

ADDITIONAL INFORMATION ON COLEFAX GROUP PLC (“Colefax” or “the Company”)

1 Responsibility Statement

The Directors of Colefax, whose names appear in paragraph 5 of this document, accept responsibility for the information contained below in this document. 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 below is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Memorandum and Articles of Association

The principal objects of Colefax are to carry on business as manufacturers, sellers, buyers and dealers in products relating to all aspects of interior design. The objects of the Company are set out in full in Clause 4 of the Company’s Memorandum of Association, which is available for inspection at the address specified in paragraph 8 of this document.

The current Articles of Association ("Articles") of Colefax contain, among others, provisions to the following effect:

(a) Voting Rights

Subject to any special rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every £0.10 in nominal amount of shares of which he is the holder. A duly authorised representative of a corporate member may exercise the same powers on behalf of that corporation as it could exercise if it were an individual member. Unless the Directors otherwise determine, a member is not entitled to vote in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 212 of the Act and fails to supply the Company with the information thereby required within the period set down by the Articles or if there are any calls or other unpaid monies in respect of those shares.

(b) Variation of Rights

(i) The rights attached to any class of shares for the time being in issue may be varied either 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-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class, but not otherwise. To every such separate meeting, the provisions of the Articles relating to general meetings shall apply so far as possible and with the necessary modifications save that (a) no member, not being a Director, shall be entitled to notice thereof or to attend thereat unless he be a holder of shares of the relevant class (b) no vote shall be given except in respect of a share of that class (c) the necessary quorum at any such meeting other than an adjourned meeting shall be at least two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question (d) at an adjourned meeting one person holding shares of the class in question or his proxy shall constitute a quorum and (e) any holder of shares of the class in question present in person or by proxy and entitled to vote at the meeting may demand a poll.

(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 and cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

- (iii) The Company may by special resolution, subject to the provisions of the Act, reduce its share capital and any share premium account in any manner authorised by law. The Company may also, subject to the requirements of the Act, purchase its own shares. If at the relevant date proposed for approval of the purchase there are in issue any shares of a class entitling their holders to convert into ordinary shares in the capital of the Company, the purchase of own shares by the Company also requires the approval by extraordinary resolution of a separate meeting of holders of such convertible shares.

(c) Transfer of Shares

The instrument of transfer of a share shall be effected in writing in any usual or common form or in any other form approved by the Directors and shall be signed by or on behalf of the transferor.

The Articles contain no restrictions on the free transferability of shares save in exceptional circumstances provided that the transfer is in respect of fully paid up shares; the transfer is in respect of shares on which the Company has no lien; the instrument of transfer is in favour of not more than four transferees and in relation to only one class of shares; and the provisions in the Articles relating to the deposit of instruments of transfer have been complied with.

(d) Dividends and Distribution of Assets in Liquidation

The holders of the shares are entitled *pari passu* amongst themselves, but in proportion to the number of shares held by them to share in the whole of the profits of the Company available for dividend and resolved to be distributed and such proportion of any surplus in the event of the liquidation of the Company as the liquidator may determine.

(e) Unclaimed Dividends

Any dividend unclaimed after a period of twelve years from the due date of its payment shall be forfeited and shall cease to remain owing by the Company and shall thenceforth belong to the Company absolutely.

(f) Borrowing Powers

The Directors shall restrict the borrowings of the Company and exercise all voting and all other rights or powers of control exercisable by the Company in relation to its subsidiary companies so as to secure (as regards subsidiary companies so far as by such exercise they can secure) that the aggregate of the amounts borrowed by the Company and its subsidiaries and remaining outstanding at any time shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the aggregate of the amount paid up or credited as paid up on the issued share capital of the Company and the amounts standing to the credit of the consolidated capital and revenue reserves of the Company and its subsidiaries (including retained earnings), all as shown in the latest audited consolidated balance sheet of the Company and its subsidiaries but after making certain adjustments specified in the Articles.

(g) Directors

- (i) The number of Directors shall not be less than two and there is no maximum number.

- (ii) Save as mentioned below, a Director shall not vote on or in respect of any contract or arrangement or any other proposal whatsoever in which he has to his knowledge any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company but otherwise a Director may so vote in respect of any contract or arrangement or any other proposal in which his interest is not material. A Director shall not be counted in the quorum at a meeting in relation to any resolution from which he is debarred from voting.
- (iii) Subject to the provisions of the Act a Director shall (in the absence of some material interest other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part by the giving of security or under a guarantee or indemnity;
 - (c) any proposal concerning an offer of securities of or by the Company or any of its subsidiaries under an offer in which he is or may be entitled to participate in the underwriting or sub-underwriting thereof;
 - (d) any proposal relating to any other company in which he does not to his knowledge hold an interest in shares representing one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company; and
 - (e) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates.
- (iv) Where proposals are under consideration concerning the appointment (including determining or varying the terms of appointment) of two or more Directors to offices or employment with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately. In such case, each of the Directors concerned (if not debarred from voting under the proviso to sub-paragraph (g)(iii)(d) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (v) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature and extent of the interests of the Director concerned have not been fully disclosed.
- (vi) The aggregate ordinary remuneration of the Directors may be determined by the Company by ordinary resolution. The Directors shall also be entitled to be

paid all reasonable travelling, hotel and other expenses properly incurred in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company, or otherwise in connection with the business of the Company. The Directors may pay extra remuneration out of the funds of the Company by way of salary, commission or otherwise to any Director who holds an executive office.

(vii) The Directors may (by the establishment or maintenance of schemes or otherwise) give or award pensions, annuities, gratuities and superannuation or other allowances or benefits to past or present Directors or employees of the Company or any of its subsidiaries or any company allied to or associated with, any of them or to or for the benefit of persons who are related to or dependants of any such Directors or employee.

(viii) Section 293 of the Act applies to the Company.

3 New Articles of Association

It is proposed that the Company will adopt new Articles of Association (the "New Articles") at the forthcoming Annual General Meeting convened for 14 September 2004. A summary of the principal changes effected by the adoption of the New Articles as this appears in the Notice of Annual General Meeting dated 22 July 2004 is set out below:

Calls on Shares, Forfeiture and Liens

All references to calls on shares, forfeiture and liens in respect of nil paid or partly paid shares are to be removed in the proposed new Articles of Association. The Company, being listed, should only under normal circumstances issue fully paid up shares and so these provisions, which are contained in the existing Articles, are deemed unnecessary.

Transfer of Shares

Provisions are contained in the proposed new Articles of Association setting out the specific procedure and time frames for notifying a transferee of a refusal by the Directors to register the transfer.

Specific provisions relating to uncertificated shares and transfers of uncertificated shares under the Uncertificated Securities Regulations 2001 are included in the proposed new Articles of Association.

Annual General Meetings

- *The proposed new Articles of Association specifically state that the Company will hold one annual general meeting each year and that not more than 15 months shall elapse between each meeting.*
- *The proposed new Articles of Association stipulate a notice period for Annual General Meetings of 20 business days in accordance with the Combined Code on Corporate Governance.*
- *Provisions are contained in the proposed new Articles of Association enabling voting and the delivery of notices and proxies by electronic means.*

Disenfranchisement

In accordance with current practice, the proposed new Articles of Association expressly state that section 212 of the Companies Act 1985 is deemed to be incorporated into the Articles. If a shareholder fails to respond to a section 212 notice and holds at least 0.25% of any class of shares, he may in certain circumstances be disenfranchised.

Directors

- *In accordance with the Combined Code on Corporate Governance, the proposed new Articles of Association stipulate that the maximum number of directors shall be 8.*
- *Under the proposed new Articles of Association, the aggregate ordinary remuneration of the directors is to be limited to £100,000. The Directors may (if they see fit) agree to the extra remuneration of a Director if he devotes special attention to matters outside the scope of his ordinary duties.*

Alternate Directors

In order to ensure the smooth operation of the Board, a Director may appoint an alternate to attend and vote at Board meetings in the absence of his appointor. The proposed new Articles of Association contain detailed provisions governing the appointment of an alternate and the powers and duties of an alternate.

Directors interests

More detailed provisions on Directors' interests are contained in the proposed new Articles of Association. In particular, under the current proposals, a Director may vote in respect of any resolution proposing the purchase and/or maintenance by the Company of any insurance policy for his own benefit.

Removal of Directors

- *Under the proposed new Articles of Association, a Director may be removed from office by a notice in writing signed by all his co-Directors.*
- *The Directors may remove as well as elect a Chairman.*

Meetings of Directors

In order to enable the Directors to make full use of modern teleconferencing facilities, the proposed new Articles of Association allow Directors to attend meetings by telephone or other conference facilities.

Secretary

The proposed new Articles of Association allow the Directors not only to appoint a Secretary but to determine the terms and period of the appointment and to remove the Secretary from office.

Dividends

- *The proposed new Articles of Association allow the Company to retain dividend payments until any person entitled to become a member due to the transmission of shares actually becomes a member in respect of such shares.*
- *The Company has the right to stop sending dividend cheques to a member if the same are returned on two consecutive occasions.*

Accounts

- *Under the proposed new Articles of Association, the Company may circulate summary financial statements rather than full reports and accounts where this is permitted by law.*
- *The Company's auditors are to be given the right to attend general meeting.*

Indemnity

Under the proposed new Articles, the Company may purchase and maintain insurance for Directors, officers, employees and auditors in respect of any liability incurred by such person as a result of any act or omission in relation to the Company and/or any of its subsidiaries.

4 Service Agreements and Letters of Appointment

None of the Directors has a service agreement or letter of appointment with Colefax which is not terminable on less than 12 months' notice without compensation.

The aggregate remuneration and benefits in kind paid to the Directors by Colefax in respect of the year ended 30 April 2004 was £1,306,000. It is estimated that the aggregate remuneration and benefits in kind payable to the Directors for the financial year ending 30 April 2005 will be approximately £1,070,000.

5 Additional Information on the Board

In addition to their directorships of Colefax, the Directors hold or have held the following directorships or are or have been partners in the following partnerships within the five years prior to the date of this document:

Robert Michael Barker

Current

Colefax and Fowler Limited

Jane Churchill Limited

Colefax and Fowler Holdings Limited

Manuel Canovas Limited

Past

The Albany Design Partnership Limited

David Brian Green

Current

Colefax and Fowler Limited

Colefax and Fowler Holdings Limited

Jane Churchill Limited

Manuel Canovas Limited

Past

The Albany Design Partnership Limited

Colefax and Fowler Group Limited

Carlton Communications plc

Key Hall

No current directorships other than Colefax

Wendy Nicholls

Current

Sibyl Colefax and John Fowler Limited

Past

Alan Keith Patrick Smith

Current

The South Bank Board Limited
Smith Peregrine Limited
Space NK Limited
Whitehead Mann Group plc
The Health Clinic plc *
Arts & Business Limited
Arts & Business Services Limited
The Prince of Wales Arts & Kids
Foundation

Past

Booker plc
Civilpoint Limited
Planet Organic Limited
Mothercare.com Limited
Mothercare plc
Mother Care Employees' Share Trustee Limited
The Big Food Group plc

*The Health Clinic plc was the subject of an administration order made by the Court on 11 October 2002 after the company issued its own petition seeking protection against creditors' claims. No returns were made to unsecured creditors or shareholders.

Save as disclosed above, none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which as been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (f) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

6 Tax

The comments set out below summarise certain aspects of the UK taxation treatment of dividends paid by the Company. They are based on existing law and on what is understood to be current Inland Revenue practice. They are intended as a general guide and apply to shareholders resident or ordinarily resident for tax purposes in the UK (save where express reference is made to persons resident outside the UK) who hold Company's shares as an investment and who are the absolute beneficial owners thereof. The comments below may not apply to certain classes of persons such as dealers or persons holding the Company's shares in a personal equity plan or an individual savings account. Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately

There is no withholding tax on dividends nor is the Company liable to account for any tax to the Inland Revenue on dividends.

A shareholder who is an individual resident for tax purposes in the UK and who receives a dividend will be entitled to a tax credit equal (at current rates) to one ninth of the dividend. The individual will be taxable on the total of the dividend and the related tax credit ("the gross dividend") which will be regarded as the top slice of the individual's income. The tax credit will discharge in full the income tax liability of a starting rate, lower rate or basic rate tax payer, but a higher rate tax payer will have an additional liability. Currently, an individual subject to the higher rate of tax will pay tax on the gross dividend at the rate of 32.5% of the gross dividend less the tax credit.

It will not be possible for UK resident shareholders to claim repayment of the tax credit in respect of dividends.

A shareholder that is a company resident for tax purposes in the UK will not generally be taxable on any dividend it receives from the Company.

The right of a shareholder who is not resident for tax purposes in the UK to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existing terms of any double taxation convention between the UK and country in which the holder is resident. Holders who are not solely resident in the UK should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of that tax credit and, if so, the procedure for doing so. In general, only non-UK resident shareholders with holdings of above 10% in the Company are likely to be able to claim repayment of any part of the tax credit under the terms of a relevant double tax treaty and, even in such circumstances, the amount of repayment available will be very small.

7 Litigation

Neither Colefax Group plc or any of its subsidiary undertakings (together "the Colefax Group") is involved and has not been engaged in any litigation or arbitration proceedings which has or may have had during the twelve months preceding the date of this agreement a significant effect on the financial position of the Colefax Group and, so far as the Directors are aware, there are no such proceedings pending or threatening against any member of the Colefax Group.

8 Documents available for inspection

Copies of the following documents are available for inspection at the offices of SJ Berwin, 222 Gray's Inn Road, London WC1X 8XF during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including 22 August 2004:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the proposed new Articles of Association referred to in paragraph 3 above; and
- (c) the audited consolidated report and accounts of the Colefax Group for the three years ended 30 April 2002, 30 April 2003 and 30 April 2004.

Dated: 22 July 2004