hr/>	<hr/>	<hr/>
	88	93	106

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.

## PART 2

ACCOUNTANTS'  
REPORT

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

**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	456	
		<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	1985	1986	1987	1988
	£000	£000	£000	£000	£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	1985	1986	1987	1988
	£000	£000	£000	£000	£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	1985	1986	1987	1988
	£000	£000	£000	£000	£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	1985	1986	1987	1988
	£000	£000	£000	£000	£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	1985	1986	1987	1988
	£000	£000	£000	£000	£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	1985	1986	1987	1988
	£000	£000	£000	£000	£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	1985	1986	1987	1988
	£000	£000	£000	£000	£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	167p	198p	180p	100p	100p
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>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.