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Walker Greenbank PLC

Annual Report and Accounts
for the year ended 31 January 2012



EXTENDING OUR
REACH AND RANGE

Walker Greenbank PLC is an international luxury interior furnishings group.

The Group's brands, Sanderson, Morris & Co., Harlequin, Zoffany and Scion offer a unique mix of heritage and contemporary design. The Group designs, manufactures and markets wallcoverings, fabrics and complementary products.

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HIGHLIGHTS

- Sales up 7.6% to £74.0 million (2011: £68.8 million) with strong international brands growth of 11% to £22.0 million (2011: £19.7 million)
- Licensing income up 11% to £1.59 million (2011: £1.44 million) and new licence agreements signed with Portmeirion (tableware), Brink & Campman (rugs) and others
- Operating profits before exceptional gain up 24% to £5.56 million (2011: £4.47 million)
- Earnings per share up 26% to 6.76p (2011: 5.36p)
- Final dividend up 25% to 1.00p per share (2011: 0.80p) giving a total dividend of 1.20p per share (2011: 0.95p)

PAGES

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Extending our reach

PAGES

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Stretching our brands

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Broadening our range

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Increasing our capability

MOSCOW

MIDDLE EAST

SHANGHAI

USA
+4%
\$8.78m

SCANDINAVIA
+15%
£2.00m

E EUROPE
+22%
£2.10m

W EUROPE
+6%
£6.78m

MIDDLE EAST
+105%
£1.22m

RIO DE JANEIRO

S AMERICA
+14%
£0.20m

Q&A EXTENDING OUR REACH

JOHN SACH
Chief Executive

Building on the substantial growth potential in the North American, European and Rest of World markets.

Q: How big an opportunity are international markets?

JOHN: International markets offer a huge opportunity. Our products are already sold in 75 countries but only in recent years has Walker Greenbank been in a financial position to fully focus on these growth opportunities. We now have the balance sheet strength to achieve our ambitions in international markets, at a time when our products continue to grow in popularity globally. The heritage and design excellence of our brands combined with our UK manufacturing capability are all of considerable appeal to both emerging and established international markets.

Q: How does Walker Greenbank achieve international sales?

JOHN: We have an extensive network of agents and distributors around the world and work closely with them. Recently, in China we were very closely involved in helping our distribution partner open a major showroom in Shenzhen to showcase our wallpapers, fabrics and lifestyle products. We also have our own showrooms in New York and Paris. The licensing of our brands for lifestyle products is another important means to grow overseas income. Last year our licensees in Japan were highly successful, benefiting from Morns & Co's 150th anniversary.

Q: Which international markets offer the most exciting growth opportunities?

JOHN: Established markets offer us considerable potential, in part dependent on the economic cycle. The US is of particular interest to us, in that we already have a presence there and it's a natural market for our products, but perhaps the most exciting opportunities for us lie in the emerging markets for luxury interior goods where we have seen rapid growth in Eastern Europe, the Far East, the Middle East and South America.

FAR EAST
+22%
£2.85m

AUSTRALIA
+5%
£0.77m

Q&A STRETCHING OUR BRANDS

Stretching our Brands into new market positions including award winning designs from Clarissa Hulse and Melissa White as well as the launch of our new brand Scion.

DAVID SMALLRIDGE
Managing Director Brands

Q: Tell us more about your collaborations with leading independent designers.

DAVID: We have superb in-house designers but the strong identities of all of our brands mean that they are also ideally positioned for collaborations with leading independent designers. In the past year, Harlequin's Kallianthi collection by Clanssa Hulse and Melissa White's Arden collection for Zoffany have both enjoyed considerable acclaim from customers and commentators alike.

Q: Harlequin's Momentum collection has been a huge success. What does it mean for Walker Greenbank?

DAVID: The launch of Momentum was one of the most exciting developments at Harlequin during 2011. It's a stunning compilation of contemporary weaves and special effect wallpapers in a boutique hotel style that works extremely well in both home and commercial interiors. The strength of the appeal of Momentum is such that it has set new sales records for Walker Greenbank, in the UK and overseas.

Q: The Scion brand was launched in February 2012. What's its target market?

DAVID: Scion is a young, contemporary brand that combines fresh new styling with a particular focus on value. Scion is in a completely new part of the market for Walker Greenbank, so is highly complementary to the Company's other brands. We've been really pleased with the success of the Scion launch and the high level of interest from potential customers.

Q: Licensing your brands has created a wide range of products but are you increasing your own product lines too?

DAVID: Alongside our ever-expanding licensing arrangements for the Sanderson, Morris & Co. and Harlequin brands we have also extended our own product range to include cushions and will be launching a trimmings range for Harlequin in the summer of 2012.

Q: Tableware is a key part of any interior. Tell us about Sanderson's tableware collections

VICTORIA: We signed a licensing deal last year with Portmeirion, a market leader in innovative tableware. So far, they have launched two delightful tableware ranges based on contrasting Sanderson designs. Fifi is a 1950s-inspired retro collection whereas Porcelain Garden is classically inspired featuring delicate flowers, birds and butterflies

Q: Tell us more about Harlequin's licensing arrangement in rugs

ALISON: This licensing arrangement is with Brink & Campman, a prestige rug maker in the Netherlands. We were really pleased with their launch in February of a stunning collection of 20 Harlequin rugs in nine different designs. They are currently developing ranges for the Sanderson and Scion brands. Rugs are just one of a wide range of lifestyle products that we're developing through licensing arrangements to complement our wallpapers and fabrics

Q: How did Mums & Co. come to work with Barbour?

VICTORIA: Barbour and Mums & Co. are both quintessential UK brands so they make a perfect partnership. It's also really exciting because in addition to Mums & Co's Strawberry Thief and Marigold fabrics being used for the linings of Barbour jackets, the fabrics will also be used to create a range of Barbour handbags

Q: Lighting is a new area of licensing for Harlequin. Tell us more.

ALISON: Harlequin's established identity as a successful contemporary brand brings huge potential for its use in lifestyle products. Our licensing partnership with Elstead Lighting, a UK company with worldwide distribution, was a particularly exciting development. The introduction of a stylish collection of modern table and floor lamps, wall lights and chandeliers, designed by Harlequin and incorporating the brand's fabric in its shades, reflects both the strength and breadth of the brand

Q&A BROADENING OUR RANGE

We are developing our lifestyle product range by exploiting the brands potential to grow licence opportunities.

VICTORIA BLAIR (TOP)
Marketing director for Sanderson
Morris & Co and Zoffany

ALISON GORE (BOTTOM)
Marketing director for Harlequin
and Scion

We continue to invest in developing new techniques to broaden our offering to our customers. A key focus has been the investment in digital printing for both fabrics and wallpapers.

Q&A

INCREASING OUR CAPABILITY

BARRY FORESTER
Manufacturing managing director

Q: Investment in the wallpaper factory has included a scatter machine. What new effects does it bring?

BARRY: The scatter machine at the wallpaper factory in Loughborough adds glass beads and other particles to wallpaper and by combining this process with our different printing techniques we can create some highly individual textural effects. Harlequin's highly successful Momentum collection features wallpapers produced on the scatter machine, which has also been used to create some superb wallpapers for many of our third party customers.

Q: Tell us more about the investment in digital printing

BARRY: We've been building our digital printing capacity over the last four years, initially at the fabric printing factory in Lancaster and more recently at the wallpaper factory in Loughborough. We now have four digital printers in Lancaster and one in Loughborough.

Digital printing allows very large image sizes to be created and very short runs to be printed economically. We've produced some stunningly vibrant fabric prints in Clarissa Hulse's Kallianthi collection for Harlequin using digital printing as well as for both existing and new third party customers at home and overseas. We also recently launched our first digitally printed wallpaper for Zoffany's Arden collection, which features a stylised Elizabethan country scene in a huge repeat size.

Q: Screen printing is a traditional technique. Are you still investing in it?

BARRY: Conventional flatbed and rotary screen remain very attractive methods for fabric printing and during the past year we have substantially extended our flatbed capability at our Lancaster factory to allow us to print a wider range of products. By continuing to invest in both factories, we aim to offer all our customers the broadest possible range of traditional and innovative printing techniques and design opportunities.

VALUING OUR PEOPLE

“Next day delivery is really important and it's our job to make it happen.”

Elise Barlow, Customer Services

We provide value, quality and fulfilment to our customers. Our focus is on striving for excellence and ensuring we deliver on our promises. As a professional organisation, we believe that people make the difference.

Our strength comes from attracting and retaining the right people by providing a challenging and rewarding environment. We also provide ample opportunities for professional growth and development.

"I love the fact that I am
able to express myself
through my ideas."

Louise Draper, Senior Designer

"It's great to see the
technology adapting to
customer requirements "

Peter Nield, Print Technician

"The archive provides
an inspirational resource
of historical textiles and
artwork for us as a
design team."

Claire Hart, Designer

OUR YEAR IN REVIEW

It has been a very busy year which has seen numerous initiatives focused on extending the range and reach of the Group's brands and the capability of manufacturing.

JANUARY 2012

Opening of major showroom in Shenzhen, China

A collaboration with our Chinese distributor to open a 560 sq m showroom on two floors, located in the design district of Shenzhen. Stocked with wallpapers and fabrics from the Group's brands together with an extensive range of the lifestyle products.

FEBRUARY 2012

Launch of Sanderson designs by Portmeirion and Blueprint collections

Two collections of tableware designed by Portmeirion, Fifi, inspired by 1950s designs and more classical, Porcelain Garden. Blueprint designed a range of stationery, bags and tinware also inspired by Porcelain Garden.

FEBRUARY 2012

Launch of Scion brand to target new market segment

The brand name 'Scion' inspired by the dictionary definition 'a young shoot or twig' or 'a descendant of a notable family or one with a long lineage' is aimed at aspirational and fashion-aware customers.

MARCH 2011

**Morris & Co.
anniversary**

Morris & Co. celebrated its 150th anniversary during 2011 following Sanderson's 150th in 2010. This was celebrated by the extensive launch of 'The Archive Collection' of prints, wallpapers, weaves and embroideries.

SEPTEMBER 2011

**Harlequin launches
Clarissa Hulse
collection**

Clarissa Hulse's distinctive style, inspired by botanical themes, is unmistakable in the Harlequin collection, Kallianthi. It utilises the digital printing capability at Standfast & Barracks, the Group's fabric printing business.

SEPTEMBER 2011

**Launch of Harlequin
lighting**

A stylish collection of modern table and floor lamps, wall lights and chandeliers designed by Harlequin and Elstead Lighting. Hampshire based Elstead distribute the lights through major department stores, independent lighting retailers and existing Harlequin sales channels.

FEBRUARY 2012

**Launch of Harlequin
rug collection by
Brink & Campman**

The launch of nine designs in striking colour options. The rugs are promoted globally through Brink & Campman's distribution base and also through Harlequin's existing customers including John Lewis in the UK.

FEBRUARY 2012

**First wallpaper
digital printer used
to produce Melissa
White wallpaper**

The new collection from Zoffany, Arden, has utilised the digital printing technique and features a stylised Elizabethan country scene in a huge repeat.

CHAIRMAN'S STATEMENT

TERRY STANNARD
CHAIRMAN

We remain focused on opportunities to develop our international business, where our brand assets and UK manufacturing base bring significant potential to build on our strong position in established markets.

Our Harlequin showroom at
Chelsea Harbour, London

Overview

The year to 31 January 2012 was an excellent year during which we continued to exploit the potential of our brands, both in the UK and internationally

Sales for the year grew by 7.6% to £74.0 million with all segments of the Group achieving year on year growth leading to an increase of 24% in operating profit before exceptional items at £5.56 million

Our Brand sales grew by 7.3% to £57.4 million with international sales growing strongly by 11% to £22.0 million. In our largest market, the UK, sales grew by 4.6% to £33.8 million. Our global licence income grew 11%, led by Japan and our UK bed linen licensee

Our UK manufacturing operations had another successful year with third party sales growing by 8.8% helped by international sales growth of 32% as existing customers developed their ranges and new customers were attracted by our innovative printing techniques

These results demonstrate further progress towards our vision of creating a highly profitable international luxury brands group. We have built strong market positions in our core sectors of wallpaper and fabrics and our brands have stretched into lifestyle categories such as rugs, tableware and lighting through our worldwide licence partners

Financials

Overall sales increased 7.6% to £74.0 million (2011: £68.8 million). The operating profit for the year was up 24% to £5.56 million (2011: £4.47 million) before an exceptional gain of £0.50 million from a loss of profits claim. Profit before tax grew 9.7% to £4.89 million (2011: £4.46 million). The profit after tax increased 26% to £3.83 million (2011: £3.03 million).

Earnings per share were 6.76p (2011: 5.36p) a growth of 26%.

The cash inflow from operating activities was £4.28 million (2011: £4.26 million), reflecting strong operating profits partially offset by a continued significant investment in new product. The Group's net indebtedness at the year end reduced to £0.67 million (2011: £1.82 million).

Dividend

During the year, the Group has paid a final dividend for the year to 31 January 2011 of 0.80p per share and an interim dividend of 0.20p per share. The Directors recommend the payment of a final dividend of 1.00p per share (2011: 0.80p) which will be payable on 10 August 2012 to shareholders on the register on 13 July 2012. This brings the total dividend for the year to 1.20p per share (2011: 0.95p) an increase of 26%.

People

On behalf of the Board, I would like to thank all of our management and employees for their contribution to an extremely successful year.

Outlook

We remain focused on opportunities to develop our international business, where our brand assets and UK manufacturing base bring significant potential to build on our strong position in established markets.

After three months of the current year Brand sales are 5% ahead of the same period last year. We are confident of delivering a positive outcome for the year.

TERRY STANNARD
NON-EXECUTIVE CHAIRMAN
15 MAY 2012



Our Sanderson and Zoffany showroom
at Chelsea Harbour, London

CHIEF EXECUTIVE'S REVIEW

JOHN SACH
GROUP CHIEF EXECUTIVE

Our ongoing investment in product design, marketing, customer service and manufacturing capability has helped us deliver excellent results during the year and it is particularly pleasing that 39% of brand sales are now international.

Our opening of the Shenzhen showroom in China

Strategy

I am pleased to report that the Group continues to make significant progress with the implementation of its strategy, which comprises

- International expansion – to focus on the distribution and marketing of our brands in the European and North American markets where we see significant potential to grow our market share and to invest in the exciting growth opportunities in other international markets,
- Market penetration – to continue to grow our brands in the UK and internationally through extension of market positions,
- Lifestyle product extension – to profit from the global recognition of the Group's heritage brands, Sanderson and Morris & Co., and the contemporary design excellence of the Harlequin brand, by extending the product range and exploring the product licensing opportunities,
- Extending manufacturing capability – to continue to invest in the latest printing techniques and to promote the considerable opportunities of being a quality UK manufacturer, and
- Acquisitions – to continue to evaluate acquisition opportunities that fit with our current brand portfolio with the objective of further advancing our earnings growth

Overview

I am extremely pleased to report that we have continued to make progress on our record year last year with further growth in sales and profits

Our Brands have benefited from the continued investment in design, marketing and product launch and have increased sales 4.6% to £33.8 million in what has been a challenging UK market. Internationally the Brands sales have grown 11% to £22.0 million

Europe as a whole has grown 10%, led by strong growth of 22% in Eastern Europe and 15% in Scandinavia particularly driven by Russia and Sweden. Despite the Euro zone difficulties trading was resilient with sales growth of 6.2% in Western Europe and encouragingly our own business in France has grown 23% following showroom investment and increased management focus

Our business in the US is showing signs of improvement and is slightly up for the year as a whole in reportable currency and up 4.4% in local currency having been flat at the half year

Following a number of business initiatives, our other international markets have grown 28% to £5.64 million. This was led by growth in the Middle East of 105%, helped by a significant hotel contract in Dubai, and growth of 22% in the Far East with the significant Morris & Co launch in the year helping Japan grow sales 46% and growth of 13% in China where our distributor has recently opened a showroom in Shenzhen predominately dedicated to our brands

Global Licensing income has grown 11% to £1.59 million with both UK and overseas growing strongly. In the UK our established bed linen licensee, Bedeck, achieved significant growth. Amongst our overseas licensees, our Japanese licensees did particularly well benefiting from the Morris & Co. 150th anniversary and products being launched into China. The luxury and heritage nature of the Group's brands has led to the signing of new licence arrangements such as Portmeirion tableware, Blueprint stationery, Elstead Lighting and Brink & Campman rugs

Manufacturing has had another successful year. The activity levels in the second half of the year reduced from the high levels seen in the first half, when manufacturing benefited from customers restocking in the early months. Annual sales were flat at £28.7 million with a small improvement in profitability

The Brands

Our commitment to invest in the strength and depth of our product range and our attention to customer service has ensured another successful year for our four interior furnishings brands that make up the Brands segment.

In March 2012 a new brand, Scion, was launched which is a young, contemporary brand aimed at aspirational and fashion aware customers and stretches the reach of our brands into new market areas

The Brands achieved growth in sales of 7.3% over last year to £57.4 million. The Brands' operating profits before exceptional items grew 14% to £5.37 million with continued substantial investment in product and marketing

Brands UK**Harlequin**

Harlequin has grown its overall sales 9.2% over the same period last year to £22.4 million, maintaining its position as the UK's leading mid-market contemporary brand. The growth has been driven by strong international sales led by particularly strong growth in the Far East, Middle East and Sweden. Harlequin launched an innovative collection with Clanssa Hulse during the year and revenues exceeded expectations. Harlequin continues to develop its licensing income and launched a range of lighting in conjunction with Elstead Lighting

We were particularly pleased with the performance of Harlequin's Momentum collection, which has become the brand's biggest selling range in recent years

Our refurbished showroom
in Rue de Mail, Paris

CHIEF EXECUTIVE'S REVIEW CONTINUED

Arthur Sanderson & Sons incorporating the Morris & Co brand

There has been particular investment both in product and marketing during the 150th anniversary year of Morris & Co which was marked by special UK exhibitions at several key Morris houses including Wightwick Manor, Standen and Red House and unique events in over 20 international markets including major seminars as far afield as Tokyo and Los Angeles. These, and other activities, have raised the profile of Morris & Co and, combined with the global recognition of the Sanderson brand, have helped increase sales by 8.2% to £19.0 million. The growth has been driven by international sales with particularly strong growth in Sweden, Russia and Japan, an important market for Morris & Co.

Zoffany

Zoffany is positioned at the upper end of the premium market and sales have been much more challenging in the second half. Overall sales grew by 3.3% to £9.10 million, this has been supported by strong international performance up 14.9% over last year with particularly strong performances in Scandinavia, Russia, the Far East and the Middle East where there were specific contract wins.

Brands Overseas

Our Overseas segment comprises our two wholly-owned subsidiaries in New York and Paris.

Following two extremely challenging years in the US market, the second half of the year has shown signs of recovery helping grow revenues for the full year by 4.4% in local currency, but flat in reportable currency. This performance has been helped by key changes to our showroom partners in certain states and investment in a new back office in New Jersey. We are committed to this market where we remain confident about the medium-term potential.

Despite challenging conditions in Western Europe, our French distribution business has grown 23% greatly helped by increased management focus and investment in remodelling our Paris showroom.

Manufacturing

Following an extremely strong performance last year it is pleasing to report that our manufacturing segment has maintained both overall revenues and profitability helped by strong third party and international growth.

The striking Folia collection was produced by the Harlequin Design Studio and was launched in January 2012.

Anstey

Anstey, our wallpaper printing business, grew overall sales by 3.5% to £13.5 million. Third party sales in the UK were up 11% and third party export sales were up 32%. Internal sales to our own brands were down due to the timing and volume of product launches.

The investment made in a scatter machine in the first half of the year has given us the capability to add glass beads and other particles to wallpaper offering our customers a wider range of exciting new textured effects. This was commissioned in the second half and Harlequin led the way with the recent launch of the Momentum collection utilising this technique. Third party customers are also progressing with design developments. We continue to invest and to innovate our manufacturing capability and commissioned our first digital printer early this year.

Standfast

Standfast, our fabric printing factory, had a small decline in overall annual sales of 3.7% to £15.2 million. Third party sales grew 5.8% with export sales growing strongly, by 32%, and UK sales growing 1.9%. Sales to our own brands declined 16% following a very strong launch of new print collections last year.


Standfast continues to invest in digital printing due to increasing demand and commissioned its fourth machine during the year. Digital printers allow customers the flexibility of high value, short print runs and large scale designs. Further significant investment in digital printing will continue to be made in order to satisfy the demand for this type of product. There was a significant investment in the capacity and extension of the flatbed printing capability during the year.

Summary

Our ongoing investment in product design, marketing, customer service and manufacturing capability has helped us deliver excellent results during the year and it is particularly pleasing that 39% of our brand sales are now international.

We intend to continue to exploit our brand assets internationally and remain confident of continued progress during the current year and beyond.

JOHN SACH
GROUP CHIEF EXECUTIVE
15 MAY 2012



The Zoffany Akita Weave and
Vinyl Wallpaper collections
which take their inspiration
from Japanese craftwork

FINANCIAL REVIEW

ALAN DIX
GROUP FINANCE DIRECTOR

Income Statement and Exceptional Items

The Chairman's Statement and Chief Executive's Review provide an analysis of the key factors impacting the revenue and operating profit. In addition to the information on our brands and production facilities included in these reports, the Group has included in note 4 of these Consolidated Financial Statements further information on our segments

Exceptional items are both material and their nature is sufficient to warrant separate disclosure and identification. There were no exceptional items in the year but during the previous year a full and final payment of £500,000 was received for an insurance settlement 'loss of profits claim' which arose from the disruption to collection launches in 2009 as a consequence of the loss of marketing material products held at a third party's premises which were destroyed in a fire in January 2009

Interest

The net interest charge for the year was £254,000 (2011 £146,000) including amortisation of debt issue costs capitalised. Included in the previous year was an interest receipt of £86,000 as a consequence of a successful Fleming claim for the recovery of VAT

Net Defined Benefit Pension

The charge during the year was £407,000 (2011 £364,000). There was a net settlement gain last year arising from the two remaining deferred members of the Walker Greenbank Senior Management Scheme accepting enhanced transfer values and the effective closure of that scheme

Current Taxation

There is a small corporation tax charge of £15,000 arising from withholding tax suffered on overseas licence income and a prior year adjustment for overseas tax of £36,000

Deferred Taxation

Due to the substantial brought forward UK corporation tax losses (£12.6 million), the Group does not anticipate paying UK corporation tax in the immediate future. However, as the majority of the corporation tax losses have now been recognised as a deferred tax asset, in the current and future years there will be a deferred tax charge in the Income Statement until such time as the losses have been fully utilised at which point the Group will incur and pay UK corporation tax.

The Group also continues to recognise the deferred tax asset arising from the pension deficit. Although the pension deficit has increased during the year there has been a small decrease in the associated deferred tax asset due to the reduction in the tax rate to 25% which has been recognised in the Statement of Comprehensive Income

Earnings per share ('EPS')

The basic and diluted EPS was 6.76p (2011 5.36p)

Operating Cash Flow and Net Debt

The Group generated net cash inflow from operating activities during the year of £4,282,000 (2011 £4,260,000) reflecting the increased revenues, operating profits and continued investment in product.

The Group paid net interest of £230,000 (2011 £121,000), last year benefited from interest on a VAT refund by HMRC in respect of expenses incurred on the issue of shares in earlier years. Capital expenditure was £2,538,000 (2011 £2,453,000). The depreciation and amortisation charge during the period was £1,853,000 (2011 £1,738,000). The Group will continue to invest in the Manufacturing facilities and is part way through a major investment in a new IT system for the Brands. Capital expenditure will remain high during the next 12 months

WALKER GREENBANK PLC
Annual Report and Accounts 2012

The Group made additional payments to the Pension schemes of £1,022,000 (2011 £1,038,000) to reduce the deficit, part of the ongoing planned reduction, along with £436,000 (2011 £322,000) of regular contributions to fund scheme expenses

Income tax and NI of £348,000 that arose on the vesting of an LTIP award was paid during the year

Net debt in the Group has reduced by £1,150,000 to £667,000 (2011 £1,817,000) representing gearing of 2.9% (2011 8.5%). The average level of debt during the year is higher due to the timing and seasonality of revenues and investment in product

The Group utilises facilities provided by Barclays Bank Plc. There is a term property facility of £2,200,000 (2011 £2,600,000) at the year end expiring in July 2017. There is also a facility linked to working capital which allows the Group to more effectively manage seasonal fluctuations in working capital. This facility was renewed in March 2010 for a further three year term expiring in July 2013. The borrowings at the end of the year under the working capital facility were £680,000 (2011 £1,161,000), representing headroom of £11,257,000 (2011 £10,559,000). The headroom is set out below

	Utilisation £000	Availability £000
Property	2,184	2,200
Inventory	–	2,500
Receivables	680	7,224
	2,864	11,924
Less Cash and cash equivalents	(2,197)	
Net Debt	667	(667)
Headroom		11,257

The total facilities have a current limit of £16.50 million (2011 £16.50 million)

All of the Group bank facilities remain secured by first fixed and floating charges over the Group's assets

Pension Deficit

The pension deficit has increased this year. The key factors affecting the movement in the deficit have been contributions from the Company to reduce the deficit; an increase in the liabilities of the scheme arising from lower discount rates but an increase in scheme assets reflecting the improvement in bond values. The impact of these factors is shown as follows

	2012 £000
Deficit at beginning of period	(6,742)
Scheme expenses	(488)
Interest cost	(2,565)
Expected return on plan assets	2,646
Contributions	1,458
Actuarial gain on scheme assets	5,460
Actuarial losses from the change in discount factor	(6,864)
Gross deficit at the end of the year	(7,095)

Long-Term Incentive Plan

There has been a new award of shares during the year under the Long-Term Incentive Plan ('LTIP') with vesting conditions based on Total Shareholder Return with an adjusted Profit before Tax floor. There has been a charge of £414,000 (2011 £697,000) in the Income Statement relating to LTIP awards. The charge last year was high as the award made in May 2007 fully vested in May 2011 as the top range of the financial target of profit before tax had been met. Accruals made up to January 2010 were based on achievement of the lowest range of the financial target which reflected internal projections at that time

Dividends

During the year, the Group has paid a final dividend for the year to 31 January 2011 of 0.80p per share and an interim dividend of 0.20p per share. The Directors recommend the payment of a final dividend of 1.00p per share (2011 0.80p) which will be payable on 10 August 2012 to shareholders on the register on 13 July 2012. This brings the total dividend for the year to 1.20p per share (2011 0.95p) an increase of 26%.

Disposals

There were no major disposals during the year

Going Concern

The Directors are confident, after having made appropriate enquiries that the Group and Company have adequate resources to continue trading for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements

Foreign Currency Risk

All foreign currencies are bought and sold centrally on behalf of the Group. Regular reviews take place of the foreign currency cash flows and unmatched exposures are covered by forward contracts wherever economically practical. Working capital exposures are hedged using currency swaps

The Group does not trade in financial instruments and hedges are used for highly probable future cash flows and to hedge working capital exposures. There is a hedging liability of £50,000 (2011 £63,000 asset) at the end of the year in relation to US dollar and Japanese yen forward contracts

There is an asset of £54,000 arising from US dollar swaps used to hedge working capital exposures

Credit Risk

The Group no longer seeks credit insurance as this is not a commercial solution to reducing credit risk. The Board reviews the internal credit limits of all major customers and reviews the credit risk regularly. The aging profile of trade debtors shows that payments from customers are close to terms however there have been specific expenses during the year. The current economic environment creates a significant level of risk and in addition to specific provisioning, a provision has been required of £314,000 (2011 £253,000) which is a collective assessment of the risk.

ALAN DIX
GROUP FINANCE DIRECTOR
15 MAY 2012

DIRECTORS AND ADVISERS

Directors

Terry Stannard (62)

Non-executive Chairman (A, R, N)

Terry joined the Board as a Non-executive Director in September 2007 and became Non-executive Chairman on 31 January 2009. He has particular expertise in international brand-based businesses and his executive career included senior roles at United Biscuits and the positions of Chief Executive of Uniq plc and Terranova Foods plc. Since 2001, he has focused on non-executive appointments at both quoted and unquoted businesses. He is currently Non-executive Chairman of Antler Ltd and TSC Food Group Ltd and holds Non-executive Director roles at Bradford & Sons Ltd, Macphie of Glenbervie Ltd

Fiona Goldsmith (45)

Non-executive Director (A, R, N)

Fiona joined the Board as a Non-executive Director in December 2008. She is a Chartered Accountant who started her career with KPMG, where for nine years she focused on the retail and leisure sectors in various roles. She then moved to First Choice Holidays plc, where she became European Finance Director. From 2004 until October 2008 she was Finance Director of Land Securities Trillium, a division of Land Securities Group plc.

John Sach (56)

Chief Executive Officer

John joined the Group in 1994 as Group Financial Controller and was appointed to the Board as Group Finance Director in 1999. He was appointed Chief Executive Officer in May 2004.

David Smallidge (56)

Executive Director

David joined the Group in 2002 with a broad based experience as a Managing Director in a variety of consumer product businesses. He was appointed to the Board in December 2004 following his appointment as Managing Director of the Group's four main fabric and wallcovering brands, Harlequin, Sanderson, Morris & Co. and Zoffany.

Alan Dix (53)

Group Finance Director

In July 2005, Alan Dix was appointed Group Finance Director. He is a Chartered Accountant with experience from a broad range of industries.

A – Audit Committee
R – Remuneration Committee
N – Nominations Committee

Advisers

Stockbrokers and Advisers

Seymour Pierce Ltd
20 Old Bailey
London EC4M 7EN

Auditors

PricewaterhouseCoopers LLP
10 Bricket Road
St Albans
Herts AL1 3JX

Tax Advisers

BDO Stoy Hayward LLP
55 Baker Street
London W1U 7EU

Public Relations

Buchanan Communications Ltd
107 Cheapside
London EC2V 6DN

Solicitors

DLA Piper
Princes Exchange
Princes Square
Leeds LS1 4BY

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Bankers

Barclay's Commercial Bank
Ashton House
497 Silbury Boulevard
Milton Keynes MK9 2LD

REPORT OF THE DIRECTORS

The Directors submit their Annual Report together with the audited financial statements of the Company and its subsidiary undertakings ('the Group') for the year ended 31 January 2012

Principal activities, Business Review and future developments

The principal activities of the Group are the design, manufacture, marketing and distribution of wallcoverings, furnishing fabrics and associated products for the consumer market

A review of activities and the future developments of the Group are given in the Chief Executive's Review on page 16, which, taken with the Chairman's Statement on page 14, the Financial Review on page 20 and the other information in the Report of the Directors, represents the Group's Business Review and are incorporated into this report by reference

The Directors do not expect there to be any significant change in the principal activities of the Group in the foreseeable future

Group result

The profit before taxation amounted to £4,894,000 (2011 £4,462,000)

The Directors recommend payment of a final ordinary dividend of 1.0p per share, amounting to £570,000 (excluding dividends on treasury shares and shares held by the employee benefit trust) which will be recognised in the financial statements for the following year (2011 0.80p per share). An interim dividend of 0.20p per share was paid during the year

Key Performance Indicators ('KPI's')

The KPI's for the business are primarily financial

	2012	2011
Sales growth/(decline)	7.6%	14%
Operating profit margin before exceptional items	7.5%	6.5%
Gearing	2.9%	8.5%
Pension deficit as a percentage of shareholders' funds	31%	32%
Earnings per share	6.76p	5.36p

Additional commentary and analysis of strategic objectives of the Group are contained in the Chief Executive's Review and note 4 of the consolidated financial statements

Business risks

There is an ongoing process to identify, evaluate and manage the risks faced by the Group

The Directors have identified a number of financial risks for the Group and these are explained and the degree of risk highlighted in note 2 of the financial statements and in the Financial Review

Two significant business risks are the potential loss of the core IT system used by the Brands and the potential loss of the central warehousing facility in Milton Keynes. The phased implementation of an established third party replacement IT system is underway and will be concluded by the end of the coming financial year. The Group has mitigated some of the risks associated with a warehouse by improving physical security and working practices during the year.

Where commercially appropriate the Group insures against financial loss caused by unforeseen events by the means of insurance policies

Risks outside of the control of the Directors would be the impact of an event of a global nature or a significant downturn in the UK market. Whilst the trading conditions in North America remain difficult, this will affect trading of our business in North America but this business is not currently a significant profit contributor to the overall Group.

The Audit Committee on behalf of the Board has reviewed the effectiveness of the internal controls and risk management and no significant failings in control were found

Pensions

The Group operates defined benefit and defined contribution schemes in the UK and overseas for all qualifying employees. Further information on the schemes and details of the valuations are given in note 23 to the consolidated financial statements

Employees

The Group keeps its employees informed on matters affecting them and on the progress of the Group by way of informal meetings and consultation with employees' representatives. All Group businesses apply the principles of equal opportunity in recruitment, career progression and remuneration. Disabled persons are given full and fair consideration for employment where an appropriate vacancy occurs, having regard to their particular aptitudes and abilities. Whenever possible, arrangements are made for the continuing employment of persons who have become disabled during service and for appropriate training of all disabled employees, who are given equal consideration with all other employees in promotion and career development.

Payments to suppliers

The Group agrees terms and conditions for its business transactions with suppliers and makes payment in accordance with those terms and conditions subject to the supplier meeting its obligations. The amount of trade creditors shown in the Consolidated Balance Sheet at 31 January 2012 represents 82 days (2011 102 days) of average purchases during the year for the Group.

The Company is a holding company and has no meaningful equivalent of creditor days

Market value of interests in land including buildings

The Directors do not believe there is a significant difference between the current market value of the Group's interests in land, including buildings, and their carrying values in the financial statements

Political and charitable donations

The Group has not made any political donations (2011 nil). During the year the Group made no charitable donations (2011 nil).

Directors

The Board of Directors as at the date of this report and during the year ended 31 January 2012 is set out on page 22, together with biographical details. Details of the Directors' Service Contracts are set out in the Directors' Remuneration Report on page 26.

At the forthcoming Annual General Meeting ('AGM') F C Goldsmith and J D Sach will retire by rotation and being eligible will offer themselves for re-election.

REPORT OF THE DIRECTORS CONTINUED

Directors' share interests

The Directors in office at 31 January 2012 are set out below. The interests of the Directors and their families in the shares of the Company at the beginning and end of the financial year were as follows:

	1p ordinary shares 31 January 2012 Number	1p ordinary shares 31 January 2011 Number
T G Stannard	70,000	70,000
F C Goldsmith	45,000	45,000
J D Sach	1,331,105	1,093,370
D H Smallridge	729,734	559,922
A N Dix	566,334	429,535

There have been no changes in the interests set out above between 31 January 2012 and 15 May 2012.

The share price on 1 February 2011 was 57p and on 31 January 2012 was 51p.

Long-Term Incentive Plan

The movement in awards made under the Group's Long-Term Incentive Plan ('LTIP') during the year is shown as part of the Directors' Remuneration Report on page 26.

Directors' interests in material contracts

None of the Directors had any material interest in any contract during the year which was significant to the business of the Group.

Directors' and officers' liability insurance

The Group maintains liability insurance for its Directors and officers.

Research and development

The Group continues to invest in its products to retain and enhance its market position. Details of the Group's expenditure on collection design development costs are set out in note 14 of the financial statements.

Substantial shareholdings

At 7 May 2012 the Company is aware of the following substantial shareholdings in its ordinary share capital, comparatives at 5 May 2011 are shown: Henderson Global Investors 13.28% (2011 16.49%), Cazenove Capital Management 8.46% (2011 2.86%), Blackrock Investment Management 7.44% (2011 6.16%), British Airways Pension Investment Management 3.70% (2011 3.70%), Barclays Wealth 3.32% (2011 4.01%), Royal London Asset Management 3.28% (2011 3.71%), TD Direct Investing 3.27% (2011 3.94%), Williams de Broe 3.22% (2011 4.38%).

Annual General Meeting

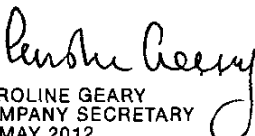
The Annual General Meeting will be held on 27 June 2012 as stated in the Notice of Meeting separately distributed to shareholders.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the AGM.

So far as each of the Directors in office at the date of this report is aware, there is no relevant audit information of which the Group's auditors are unaware. Relevant information is defined as information needed by the Group's auditors in connection with preparing their report. Each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board


CAROLINE GEARY
COMPANY SECRETARY
15 MAY 2012

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX

Registered number 61880

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

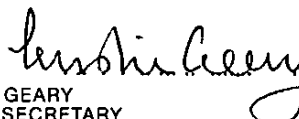
In preparing those financial statements, the Directors are required to

- (i) select suitable accounting policies and then apply them consistently,
- (ii) make judgements and estimates that are reasonable and prudent,
- (iii) state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively, and
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



CAROLINE GEARY
COMPANY SECRETARY
15 MAY 2012

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX

Registered number 61880

DIRECTORS' REMUNERATION REPORT

Introduction

As a company listed on the Alternative Investment Market ('AIM'), the Company is not required to comply with the Directors' Remuneration Report requirements set out in Schedule 8 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' ('the Regulations'). Whilst the Company is not required to comply with the Regulations, it has used the Regulations as guidance and voluntarily presented selected disclosures that reflect the extent of the Company's application of the Regulations.

Remuneration Committee

The members of the Remuneration Committee during the financial year were T Stannard (Non-executive Chairman) and F Goldsmith (Non-executive Director). T Stannard is Chairman of the Remuneration Committee. There have been no changes in the composition or chairmanship of the Remuneration Committee during the year. The Chief Executive is invited to attend meetings of the Committee but no Director is involved in any decisions relating to their own remuneration.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross directorships, or day to day involvement in running the business.

The Committee is responsible for setting the framework and policy for the remuneration of the Executive Directors and designated senior managers. It determines specific elements of their remuneration, their contractual terms and, where necessary, compensation arrangements.

The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice from external advisers when it considers it is appropriate. In determining the Directors' remuneration for the year, including the structure of long-term incentive plans for management, the Committee consulted BDO Stoy Hayward about its proposals. BDO Stoy Hayward also provide taxation advice and consultancy services to the Group.

Remuneration policy

The Group's remuneration policy is designed to ensure that the remuneration packages attract, motivate and retain directors and senior managers of high calibre and to reward them for enhancing value to shareholders. The Company's policy is that a substantial proportion of the total potential remuneration of the Executive Directors should be performance related and aligned to performance measures that benefit all shareholders and promotes the long-term success of the Company. The performance measurement of the Executive Directors and the determination of their annual remuneration package, including performance targets, are undertaken by the Remuneration Committee. There are four main elements of the remuneration package for Executive Directors and other senior management:

- basic annual salary and benefits,
- annual bonus payments,
- long-term incentives, and
- pension arrangements.

The remuneration of the Non-executive Directors comprises only Directors' fees and is determined by the Executive Directors.

Basic salary and benefits in kind

Salary is normally reviewed annually in February, or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary including industry standard executive remuneration and relative pay levels within the Group. Each Executive Director is provided with health care benefits.

Annual performance related bonus

Each Executive Director's remuneration package includes a performance related bonus. For the year ended 31 January 2012, the maximum bonus payable was 70% of basic salary. Annual financial performance targets are set along with individual objectives.

Long-Term Incentive Plan ('LTIP')

All equity based awards are subject to an overall limitation on the number of new shares issued to 10% within any 10 year period. The LTIP was approved by shareholders in 2006 and is valid for a 10 year period.

The LTIP seeks to motivate and retain Executive Directors and other senior management within the Group, to enable them to potentially benefit from improved total shareholder return ('TSR') performance of the Group. The Committee administers the LTIP and the grant of nil cost options under the LTIP. The maximum annual value of nil cost options that can be made to an individual is equivalent to 150% of basic salary at the date of grant. The options granted during the year will only become exercisable (vest) if the performance conditions are met, which includes continued employment of the individual by the Group.

A full summary of the performance conditions attaching to outstanding awards can be found on page 62. To the extent that these performance conditions are not met at the end of the vesting period, the options will lapse.

Pensions

J Sach is a member of the defined benefit section of the Walker Greenbank Pension scheme and the Abanis Holdings Pension Scheme. Both schemes were closed to new entrants from April 1997 and April 1998 respectively. Both schemes were closed to future accrual of benefits on 30 June 2002 and 30 June 2005 respectively.

J Sach, D Smallridge and A Dix are members of a Group Personal Pension Plan sponsored by the Group. For the purposes of determining employer contributions to that scheme, annual performance related bonuses are not included in the pensionable pay of the Executive Directors.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice.

In the event of early termination, the Executive Directors' contracts provide for compensation of an amount equal to the gross salary and benefits that they would have received during the balance of the notice period, plus any bonus, once declared to which they would have become entitled had contractual notice been given.

WALKER GREENBANK PLC
Annual Report and Accounts 2012

Non-executive Directors

All Non-executive Directors have service contracts with an indefinite term subject to a six month notice provision. Their remuneration is determined by the Board taking into account their duties and the level of fees paid to Non-executive Directors of similar companies. The Non-executive Directors do not participate in the Company's bonus, long-term incentive schemes and no pension contributions are made in respect of them.

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows

	Salary £000	Annual bonus £000	LTIP Awards £000	Benefits in kind £000	Pension contribution £000	2012 Total £000	2011 Total £000
Executive Directors							
J Sach	231	162	244	2	35	674	428
D Smallridge	183	128	174	1	27	513	310
A Dix	132	49	139	2	13	335	216
Non-executive Directors							
T Stannard	62	–	–	–	–	62	60
F Goldsmith	27	–	–	–	–	27	27
	635	339	557	5	75	1,611	1,041

Directors' pension entitlements

Accrued annual pension benefits for J Sach at the year end were £11,570 (2011 £11,072)

Directors' LTIP Awards

	Date of grant	Maximum awards at 1 February 2011	Granted in year	Exercised in year	Lapsed in year	Maximum awards at 31 January 2012
J Sach						
	24/05/2007	495,283	–	495,283	–	–
	27/05/2009	800,000	–	–	–	800,000
	20/05/2010	680,000	–	–	–	680,000
	19/05/2011	–	589,623	–	–	589,623
		1,975,283	589,623	495,283	–	2,069,623
D Smallridge						
	24/05/2007	353,774	–	353,774	–	–
	27/05/2009	600,000	–	–	–	600,000
	20/05/2010	495,000	–	–	–	495,000
	19/05/2011	–	467,347	–	–	467,347
		1,448,774	467,347	353,774	–	1,562,347
A Dix						
	24/05/2007	283,019	–	283,019	–	–
	27/05/2009	300,000	–	–	–	300,000
	20/05/2010	292,000	–	–	–	292,000
	19/05/2011	–	337,693	–	–	337,693
		875,019	337,693	283,019	–	929,693

The award of shares on 24 May 2007 had a four year vesting period. The award level was dependent upon the profit before tax result for the financial year ended 31 January 2011. The maximum award vested as the profit before tax result exceeded the upper range target of £4.3 million. The share price on the date of grant was 53.0p.

DIRECTORS' REMUNERATION REPORT CONTINUED

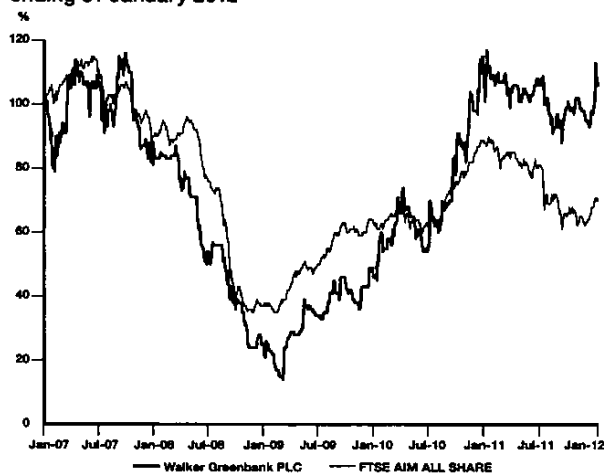
The award of shares on 27 May 2009 has a three year vesting period and is subject to a minimum adjusted profit before tax hurdle of £3.1 million for the financial year ended 31 January 2012. The award begins to vest to Executive Directors upon the Company achieving TSR at the median of its comparator group operating in the Household sector and increases on a sliding scale to achieve maximum award if the Company tops its comparator group. The share price on the date of grant was 14.25p.

The award of shares on 20 May 2010 has a three year vesting period and is subject to a minimum adjusted profit before tax hurdle of £3.5 million for the financial year ended 31 January 2013. The award begins to vest to Executive Directors upon the Company achieving TSR at the median of its comparator group operating in the Household sector and increases on a sliding scale to achieve maximum award if the Company tops its comparator group. The share price on the date of grant was 33.0p.

The award of shares on 19 May 2011 has a three year vesting period and is subject to a minimum adjusted profit before tax hurdle of £6.0 million for the financial year ended 31 January 2014. The award begins to vest to Executive Directors upon the Company achieving TSR at the median of its comparator group operating in the Household sector and increases on a sliding scale to achieve maximum award if the Company tops its comparator group. The share price on the date of grant was 49.0p.

The share price reached a high of 57.2p and a low of 42.55p during the financial year ended 31 January 2012. The average share price during the financial year was 49.6p. The share price on 31 January 2012 was 51.75p.

Total Shareholder Return index for the five financial years ending 31 January 2012



Approval

This report was approved by the Directors and signed on its behalf by:

Caroline Geary
CAROLINE GEARY
COMPANY SECRETARY
15 MAY 2012

CORPORATE GOVERNANCE STATEMENT

As a Company listed on the Alternative Investment Market ('AIM') the Company is not required to issue a statement of compliance with the principles and provisions of the UK Corporate Governance Code ('the Code'). Whilst the Company is not required to comply with the Code, it has used the Code as best practice guidance and voluntarily presented disclosures that reflect the extent of the Company's application of the Code.

The Board

The Company is supervised by the Board of Directors. The Board comprises three Executive and two Non-executive Directors.

The Board considers, after careful review, that the Non-executive Directors bring an independent judgement to bear. All Non-executive Directors have contracts which contain six month notice clauses. These are available for inspection at the Company's registered office and at the Annual General Meeting ('AGM'). All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association and the principles of the Code. The Non-executive Directors continue to retire for re-election at least every third year. All Directors undergo a performance evaluation before being proposed for re-election to ensure their performance continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

The Board meets at least nine times each year and has a formal schedule of matters reserved to it. It is responsible for overall Group strategy, approval of major capital expenditure projects, approval of the annual and interim results, annual budgets, dividend policy, and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board Committees

The Board has Remuneration, Audit and Nomination Committees, each of which has written terms of reference which are available on the Company's website. The Company Secretary acts as secretary to the committees. The Board is satisfied that the committees discharged their responsibilities appropriately.

Nomination Committee

The Nomination Committee is chaired by T Stannard, the Non-executive Chairman and comprises F Goldsmith, the other Non-executive Director and J Sach, the Chief Executive. It makes recommendations to the Board on all new Board appointments. The Company's Articles of Association stipulate that one third of the Directors or the nearest whole number below one third shall retire each year. The Company requires all Directors to submit themselves for re-election at least every three years.

Remuneration Committee

The Remuneration Committee is chaired by T Stannard and F Goldsmith. The Remuneration Committee is responsible for making recommendations to the Board in relation to all aspects of remuneration for Executive Directors and designated senior managers. The Remuneration Committee believes that the presence of the Chief Executive is important when determining the remuneration of the other Executive Directors.

In framing its policy the Remuneration Committee takes into account any factors which it deems necessary, including industry standard executive remuneration, differentials between executive

and employee remuneration and differentials between executives. The remuneration of the Non-executive Directors is determined by the Executive Directors.

Audit Committee

The Audit Committee is chaired by F Goldsmith and comprises T Stannard. Although all the Committee members are considered to be appropriately experienced to fulfill their role, F Goldsmith is considered as having significant, recent and relevant experience in line with the Code. Further details of each of the independent Directors are set out on page 22. The Audit Committee meets at least three times each year. It considers any matter relating to the financial affairs of the Group and to the Group's external audit that it determines to be relevant. In particular the Committee oversees the monitoring of the adequacy of the Group's internal controls, accounting policies and financial reporting, and provides a forum through which the Group's external auditors report to the Non-executive Directors.

Auditor independence

The Audit Committee regularly monitors the non-audit services provided by the external Auditors and fees relating to non-audit services are detailed in the Annual Report and Accounts (note 7). The Committee confirms it is satisfied with the independence, objectivity and effectiveness of the external Auditor, PwC, and accordingly a resolution to reappoint PwC as Auditor will be proposed at the forthcoming AGM.

Internal control

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness.

The Board keeps its risk control procedures under constant review particularly with regard to the need to embed internal control and risk management procedures further into the operations of business, both in the UK and overseas, and to deal with areas of improvement which come to management's and the Board's attention.

As might be expected in a group of this size, a key control procedure is the day to day supervision of the business by the Executive Directors, supported by the senior managers with responsibility for key operations.

The Executive Directors are involved in the budget setting process, regularly monitor key performance indicators and review management accounts on a monthly basis, noting and investigating any major variances. All significant capital expenditure decisions are approved by the Board as a whole.

The Group's significant risks, together with the relevant control and monitoring procedures, are subject to regular review to enable the Board to assess the effectiveness of the system of internal control. During the course of its reviews the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant other than disclosed in the Report of the Directors.

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has considered the need for an internal audit function, but because of the size and nature of its operations does not consider it necessary at the current time.

Relations with shareholders

The Group encourages two way communications with both its institutional and private investors and responds in a timely fashion to all queries received. All shareholders receive notice of the AGM at which all Committee chairs will be available for questions.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WALKER GREENBANK PLC

We have audited the Group financial statements of Walker Greenbank PLC for the year ended 31 January 2012 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 January 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

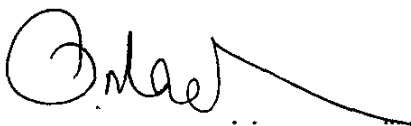
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent Company financial statements of Walker Greenbank PLC for the year ended 31 January 2012.



OWEN MACKNEY
(SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
15 May 2012

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 JANUARY 2012

	Note	2012 £000	2011 £000
Revenue	4	74,014	68,778
Profit from operations before exceptional items		5,555	4,472
Exceptional items			
Insurance settlement	5	–	500
Profit from operations	4–7	5,555	4,972
Net defined benefit pension charge	8	(407)	(364)
Interest payable	9	(254)	(234)
Interest receivable	9	–	88
Net borrowing costs	9	(254)	(146)
Net finance costs		(661)	(510)
Profit before tax		4,894	4,462
Total tax charge	12	(1,065)	(1,434)
Profit for the year		3,829	3,028
Earnings per share – Basic and diluted	13	6.76p	5.36p

The notes on pages 36 to 64 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2012

	Note	2012 £000	2011 £000
Profit for year		3,829	3,028
Other Comprehensive Income/(Expense):			
Actuarial gains on scheme assets	23	5,460	1,718
Other actuarial losses on scheme liabilities	23	(6,864)	(1,559)
Currency translation (losses)/gains		(41)	4
Cash flow hedges (losses)		(113)	(112)
(Reduction) of deferred tax asset relating to pension scheme liability		(47)	(403)
Other comprehensive expense for the year, net of tax		(1,605)	(352)
Total comprehensive income for the year attributable to the owners of the parent		2,224	2,676

The notes on pages 36 to 64 form an integral part of the consolidated financial statements

CONSOLIDATED BALANCE SHEET

AT 31 JANUARY 2012

	Note	2012 £000	2011 £000
Non-current assets			
Intangible assets	14	6,111	5,973
Property, plant and equipment	15	9,313	8,768
Deferred income tax assets	16	2,850	3,982
		18,274	18,723
Current assets			
Inventories	17	17,000	15,630
Trade and other receivables	18	13,047	14,383
Derivative financial asset	19	54	63
Cash and cash equivalents	20	2,197	1,927
		32,298	32,003
Total assets		50,572	50,726
Current liabilities			
Trade and other payables	21	(17,511)	(18,847)
Derivative financial liability	19	(50)	–
Borrowings	22	(400)	(400)
		(17,961)	(19,247)
Net current assets		14,337	12,756
Non-current liabilities			
Borrowings	22	(2,464)	(3,344)
Retirement benefit obligation	23	(7,095)	(6,742)
		(9,559)	(10,086)
Total liabilities		(27,520)	(29,333)
Net assets		23,052	21,393
Equity			
Share capital	25	590	590
Share premium account		457	457
Foreign currency translation reserve		(202)	(161)
Accumulated losses		(18,250)	(20,063)
Other reserves		40,457	40,570
Total equity		23,052	21,393

The notes on pages 36 to 64 form an integral part of the consolidated financial statements



JOHN SACH
DIRECTOR



ALAN DIX
DIRECTOR

These financial statements were authorised for issue by the Board of Directors on 15 May 2012

Registered number: 61880

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2012

	Note	2012 £000	2011 £000
Cash flows from operating activities			
Cash generated from operations	28	4,530	4,456
Interest paid		(230)	(209)
Debt issue costs		–	(62)
Interest received		–	88
Income tax paid		(18)	(13)
		4,282	4,260
Cash flows from investing activities			
Purchase of intangible fixed assets		(441)	(503)
Purchase of property, plant and equipment		(2,097)	(1,950)
Proceeds on sale of property, plant and equipment		–	1
		(2,538)	(2,452)
Cash flows from financing activities			
Purchase of treasury shares		–	(178)
Repayment of borrowings		(904)	(1,666)
Dividends paid to Company's shareholders		(570)	(368)
		(1,474)	(2,212)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		270	(404)
Cash, cash equivalents and bank overdrafts at beginning of year		1,927	2,333
Exchange losses on cash and bank overdrafts		–	(2)
Cash, cash equivalents and bank overdrafts at end of year	29	2,197	1,927

The notes on pages 36 to 64 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2012

	Share capital £000 (note 25)	Share premium account £000	Retained earnings £000	Other reserves			Translation reserve £000	Total £000
				Capital reserve £000 (note 26)	Merger reserve £000	Hedge reserve £000 (note 19)		
Balance at 1 February 2010	590	457	(22,794)	43,457	(2,950)	175	(165)	18,770
Profit for the year	–	–	3,028	–	–	–	–	3,028
Other comprehensive income								
Actuarial gains on scheme assets (note 23)	–	–	1,718	–	–	–	–	1,718
Other actuarial losses on scheme liabilities (note 23)	–	–	(1,559)	–	–	–	–	(1,559)
Deferred tax relating to pension scheme liability	–	–	(403)	–	–	–	–	(403)
Currency translation differences	–	–	–	–	–	–	4	4
Cash flow hedging reserve – released to Income Statement	–	–	–	–	–	(175)	–	(175)
Cash flow hedging reserve – recognised in equity during the year	–	–	–	–	–	63	–	63
Total comprehensive income/ (expense)	–	–	2,784	–	–	(112)	4	2,676
Transactions with owners								
Dividends	–	–	(368)	–	–	–	–	(368)
Reserve for long-term incentive plan	–	–	493	–	–	–	–	493
Purchase of treasury shares	–	–	(178)	–	–	–	–	(178)
Balance at 31 January 2011	590	457	(20,063)	43,457	(2,950)	63	(161)	21,393
Profit for the year	–	–	3,829	–	–	–	–	3,829
Other comprehensive income								
Actuarial gains on scheme assets (note 23)	–	–	5,460	–	–	–	–	5,460
Other actuarial losses on scheme liabilities (note 23)	–	–	(6,864)	–	–	–	–	(6,864)
Deferred tax relating to pension scheme liability	–	–	(47)	–	–	–	–	(47)
Currency translation differences	–	–	–	–	–	–	(41)	(41)
Cash flow hedging reserve – released to Income Statement	–	–	–	–	–	(61)	–	(61)
Cash flow hedging reserve – recognised in equity during the year	–	–	–	–	–	(52)	–	(52)
Total comprehensive income/ (expense)	–	–	2,378	–	–	(113)	(41)	2,224
Transactions with owners								
Dividends	–	–	(570)	–	–	–	–	(570)
Long-term incentive plan charge	–	–	353	–	–	–	–	353
Long-term incentive plan vesting	–	–	(348)	–	–	–	–	(348)
Balance at 31 January 2012	590	457	(18,250)	43,457	(2,950)	(50)	(202)	23,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies and general information

General information

Walker Greenbank PLC ('the Company') and its subsidiaries (together 'the Group') is a luxury interior furnishings group whose brands include Harlequin, Sanderson, Morris & Co. and Zoffany. The brands are targeted at the mid to upper end of the premium market. They have worldwide distribution including prestigious showrooms at Chelsea Harbour, London and the D&D building, Manhattan, New York. Half of the brand's turnover is sourced in-house from the Group's own specialist manufacturing facilities of Standfast & Barracks, the fabric printing business situated in Lancaster, and Anstey Wallpaper Company situated in Loughborough. The manufacturing businesses produce for other interior furnishing businesses both in the UK and throughout the world. The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is registered and domiciled in the UK.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU') and International Financial Reporting Interpretation Committee ('IFRIC') interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the valuation of derivative financial instruments at fair value, and with the accounting policies set out below which have been consistently applied to all periods presented unless otherwise indicated.

The Group meets its day to day working capital requirements through its banking facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Group will be able to operate within the level of its current facilities as disclosed in note 22.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

In preparing these financial statements the Group has applied the IFRSs adopted by the European Union and the IFRIC interpretations where the effective date is relevant to the financial year commencing on 1 February 2011 or ending 31 January 2012.

Since the Group's previous annual financial statements for the year ended 31 January 2011 the following pronouncements are now effective and have been adopted by the Group:

- IFRS 1 (revised) 'First time adoption' – effective 1 July 2010
- Amendment to IFRS 1 'First time adoption on financial instrument disclosures' – effective 1 July 2010
- IAS 24 (revised) 'Related Party Disclosures' – effective 1 January 2011
- Amendment to IAS 32 'Financial Instrument Presentation on Classification of Rights Issues' – effective 1 February 2010
- IFRS Annual improvements (2010) – effective 1 January 2011
- Amendment to IFRIC14 'Prepayments of minimum funding requirement' – effective 1 January 2011
- IFRIC 19 'Extinguishing financial liabilities with equity instruments' – effective 1 July 2010

There has been no material effect on the Group's financial statements following the introduction of the above.

The Group has not applied the following new standards, amendments and interpretations for which adoption is not mandatory for the year ending 31 January 2012 and/or which have not yet been endorsed by the EU. The Group has not concluded its evaluation of the impact of these pronouncements but at this stage does not expect there to be any material impact on the financial statements:

- Amendment to IFRS 1 (revised) 'First time adoption – on fixed dates and hyperinflation' – effective 1 July 2011
- Amendment to IAS 1 'Financial statement presentation regarding other comprehensive income' – effective 1 July 2012
- Amendment to IAS 12 'Income taxes on deferred tax' – effective 1 January 2012
- Amendment to IAS 19 'Employee benefits' – effective 1 January 2013
- IAS 27 (revised 2011) 'Separate financial statements' – effective 1 January 2013
- IAS 28 (revised 2011) 'Associates and joint ventures' – effective 1 January 2013
- Annual improvements to IFRS (2011)
- Amendment to IFRS 7 'Financial instruments – disclosures on derecognition' – effective 1 July 2011
- IFRS 9 'Financial instruments – classification and measurement' – effective 1 January 2013
- IFRS 10 'Consolidated financial statements' – effective 1 January 2013
- IFRS 11 'Joint arrangements' – effective 1 January 2013
- IFRS 12 'Disclosure of interests in other entities' – effective 1 January 2013
- IFRS 13 'Fair value measurement' – effective 1 January 2012

In addition, a number of exposure drafts of new or amended standards and interpretations have been announced by the International Accounting Standards Board ('IASB'). These include exposure drafts on revenue recognition and leases, until final details of these and other exposure drafts have been concluded by the IASB the Group is not able to evaluate the potential impact on the Group of these pronouncements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The financial statements of the Company as an entity continue to be prepared under United Kingdom Generally Accepted Accounting Practice and are presented separately from the consolidated financial statements (pages 66 to 73).

1 Accounting policies and general information continued***Basis of Consolidation***

The consolidated financial information incorporates the financial statements of the Company and all its subsidiary undertakings made up to 31 January each year. Subsidiaries are entities where the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries acquired or disposed of during the year are included in the Income Statement from the effective date on which control is transferred to or from the Group, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree. The identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset in accordance with the policy described below.

All inter-company transactions and balances are eliminated on consolidation. Profits and losses resulting from inter-company transactions that are recognised in assets, such as inventory, are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Employee Share Ownership Plans ('ESOPs') controlled by the Group are also included by consolidation. Until shares held by the ESOP vest unconditionally in and are transferred to employees, the consideration paid for those shares is deducted from consolidated equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of shares, including transfers to and from treasury shares. Dividends receivable on shares held by the ESOP are excluded from the Income Statement, and are excluded from amounts recognised as dividends payable by the Group.

Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position are expressed in sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the Balance Sheet date. All unhedged exchange differences are recognised in the Income Statement for the period and classified as other operating income or charges.

The assets and liabilities of the Group's overseas subsidiaries on consolidation are translated at the rates of exchange ruling at the Balance Sheet date. The income and expenses are translated at the weighted average rate during the period. Differences on translation are recognised in a separate foreign currency translation reserve within equity. On disposal of an overseas subsidiary, the cumulative exchange differences for that subsidiary are recognised in the Income Statement as part of the profit or loss on disposal.

Intangible Assets – Goodwill

Goodwill arising on acquisition is initially measured at cost, being the excess of the fair value of the consideration for the acquisition, which includes the amount of any non-controlling interest recognised, over the Group's interest in the net fair value of the acquired entity's identifiable assets and liabilities and any non-controlling interest in the acquiree at the date of acquisition. Goodwill is not amortised, but reviewed for impairment annually; any impairment is recognised immediately in the Income Statement and is not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

On disposal of a subsidiary or cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible Assets – Archive

The Arthur Sanderson and William Morris archive comprises an historical record of unique designs that are used to generate a significant royalty income in the business. The archive is valued at historical cost. The Directors believe that the archive has an indefinite useful life and is therefore not subject to amortisation. The carrying value of this asset is reviewed annually and provision made for any impairment in the carrying value if required.

Intangible Assets – Software

Acquired computer software licences are capitalised at the cost incurred to bring the asset into use, including where relevant directly attributable internal costs incurred in preparing the software for operation. The costs are amortised to their estimated residual value over their estimated useful life which range from three to six years. Software amortisation commences when the asset goes into operational use by the business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Accounting policies and general information continued

Intangible Assets – Collection design

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to the design of new collections are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the new collection so that it will be available for use or sale
- Management intends to complete the new collection and use it or sell it
- There is an ability to use or sell the new collection
- It can be demonstrated how the new collection will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the new collection are available
- The expenditure attributable to the new collection during its development can be reliably measured

Any costs relating to design of new collections that do not meet these criteria are recognised as an expense as incurred. Any such costs recognised as an expense in previous periods are not recognised as an asset in a subsequent period. Capitalised collection design costs are recognised as intangible assets and are amortised to their estimated residual value at 25% on a straight line basis over the life of the asset, and are tested for impairment if any impairment trigger events are identified in accordance with IAS 36.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment loss. Historical cost comprises the purchase price and costs directly incurred in bringing the asset into use. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, at each Balance Sheet date.

Depreciation is charged on a straight line basis on the original costs (excluding freehold land) after deduction of any estimated residual value. The principal annual rates are:

Freehold buildings	2%
Leasehold improvements	Over the length of the lease
Plant, equipment and vehicles	Between 5% and 33%
Computer hardware	33%

Government grants received for property, plant and equipment are classified within the cost of property, plant and equipment and released to the Income Statement over the life of the asset.

Impairment of non-financial assets

Intangible assets with finite useful lives and property, plant and equipment are tested for impairments if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the value in use (net present value of expected future cash flows of the relevant cash generating unit), or the fair value less cost to sell.

Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually.

If a cash generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill, and secondly on a pro rata basis against intangible and other assets.

Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, on a first-in, first-out basis, and direct labour, plus attributable production overheads based on a normal level of activity. Net realisable value is based on estimated selling prices less anticipated costs of disposal. Provision is made for any slow moving and obsolete inventory.

Marketing materials

Marketing materials consist of patterning books and other saleable marketing assets used to support the sale of the Group's products. They are recognised at the lower of cost and net realisable value. Cost comprises direct materials plus costs of production.

Net realisable value is based on estimated recoveries from customers and distributors for those pattern books expected to be sold, less the anticipated cost of disposal.

As books are sold or otherwise utilised and are no longer within the control of the Group, their cost is charged to the Income Statement as an expense. An impairment allowance is made for any slow moving and obsolete marketing materials including those expected to be given away free of charge. The Group's policy is to classify marketing materials on the Balance Sheet within trade and other receivables.

Non-saleable marketing materials are expensed to the Income Statement once the collection that these marketing materials relate to has been launched. Any subsequent costs or development expenditure are expensed as incurred.

Financial assets and liabilities – measurement basis

Financial assets and liabilities are recognised on the date on which the Group becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Financial assets and liabilities are initially recognised at fair value plus transaction costs. Any impairment of a financial asset is charged to the Income Statement when incurred. Financial assets are derecognised when the Group's rights to cash inflows from the asset expire. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

1 Accounting policies and general information continued**Financial assets and liabilities – measurement basis continued**

Non-derivative financial assets are classified according to the purpose for which the asset was acquired. The Group's financial assets are classified as either

- 'trade and other receivables' – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods directly to a customer, or advances money, with no intention of trading the loan or receivable. Subsequent to initial recognition, loans and receivables are included in the Balance Sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in the carrying amount recognised in the Income Statement within administration expenses, and
- 'cash and cash equivalents' – these comprise deposits with an original maturity of three months or less with banks and financial institutions, bank balances, bank overdrafts and cash in hand

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the unavailability of credit insurance at commercial rates for debtors are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the net present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the Income Statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administration expenses in the Income Statement.

The Group's non-derivative financial liabilities are classified as 'Other liabilities'. Other liabilities are financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group receives goods or services directly from a creditor or supplier, or borrows money, with no intention of trading the liability. This category includes

- 'trade and other payables' – these are typically non-interest bearing and following initial recognition are included in the Balance Sheet at amortised cost,
- 'bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs. Finance charges are accounted for on an accruals basis and charged to the Income Statement using the effective interest rate method, and
- 'borrowings' – these are recorded initially at the fair value, net of direct issue costs, and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement, using the effective interest method, and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowing costs are capitalised as an increase to the carrying value of software or property, plant and equipment on major projects where their impact is material.

Derivative financial instruments and hedge accounting – measurement basis

The Group's activities expose it to the financial risks of changes in exchange rates, and the Group uses forward exchange rate contracts and swap exchange rate contracts to manage these exposures. The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of derivative financial instruments.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity.

The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'Other operating income/(expense)'. Amounts accumulated in equity are released to the Income Statement when the hedged item affects the Income Statement, and are also classified in the Income Statement within 'Other operating income/(expense)'.

Derivatives that do not qualify for hedge accounting under IAS 39 are classified as 'financial assets or liabilities at fair value through profit or loss'. They are initially recognised at fair value, with fair value being remeasured at each reporting date. The fair value of the derivative is based on market price of comparable instruments at the Balance Sheet date. Changes in fair value are included in the Income Statement within finance costs.

The Group has no embedded derivatives that are not closely related to the host instrument.

Cash and cash equivalents

Cash and cash equivalents represent only liquid assets with original maturity of 90 days or less. Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts that cannot be offset against other cash balances are shown within borrowings in current liabilities on the Balance Sheet.

For the purposes of the Cash Flow Statement it is the Group's policy to classify interest income and expense, and other finance costs, within 'cash flows from operating activities'.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, and are discounted to present value where the effect is considered material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Accounting policies and general information continued

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets used by the Group which have been funded through finance leases are capitalised in property, plant and equipment and the resulting lease obligations are included in liabilities. The assets are depreciated over their useful lives and the interest element of the rental obligations is charged to the Income Statement over the period of the lease, and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the Income Statement on a straight-line basis over the period of the lease. Rent free periods receivable on entering an operating lease are released on a straight-line basis over the term of the lease.

Employee benefits – pension obligations

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the funding of benefits is determined using the Projected Unit Credit Method, with full actuarial valuations being carried out triennially.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised service cost, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus present value of available refunds and reductions in future contributions to the plan.

The defined benefit obligation is calculated annually by qualified independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Scheme expenses met by the Group, expected returns on plan assets, and interest on pension scheme liabilities are classified within 'Net defined benefit pension charge' within the Income Statement as the scheme is now closed to future accruals.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur. They are recognised outside the Income Statement and presented in the Statement of Comprehensive Income.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

Employee benefits – share-based payments under long-term incentive plans ('LTIP')

The Group issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the Income Statement with a corresponding increase in equity.

The fair values of these payments are measured at the date of grant, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met.

The total amount recognised in the Income Statement as an expense is adjusted to reflect the actual number of awards that vest. National insurance contributions related to the awards are recognised as an expense in the Income Statement with a corresponding liability on the Balance Sheet.

Employee benefits – short-term bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Consideration paid including any directly attributable incremental costs (net of income taxes) on the purchase of the Company's equity share capital (treasury shares) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity shareholders.

Revenue

The Group revenue is measured at fair value of the consideration received or receivable and represents amounts recoverable by the Group for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue comprises:

- Sale of goods – sales of goods are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, which is usually at the point of delivery of the goods.
- Royalty revenue – royalties are received from licence holders under the terms of various agreements, and are recognised on an accruals basis in accordance with the substance of the relevant agreement.

1 Accounting policies and general information continued**Revenue continued**

Deposits received from customers in advance of the delivery of goods or services are recognised as deferred income. Amounts receivable from customers representing the recovery of expenses incurred by the Group for design and set-up costs, delivery, and marketing materials are not considered to be revenue, and are credited to the relevant expense within the Income Statement.

Exceptional items

Items that are both material and whose nature is sufficient to warrant separate disclosure and identification are disclosed within the financial statements and classified within their relevant category in the Income Statement.

Taxation including deferred tax

The tax expense represents the sum of the current tax and deferred tax charges or credits.

Current tax is based on the taxable profit for the year. Taxable profits differs from the net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date. Current tax includes withholding taxes from sales and licensing income in overseas territories.

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

IAS 12 'Income taxes' requires that the measurement of deferred tax should have regard to the tax consequences that would follow from the manner of expected recovery or settlement at the Balance Sheet date of the carrying amount of its assets and liabilities. In calculating its deferred tax liability the Group's policy is to regard the depreciable amount of the carrying value of its property, plant and equipment to be recovered through continuing use in the business, unless included within assets held for resale, where the policy is to regard the carrying amount as being recoverable through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax relating to retirement benefit obligations is also recognised in equity where the tax relief arises from contributions paid to fund deficits arising in previous periods that were recognised in equity.

Segmental reporting

The Group is a designer, manufacturer and distributor of furnishings, fabrics and wallpaper and manages its operations as three reportable segments which are brands, manufacturing and overseas.

Reportable segments consist of one or more operating segments. Aggregation of operating segments into reportable segments occurs when aggregation criteria, as laid down in IFRS 8 'Operating Segments' are satisfied, including similar economic characteristics or when operating segments are less than the quantitative limits as laid down in IFRS 8. After applying aggregation, segmental information is disclosed in a manner consistent with the internal reporting to the chief operating decision maker ('CODM').

The Group considers its CODM to be the Board of Directors, who are responsible for the allocation of resources and assessing performance of the operating segments.

Interest received

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out at Board level under policies approved by the Board of Directors. Executive Directors identify, evaluate and where appropriate hedge financial risks in close co-operation with the Group's operating units.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 Financial risk management continued

Foreign exchange risk continued

The Group's policy is, where possible, to allow the Group's entities to settle liabilities in their functional currency with the cash generated from their operations in that currency. Where the Group's entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible be transferred from elsewhere in the Group.

To manage the foreign exchange risk arising on future transactions, it is the Group's policy to enter into forward currency contracts to hedge the exposure.

For the year ended 31 January 2012, the average sterling to US dollar translation rate applied by the Group including the impact of hedging contracts was £1 US\$1.55. If the rate had been £1 US\$1.45 with all other variables held constant, profit before tax would have been higher by £160,000. If the rate had been £1 US\$1.65 with all other variables held constant, profit before tax would have been lower by £140,000.

For the year ended 31 January 2012, the average sterling to euro translation rate applied by the Group including the impact of hedging contracts was £1 euro1.15. If the rate had been £1 euro1.05 with all other variables held constant, profit before tax would have been lower by £273,000. If the rate had been £1 euro1.25 with all other variables held constant, profit before tax would have been higher by £229,000.

The sensitivity of movements in other currencies is not considered material to the performance of the Group.

Interest rate risk

As the Group has no significant interest bearing assets its revenue and cash generated from operations are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings at variable rate are denominated in either UK pounds or euros. The Group regularly analyses its interest rate exposure calculating the impact on profit and loss of a defined interest rate shift. Based on the calculations the Board consider refinancing, renewal of existing positions, alternative financing and hedging. The Group has not felt there has been a requirement during the current or previous financial year to enter into any of these options.

In July 2007 the Group entered into a financing contract with Barclays Bank PLC of which the working capital facilities were renewed in March 2010, variable interest rates were negotiated on all the loans. These working capital facilities are due for review in July 2013. The Board continues to monitor the interest rates monthly.

For the year ended 31 January 2012, had the benchmark interest rate levels been 0.5% higher/(lower) than the actual experience, with all other variables held constant, the profit before tax of the Group would have been (lower)/higher by £42,000 due to the change in interest rate expense on variable rate borrowings. The 0.5% sensitivity is deemed a reasonable sensitivity analysis based on expected movements in the base rate for the next financial year.

Credit risk

Credit risk arises from the Group's trade receivables, cash held with banks, and derivative financial instruments. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. Cash at bank and derivative financial instruments are predominantly held with the Group's major relationship bank, Barclays Bank PLC, and the Group considers this credit risk to be minimal.

The Group does not have any significant credit risk exposure to any single company or group of companies within trade receivables, as the nature of the Group's operations mean that trade receivables consist of a large number of customers spread across diverse industries and geographical areas.

Prior to accepting new customers an independent credit check is obtained. Based on this information individual credit limits and payment terms are established. If no independent credit ratings are available, customers are asked to pay on a proforma basis until creditworthiness can be established. The utilisation of credit limits is regularly monitored. Credit limits may only be exceeded with the authorisation from key management, this is dependent on the amount expected to exceed the limit and the Group's trading history with that customer.

There is no difference between the carrying amount and the maximum credit risk exposure.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The maturity profile of the Group's debt and other financial liabilities is disclosed in note 22.

During the year the Group had facilities with Barclays Bank PLC. A significant element of the facility is linked to working capital, which allows the Group to manage its cash more effectively during the seasonal fluctuations in working capital associated with the industry. This element of the facility is due to expire in July 2013 having been renewed in March 2010.

Management monitors rolling forecasts of the Group's cash and loan facility utilisation on a monthly basis. The Group ensures that it has adequate facilities available to cover both its short-term and medium-term commitments. In addition, the Group's liquidity management policy is to project cash flows in major currencies and consider the level of liquid assets necessary to meet these liabilities as they fall due.

2 Financial risk management continued**Capital risk management**

The Group's objectives when managing capital are

- to safeguard the entities ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return for shareholders by pricing products and services commensurately with the level of risk

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back issued shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the average net debt to adjusted capital ratio (or 'gearing ratio'). The ratio is calculated as average net debt divided by adjusted capital. Average net debt is calculated as the total debt less cash and cash equivalents during the year. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained earnings, and other reserves) other than amounts recognised in equity relating to cash flow hedges and forward currency contracts.

During the year to 31 January 2012, the Group's strategy, which was unchanged from the previous year, was to reduce the average gearing ratio. The average gearing ratios for 2012 and 2011 were as follows:

	Year ended 31 January	
	2012 £000	2011 £000
Average net debt	6,682	5,871
Total equity	23,052	21,393
Less: amounts recognised directly in equity relating to currency contracts	50	(63)
Adjusted capital	23,102	21,330
Average net debt to adjusted capital ratio	29%	28%
Year end net debt to adjusted capital ratio	2.9%	8.5%

The Group considers the average debt to adjusted equity ratio to be appropriate at this time, but it will continue to reduce the pension deficit by cash generated from operations and will also invest within the Group through capital expenditure and working capital.

The gearing ratio at the year end is lower than the average gearing ratio as the level of trade debtors is lower at the year end than the average during the year due to the seasonal nature of trading in the months of December and January.

Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the Balance Sheet date provided by relationship banks. Under the revisions to IFRS 7 these amounts are classified within level two of the fair value hierarchy.

The carrying value less impairment provision of trade receivables and payables and cash and cash equivalents are assumed to approximate their fair values.

3 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning future events. The resulting accounting estimates will seldom precisely equal the related actual results. The Group applies its best endeavours in setting accounting estimates, and uses historical experience and other factors, including input from experienced and specialist management. Estimates and assumptions are periodically re-evaluated and the resulting accounting balances updated as new information including actual outcomes become apparent.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Retirement benefit obligations

The Group recognises its obligations to employee retirement benefits. The quantification of these obligations is subject to significant estimates and assumptions regarding life expectancy, discount and inflation rates, wage and salary changes, the rate of increase in pension payments, and the market values of equities, bonds and other pension assets. In making these assumptions the Group takes advice from a qualified actuary about which assumptions reflect the nature of the Group's obligations to employee retirement benefits. The assumptions are regularly reviewed to ensure their appropriateness.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Details of the estimates and assumptions applied and carrying amounts of retirement benefit obligations and pension assets, are set out in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 Critical accounting estimates and assumptions continued

b) Impairment of non-financial assets

The Group tests annually whether goodwill or its indefinite life intangible asset has suffered any impairment, in accordance with its accounting policy. Other intangibles and property, plant and equipment are reviewed whenever impairment triggers are apparent. The recoverable amounts of cash generating units have been determined based on value in use ("VIU") calculations. These calculations require use of estimates of future sales margins and other operating and administrative expenses and of discount rates. Further disclosures relating to the estimates and assumptions applied and carrying amounts of the non-financial assets, are set out in note 14 and 15.

The Group makes provision for impairment in the carrying amount of its inventories and marketing materials. The nature of the Group's products are exposed to changes in taste and attitudes from time to time, which can affect the demand for those products. The Group has skilled and experienced management who utilise historical sales information and exercise their judgement, in making estimates about the extent of provisions necessary based on the realisable value of inventory and expected future benefit to the Group of marketing materials taking into account the estimated price and volume of future sales or usage less the further costs of sale and holding costs. Further disclosures relating to the effect on the Income Statement of the establishment and reversal of such provisions against inventory are included in note 7. Details of the carrying amount of inventories are disclosed in note 17 and of marketing materials in note 18.

c) Deferred tax recognition

Following the completion of the Group's recovery programme and return to sustained profitability over recent years, the Group has considered it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits. The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of companies within the Group, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of share-based payment awards. Further disclosures relating to the effect on the Income Statement of the recognition of deferred tax assets are included in note 12 and the amount of deferred tax asset recognised and other relevant disclosures are included in note 16.

d) Share-based payment awards

The Group has granted awards to Executive Directors and senior management which include vesting conditions relating to the future financial performance of the Group as measured by adjusted profit before tax ("PBT") and the relative performance of the Group's Total shareholder return ("TSR") against comparator companies. The fair value of the awards granted is charged against the Income Statement over the vesting period, the amount of that charge including the national insurance component of the charge, is dependent upon the Group's estimates of how many awards will ultimately vest, which is linked directly to its estimates regarding future PBT and TSR achievement. Further disclosures relating to performance targets are included in the Directors' Remuneration Report on pages 26 to 28 and the effect on the financial statements of share awards is included in note 25.

4 Segmental analysis

The Group is a designer, manufacturer and distributor of luxury interior furnishings, fabrics and wallpaper. The reportable segments of the Group are as follows:

- Brands UK – comprising the design, marketing, sales and distribution and licensing activities of Harlequin, Sanderson, Zoffany and Morris & Co. brands operated from the UK
- Brands Overseas – comprising the marketing, sales and distribution operations of the Group's foreign based subsidiaries in France and the United States
- Brands Total has been added to the segmental reporting to better reflect the decisions made by the CODM on resource allocation
- Manufacturing – comprising the wall covering and printed fabric manufacturing businesses operated by Anstey and Standfast respectively

This is the basis on which the Group presents its operating results to the Board of Directors, which is considered to be the Chief Operating Decision Maker ("CODM") for the purposes of IFRS 8. Additional revenue-only data is also reported to the CODM and is disclosed on the basis explained below. Other group wide activities and expenses, predominantly related to corporate head office costs, defined benefit pension costs, long-term incentive plans expenses, taxation and eliminations of intersegment items, are presented within 'Eliminations and unallocated'.

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4 Segmental analysis continued

a) Principal measures of profit and loss – Income Statement segmental information

Year ended 31 January 2012	Brands UK £000	Brands Overseas £000	Brands Total £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK Revenue	33,834	–	33,834	14,043	–	47,877
International Revenue	15,125	6,870	21,995	2,554	–	24,549
Licence Revenue	1,588	–	1,588	–	–	1,588
Revenue – External	50,547	6,870	57,417	16,597	–	74,014
Revenue – Internal	–	–	–	12,057	(12,057)	–
Total Revenue	50,547	6,870	57,417	28,654	(12,057)	74,014
Profit/(loss) from operations	5,869	(492)	5,377	2,572	(2,394)	5,555
Net borrowing costs	–	–	–	–	(254)	(254)
Net pension charge	–	–	–	–	(407)	(407)
Profit/(loss) before taxation	5,869	(492)	5,377	2,572	(3,055)	4,894
Tax charge	–	36	36	–	(1,101)	(1,065)
Profit/(loss) for the year	5,869	(456)	5,413	2,572	(4,156)	3,829

Year ended 31 January 2011	Brands UK £000	Brands Overseas £000	Brands Total £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK Revenue	32,359	–	32,359	13,313	–	45,672
International Revenue	13,124	6,607	19,731	1,940	–	21,671
Licence Revenue	1,435	–	1,435	–	–	1,435
Revenue – External	46,918	6,607	53,525	15,253	–	68,778
Revenue – Internal	–	–	–	13,529	(13,529)	–
Total Revenue	46,918	6,607	53,525	28,782	(13,529)	68,778
Operating profit/(loss) before exceptional items	5,282	(557)	4,725	2,519	(2,772)	4,472
Insurance settlement	500	–	500	–	–	500
Profit/(loss) from operations	5,782	(557)	5,225	2,519	(2,772)	4,972
Net borrowing costs	–	–	–	–	(146)	(146)
Net pension charge	–	–	–	–	(364)	(364)
Profit/(loss) before taxation	5,782	(557)	5,225	2,519	(3,282)	4,462
Tax charge	–	–	–	–	(1,434)	(1,434)
Profit/(loss) for the year	5,782	(557)	5,225	2,519	(4,716)	3,028

There was £1,435,000 (2011 £1,303,000) of intercompany sales between the UK and overseas brands

The segmental Income Statement disclosures are measured in accordance with the Group's accounting policies as set out in note 1

Operating profit before and after exceptional items is regularly reported to the CODM and accordingly is disclosed above

Inter segment revenue earned by Manufacturing from sales to Brands is determined on normal commercial trading terms as if Brands were any other third party customer. Inter segment revenue earned by Brands for sales to Overseas, via the corporate head office, are also based on commercial trading terms

All defined benefit pension costs, and long-term incentive plan expenses, are recognised for internal reporting to the CODM as part of Group wide activities and are included within 'Eliminations and unallocated' above. Other costs, such as Group insurance, rent and auditor's remuneration which are incurred on a group wide basis are recharged by the head office to segments on a reasonable and consistent basis for all periods presented and are included within segment results above

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4 Segmental analysis continued

b) Additional segmental revenue information

The segmental revenues of the Group are reported to the CODM in more detail. One of the analyses presented is revenue by export market in the brands

Brands revenue by export market	2012 £000	2011 £000
Western Europe	6,776	6,382
Scandinavia	1,997	1,740
Eastern Europe	2,104	1,731
Europe Total	10,877	9,853
Middle East	1,223	598
Far East	2,853	2,334
USA	5,478	5,475
South America	199	175
Australasia	770	731
Other	595	565
	21,995	19,731

Revenue of the Brands reportable segment – revenue from operations in all territories where the sale is sourced from the United Kingdom Brands operations, excluding sales to Overseas subsidiaries, together with contract and licence revenue

Brand Revenue Analysis	2012 £000	2011 £000
Harlequin	22,426	20,537
Sanderson, incorporating Morris & Co	19,018	17,569
Zoffany	9,103	8,812
	50,547	46,918

Revenue of the Manufacturing reportable segment – including revenues from internal sales to the Group's brands

Manufacturing Revenue Analysis	2012 £000	2011 £000
Standfast	15,172	15,751
Anstey	13,482	13,031
	28,654	28,782

Revenue of the Overseas reportable segment – revenue of the Group's overseas subsidiaries from retail operations which also includes contract and licence revenue

Overseas Revenue Analysis	2012 £000	2011 £000
United States of America	5,478	5,475
France	1,392	1,132
	6,870	6,607

c) Other Income Statement segmental information

The following additional items are included in the measures of profit and loss reported to the CODM and are included within (a) above

Year ended 31 January 2012	Brands £000	Manufacturing £000	Overseas £000	Eliminations and unallocated £000	Total £000
Depreciation	684	773	83	10	1,550
Amortisation	251	52	–	–	303
Impairment losses – trade receivables	113	23	12	–	148
Reversal of impairment losses – trade receivables	(4)	–	(3)	–	(7)
Impairment losses – inventory	709	33	14	–	756
Reversal of impairment of inventory	–	(15)	–	–	(15)
Share-based payment charges	–	–	–	414	414

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4 Segmental analysis continued

c) Other Income Statement segmental information continued

Year ended 31 January 2011	Brands £000	Manufacturing £000	Overseas £000	Eliminations and unallocated £000	Total £000
Depreciation	626	709	77	7	1,419
Amortisation	260	59	–	–	319
Impairment losses – trade receivables	121	35	7	–	163
Reversal of prior period impairment losses – trade receivables	–	(14)	–	–	(14)
Impairment losses – inventory	765	35	8	–	808
Reversal of impairment of inventory	–	(12)	–	–	(12)
Share-based payment charges	–	–	–	697	697

d) Principal measures of assets and liabilities – Balance Sheet segmental information

Segment assets consist primarily of goodwill, intangible assets, property plant and equipment, trade and other receivables including inter segment receivables, and inventories. Segment liabilities consist primarily of trade and other payables including inter segment payables. Unallocated assets and liabilities consist primarily of cash, deferred tax assets, borrowings, derivative financial instruments, and retirement benefit obligations and elimination of inter segment balances. Segment assets and liabilities and unallocated assets and liabilities are measured in accordance with the Group's accounting policies as set out in note 1.

Year ended 31 January 2012	Brands £000	Manufacturing £000	Overseas £000	Eliminations and unallocated £000	Total £000
Assets	34,666	16,660	953	(1,708)	50,571
Liabilities	(14,784)	(4,714)	(3,017)	(5,004)	(27,519)
Total net assets/(liabilities)	19,882	11,946	(2,064)	(6,712)	23,052
Capital expenditure – Intangible assets	437	4	–	–	441
Capital expenditure – Property, plant and equipment	982	969	109	37	2,097

Year ended 31 January 2011	Brands £000	Manufacturing £000	Overseas £000	Eliminations and unallocated £000	Total £000
Assets	32,891	16,458	1,056	321	50,726
Liabilities	(15,365)	(5,078)	(2,455)	(6,435)	(29,333)
Total net assets/(liabilities)	17,526	11,380	(1,399)	(6,114)	21,393
Capital expenditure – Intangible assets	600	6	–	–	606
Capital expenditure – Property, plant and equipment	924	1,043	61	2	2,030

e) Additional entity-wide disclosures

Revenue by geographical location of customers	2012 £000	2011 £000
United Kingdom	48,573	46,322
Continental Europe	11,678	10,507
United States of America	7,398	7,105
Rest of the World	6,365	4,844
	74,014	68,778

No single customer of the Group accounts for 10% or more of total revenue. Within the sub-totals for Continental Europe and Rest of the World shown above there are no individual countries that account for 10% or more of total revenue.

Non-current assets by geographical territory	2012 £000	2011 £000
United Kingdom	15,037	14,380
Continental Europe	250	217
United States of America	137	144
	15,424	14,741

Non-current assets included above comprise intangible assets and property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 Exceptional items

Items that are both material and whose nature is sufficient to warrant separate disclosure and identification are disclosed within the financial statements and classified within their relevant Income Statement category

In the current year, there are no exceptional items

In the prior year, a full and final payment of £500,000 was received for an insurance settlement for a 'loss of profits claim' which arose from the disruption to collection launches in 2009 as a consequence of the loss of marketing products held at third party's premises which were destroyed in a fire in January 2009. The amounts received are classified within other operating (expense)/income

6 a) Analysis of operating profit by function of expense

	2012 £000	2011 £000
Revenue	74,014	68,778
Cost of sales	(30,029)	(27,384)
Gross profit	43,985	41,394
Net operating expenses		
Distribution and selling costs	(12,716)	(12,060)
Administration expenses	(25,711)	(24,905)
Other operating (expense)/income	(3)	543
Net operating expenses	(38,430)	(36,422)
Profit from operations	5,555	4,972

6 b) Analysis of revenue by category

	2012 £000	2011 £000
Sale of goods	72,426	67,343
Licence royalty income	1,588	1,435
	74,014	68,778

6 c) Analysis of expense by nature

	2012 £000	2011 £000
Changes in inventories of finished goods and work in progress	(356)	(2,281)
Raw materials and consumables used	24,934	23,474
Employee benefit expense	20,141	20,097
Depreciation and amortisation charges	1,853	1,738
Transportation expenses	2,619	2,349
Advertising costs	1,749	1,472
Other selling costs	6,999	6,463
Establishment costs	2,938	3,441
Operating lease payments	1,817	1,883
Repairs and maintenance	1,072	1,101
Other expenses	4,690	4,612
Total cost of sales, distribution and selling costs and administration expenses	68,456	64,349

7 Group profit from operations

	2012 £000	2011 £000
Group profit from operations is stated after charging/(crediting)		
Depreciation of property, plant and equipment	1,550	1,419
Amortisation of intangibles	303	319
Cost of inventories recognised as expense in cost of sales	24,578	21,193
Impairment of inventories	756	808
Reversal of impairment of inventories	(15)	(12)
Impairment of trade receivables	148	163
Reversal of impairment of trade receivables	(7)	(14)
Net foreign exchange losses/(gains)	4	(43)
Operating lease rentals		
– Hire of motor vehicles and plant and machinery	434	426
– Land and buildings	1,383	1,457

	2012 £000	2011 £000
Auditor's remuneration		
– Fees payable to Company's auditor for the audit of parent Company and consolidated financial statements	50	50
– Audit of Company's subsidiaries pursuant to legislation	88	79
– Taxation services	5	41
– Other accounting services	31	5
	174	175

8 Net defined benefit pension charge

	2012 £000	2011 £000
Expected return on pension scheme assets	2,646	2,434
Interest on pension scheme liabilities	(2,565)	(2,542)
Scheme expenses met by Group	(488)	(322)
Settlement gain	–	66
Net charge (note 23)	(407)	(364)

9 Net borrowing costs

	2012 £000	2011 £000
Interest expense:		
Interest payable on bank borrowings	(230)	(209)
Amortisation of issue costs of bank loans	(24)	(25)
Other interest and similar charges payable	–	–
Total borrowing expense	(254)	(234)
Interest income		
Other interest receivable	–	88
Net borrowing costs	(254)	(146)

The 2011 'Other interest receivable' includes £86,000 in respect of interest on the recovery of VAT refunded by HMRC in respect of expenses incurred on the issue of shares in earlier years. It further includes £2,000 in respect of interest received on bank deposits. There was no interest receivable in 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10 Emoluments of Directors

	Salary £000	Bonus £000	LTIP £000	Benefits £000	Sub total aggregate emoluments £000	Pension £000	2012 Total £000	2011 Total £000
Executive Directors								
John Sach	231	162	244	2	639	35	674	428
David Smallridge	183	128	174	1	486	27	513	310
Alan Dix	132	49	139	2	322	13	335	216
Non-executive Directors								
Terry Stannard	62	–	–	–	62	–	62	60
Fiona Goldsmith	27	–	–	–	27	–	27	27
	635	339	557	5	1,536	75	1,611	1,041

In both years, retirement benefits were accruing to one Director under a defined benefit scheme, who is the highest paid Director. Accrued annual pension benefits at the year end were £11,570 (2011: £11,072). Benefits are accruing under defined contribution schemes for three Directors (2011: three Directors).

Further information on the remuneration of the Directors is included in the Directors' Remuneration Report set out on pages 26 to 28.

11 Employee Information

	2012 £000	2011 £000
Wages and salaries	17,253	16,955
Social security costs	1,976	1,758
Other pension costs	498	687
Share-based payment awards, including NIC thereon	414	697
Employee benefit expense	20,141	20,097

The average monthly number of employees (including Directors) during the year	2012 Number	2011 Number
Brands, including warehousing	233	211
Manufacturing	303	285
Overseas	26	32
Corporate and administration	20	22
	582	550

Compensation of key management personnel

	2012 £000	2011 £000
Short-term employee benefits (including short-term incentives)	2,911	2,921
Post employment benefits (including pension costs)	145	130
Share-based payment awards	414	697
	3,470	3,748

The Group regards its key management personnel to be its Directors and senior management having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. Share-based payment awards reflects the charge in the Income Statement and does not reflect the market value of shares expected to vest.

12 Tax expense

	2012 £000	2011 £000
Current tax		
– overseas, current tax	(15)	(13)
– overseas, adjustment in respect of prior year	36	–
Current tax	21	(13)
Deferred tax		
– current year	(933)	(1,339)
– adjustment in respect of prior year	7	(2)
– effect of change in corporation tax rate to 25%	(160)	(80)
Deferred tax	(1,086)	(1,421)
Tax charge for the year	(1,065)	(1,434)

Reconciliation of tax charge for the year

	2012 £000	2011 £000
Profit on ordinary activities before tax	4,894	4,462
Tax on profit on ordinary activities at standard rate 26% (2011 28%)	(1,272)	(1,249)
Non-deductible expenditure	(32)	(31)
Parent and overseas losses and temporary timing differences not recognised	356	(72)
Adjustments in respect of prior years	43	(2)
Effect of change in corporation tax rate to 25%	(160)	(80)
Tax charge for year	(1,065)	(1,434)

Factors affecting current and future tax charges

No UK corporation tax is anticipated to become payable within the immediate future due to the availability of gross tax losses of approximately £12.6 million (2011 £16.2 million)

No overseas taxation is anticipated to become payable within the immediate future due to the availability of gross tax losses of approximately £1.7 million (2011 £1.5 million)

Legislation has now been substantively enacted to reduce the main corporation tax rate to 25% from 1 April 2012

However included within the recent Budget statement by the Chancellor of the Exchequer were various changes to corporation tax and in particular to the rates to be applied from 1 April 2012. A further reduction of 1% to 24% has been proposed from 1 April 2012. The main corporation tax rate from that date will be 24%. In addition, it was announced that the rate will be reduced by 1% per annum to attain a rate of 22% by 1 April 2014.

Accordingly, the deferred tax balance at 31 January 2012, included within these financial statements, which was calculated at a rate of 25%, being the rate enacted in the Finance Act (2011), would be reduced by £43,000 assuming that the proposed rate of 24% from 1 April 2012 is enacted. This reduction will be recognised in the financial statements for the year ended 31 January 2013.

The further reductions to a rate of 22%, assuming that these are formally enacted, would result in a decrease in the deferred tax balance at 31 January 2012 of £129,000. The deferred tax asset balance will be adjusted, in the financial year that the change in the corporation tax rate is substantively enacted by Parliament.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS CONTINUED**13 Earnings per share**

Basic and diluted earnings per share ("EPS") is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held in the employee benefit trust ("EBT") and those held in treasury (note 25), which are treated as cancelled

	2012			2011		
	Earnings £000	Weighted average number of shares (000s)	Per share amount pence	Earnings £000	Weighted average number of shares (000s)	Per share amount pence
Basic and diluted earnings per share	3,829	56,655	6.76	3,028	56,491	5.36

Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2011 59,006,162) ordinary shares of which 960,000 (2011 960,000) ordinary shares are held in treasury and a further 1,093,541 (2011 1,852,445) ordinary shares are held by the Walker Greenbank PLC Employee Benefit Trust ("EBT") with a cost of £224,638 (2011 £380,534). Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2012 was £565,907 (2011 £981,796).

The total number of shares held in treasury at the year end represented 1.63% (2011 1.63%) of the issued shares. The market value of these shares at 31 January 2012 was £496,800 (2011 £508,800).

14 Intangible assets

	Goodwill £000	Arthur Sanderson and William Morris Archive £000	Collection design £000	Software £000	Total £000
Cost					
1 February 2010	1,400	4,300	1,184	4,820	11,704
Additions	–	–	282	324	606
Disposals	–	–	(226)	–	(226)
31 January 2011	1,400	4,300	1,240	5,144	12,084
Additions	–	–	244	197	441
Disposals	–	–	(27)	–	(27)
31 January 2012	1,400	4,300	1,457	5,341	12,498
Amortisation					
1 February 2010	841	–	599	4,577	6,017
Charge	–	–	234	85	319
Disposals	–	–	(225)	–	(225)
31 January 2011	841	–	608	4,662	6,111
Charge	–	–	247	56	303
Disposals	–	–	(27)	–	(27)
31 January 2012	841	–	828	4,718	6,387
Net book amount					
31 January 2012	559	4,300	629	623	6,111
31 January 2011	559	4,300	632	482	5,973
31 January 2010	559	4,300	585	243	5,687

The Arthur Sanderson and William Morris Archive was purchased as part of the acquisition of Arthur Sanderson & Sons on 29 August 2003. It comprises an historical record of unique designs that are used to generate royalty income in the business.

The total amortisation expense of £303,000 (2011 £319,000) is included in administration expenses £293,000 (2011 £300,000) and distribution and selling costs £10,000 (2011 £19,000).

14 Intangible assets continued**Impairment tests for Goodwill and Arthur Sanderson and William Morris Archive**

The carrying value of Goodwill at the year end of £559,000 (2011 £559,000) is attributable to the manufacturing segment. The Archive is attributable to the Brands.

The Group tests Goodwill and the Archive for impairment annually or more frequently if there are indications that they might be impaired.

There was no impairment charge recognised in the year (2011 £nil).

In assessing whether an impairment of goodwill is required the carrying value of the cash generative unit ('CGU') or group of CGUs is compared with its recoverable amount. The recoverable amounts for each CGU and collectively for groups of CGUs that make up the segments of the Group's business have been based on the value in use ('VIU').

The Group estimates the VIU using a discounted cash flow model ('DCF'), where the projected cash flows for separate or collective groups of CGUs are discounted using a pre-tax rate of 6.57% (2011 7.35%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2011 two years) of its VIU calculation, with extrapolation beyond the last explicit year using an assumption of growth for future years ranging from 1% to 2% (2011 1% to 2%) depending upon the CGU being tested.

The cash flows used in the calculation of the VIU are derived from past experience and are based on operating profit forecasts, which in turn rely upon assumptions relating to sales growth, margins and operating and administrative expenses. The cash flows have not included the benefits arising from any future asset enhancement expenditure, as this is not permitted by IAS 36. The VIU calculations therefore exclude significant benefits anticipated from future capital expenditure. The growth rates included within the assumptions supporting the VIU calculations do not therefore represent the Group's anticipated total forecast growth, but rather only the growth deriving from capital expenditure completed at the Balance Sheet date.

The recoverable amount of the Archive intangible asset is estimated based on VIU, and comprises estimated future cash flows from royalty income relating to the Archive. A discount rate of 6.57% (2011 7.35%) is applied.

The Group does not consider it reasonably probable that any significant changes to the key assumptions will arise that would result in impairment of either Goodwill or the Archive as at 31 January 2012.

15 Property, plant and equipment

	Land and buildings £000	Plant equipment and vehicles £000	Computer hardware £000	Total £000
Cost				
1 February 2010	5,404	16,470	1,336	23,210
Additions	–	1,718	312	2,030
Disposals	–	(943)	(294)	(1,237)
Currency movements	–	(3)	–	(3)
31 January 2011	5,404	17,242	1,354	24,000
Additions	–	1,931	166	2,097
Disposals	–	(213)	–	(213)
31 January 2012	5,404	18,960	1,520	25,884
Depreciation				
1 February 2010	1,201	12,600	1,249	15,050
Charge	100	1,218	101	1,419
Disposals	–	(943)	(294)	(1,237)
31 January 2011	1,301	12,875	1,056	15,232
Charge	103	1,326	121	1,550
Disposals	–	(213)	–	(213)
Currency movements	–	2	–	2
31 January 2012	1,404	13,990	1,177	16,571
Net book amount				
31 January 2012	4,000	4,970	343	9,313
31 January 2011	4,103	4,367	298	8,768
31 January 2010	4,203	3,870	87	8,160

The total depreciation expense of £1,550,000 (2011 £1,419,000) is included in administration expenses £1,507,000 (2011 £1,400,000) and distribution and selling costs £43,000 (2011 £19,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 Property, plant and equipment continued

	2012 £000	2011 £000
The net book amount of land and buildings comprises		
Freehold land	450	450
Freehold buildings	3,550	3,653
Net book amount	4,000	4,103

Land and buildings are stated at historical cost

All of the Groups banking facilities remain secured by a fixed and floating charge over the carrying value of assets (land and buildings) of £4,000,000 (2011 £4,103,000)

16 Deferred income tax assets

A deferred tax asset of £2,850,000 (2011 £3,982,000) is recognised in respect of tax losses and other temporary differences and £1,086,000 (2011 £1,421,000) has been charged to the Income Statement during the year as some of the tax losses have been utilised

	2012 £000	2011 £000
Taxable temporary differences on property, plant and equipment	(849)	(776)
Taxable temporary differences on intangible assets	(171)	(164)
Other temporary differences	107	38
Unutilised tax losses	1,989	3,063
	1,076	2,161
Retirement benefit obligations	1,774	1,821
	2,850	3,982

The movements in the deferred tax asset on retirement benefit obligations are recognised in the Statement of Comprehensive Income

At the Balance Sheet date the Group has gross unused UK tax losses of £12.6 million (2011 £16.2 million) available for offset against future profits. A deferred tax asset of £2.0 million (2011 £3.1 million) is recognised in respect of £8.0 million (2011 £11.3 million) of such losses as the Group believes that realisation of the related tax benefit through future taxable profit is probable and can be readily accessed under existing tax legislation.

Note 12 details the impact of the changes to the main rates of corporation tax announced in the recent Budget on the deferred tax asset set out above.

Potential deferred tax assets at 31 January 2012 of £1,939,000 (2011 £2,329,000) relating to tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation. These are summarised in the table below and comprise the following:

- No deferred tax has been recognised on £4.6 million (2011 £4.9 million) of gross UK losses as these are not readily available for offset against the Group's future profits under existing tax legislation and therefore the realisation of these losses is not considered probable.
- In addition, there are gross tax losses in Overseas subsidiaries of £1,757,000 (2011 £1,482,000) which are available for offset against future taxable profits by those subsidiaries. However, the realisation of these losses is not considered probable in the foreseeable future.
- Other deductible temporary differences which predominantly arise on share-based payments reserves.

	2012 £000	2011 £000
Unutilised tax losses – UK	1,159	1,320
Unutilised tax losses – Overseas	611	519
Other deductible temporary differences – UK	169	490
	1,939	2,329

As detailed in note 12 the main rate of corporation tax is to reduce to 22% by 1 April 2014. If these changes are enacted then the unrecognised deferred tax asset noted above would reduce by £159,000.

There are also unutilised capital tax losses at 31 January 2012 of £2,485,000 (2011 £2,485,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

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17 Inventories

	2012 £000	2011 £000
Raw materials	1,858	1,446
Work in progress	972	1,287
Finished goods	14,170	12,897
	17,000	15,630

The cost of inventories recognised as an expense and included in cost of sales amounted to £24,578,000 (2011 £21,193,000)

The value of inventories providing security under the Barclays Bank PLC facility, if it were to be fully drawn, was £11,379,000 (2011 £10,834,000). This facility was not utilised at either year end

18 Trade and other receivables

	2012 £000	2011 £000
Current		
Trade receivables	9,574	10,075
Less: Provision for impairment of trade receivables	(487)	(515)
Net trade receivables	9,087	9,560
Other receivables	516	595
Marketing materials	2,068	2,894
Prepayments	1,376	1,334
	13,047	14,383

The value of trade receivables providing funding under the Barclays facility was £7,224,000 (2011 £7,276,000)

There is no material difference between the carrying amount and the fair value of the trade and other receivables

Credit quality of financial assets**(i) Neither past due nor impaired**

Included in the Group's trade receivable balances are debtors with a carrying value of £5,615,000 (2011 £5,538,000) which are neither past due nor impaired at the reporting date. The nature of the Group's business means that it has a long standing relationship with the majority of its customers, who either have no experience of historical default or only temporary late payments with full recovery of balances due.

For the Group's cash at bank, and the receivable component of derivative financial instruments, the counterparty to the financial instruments is a major UK bank and the Group does not consider there to be any significant credit risk from holding these financial assets.

(ii) Past due – not individually impaired

Included in the Group's trade receivable balances are debtors with a carrying value of £3,721,000 (2011 £4,117,000) which are past due at the reporting date for which the Group does not consider the need to create a specific impairment provision against individually identified debtor. The table below shows the aging analysis of the receivables.

	2012 £000	2011 £000
1–30 days past due	1,816	1,931
31–60 days past due	1,508	1,692
61–90 days past due	370	347
91+ days past due	27	147
	3,721	4,117

The Directors believe however, that in the current economic environment there is objective evidence of credit deterioration and an impairment of £314,000 (2011 £253,000) representing a collective assessment of risk against debtors that are yet to be specifically identified. Due to the nature of the Group's products, there is a limited amount of inventory left in the possession of customers that could act as collateral under terms of trade. As the value of this inventory is immaterial, it has not been disclosed in the financial statements.

(iii) Past due – individually impaired

As at 31 January 2012, trade receivables of £238,000 (2011 £420,000) were individually determined to be impaired and provided for. The amount of the provision was £173,000 (2011 £262,000). The main factors used to assess the impairment of trade receivables is the age of the balance and circumstances of the individual customer. It has been assessed that a proportion of the receivables is expected to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18 Trade and other receivables continued

(iii) Past due – individually impaired continued

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies

	2012 £000	2011 £000
Sterling	8,103	8,252
Dollars	16	252
Euros	1,351	1,557
Other	133	94
	9,603	10,155

The Group considers that any exposure to concentrations of credit risk will be impacted principally by underlying economic conditions in the principal geographical territories in which the Group operates. As at the Balance Sheet date the carrying value of trade receivables by geographical territory of the customer was

	2012 £000	2011 £000
United Kingdom	6,610	6,783
Continental Europe	1,497	1,522
United States of America	195	535
Rest of the World	785	720
	9,087	9,560

Provisions for impairment

Movements on the Group provision for impairment of trade receivables are as follows

	2012 £000	2011 £000
At 1 February	(515)	(408)
Provision for receivables impaired	(148)	(163)
Receivables written off in the year as uncollectible	168	44
Unused amounts reversed	7	14
Exchange difference	1	(2)
At 31 January	(487)	(515)

The creation and release of provisions for impaired trade receivables have been included within distribution and selling costs in the Income Statement

19 Derivative financial instruments

	2012 £000	2011 £000
Forward foreign exchange contracts – cash flow hedges – (liability)/asset	(50)	63
Swap contract – cash flow hedges – asset	54	–

Forward foreign exchange contracts

The Group's US based subsidiary, Walker Greenbank Inc, sells products to local customers with sales invoiced in US dollars. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of these sales. The Group considers that it is highly probable that future sales of this nature will continue to arise over at least the next 12 months.

During the year the Company has entered into monthly forward foreign exchange contracts up to June 2013, with a third party, to buy sterling and sell dollars. The Group has designated these contracts as cash flow hedges of the foreign currency risk arising from the highly probable future forecast sales transactions. As at the reporting date the fair value of the forward foreign contracts relating to the benefit on these anticipated future transactions is a liability of £50,000 (2011: asset of £63,000).

The amounts deferred in equity will be released into the Income Statement in the period or periods during which the hedged forecast transactions impact the Income Statement, which is expected to be within 15 months of the Balance Sheet date.

The Brands make more purchases from the euro zone than sales made to the euro zone. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of the purchases. The Group considers that the level of this exposure will reduce over the next 12 months. As at the reporting date there were no forward foreign currency contracts.

Swap foreign exchange contracts

The Group uses swap contracts to manage its working capital exchange risk from both the foreign subsidiaries and the balances on debtors, creditors and cash held in foreign currency. These swap contracts are designated as Fair Value through the Income Statement.

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19 Derivative financial instruments continued**Swap foreign exchange contracts continued**

The use of swaps are reviewed monthly and renewed when necessary

The swap contract held at the Balance Sheet date was closed on 13 February 2012. There were no swap contracts held at the year ended 31 January 2011

20 Cash and cash equivalents

	2012 £000	2011 £000
Cash at bank and in hand	2,197	1,927

There is a set off arrangement for bank accounts held with the UK clearing bank and accordingly the amounts stated above represent the net of accounts in funds and in overdraft

21 Trade and other payables

	2012 £000	2011 £000
Trade payables	10,461	11,731
Corporation tax	-	38
Other taxes and social security	1,385	1,243
Other payables and deferred revenue	358	786
Accruals	5,307	5,049
	17,511	18,847

22 Borrowings

	2012 £000	2011 £000
Current		
Term loan	400	400
	400	400
Non-Current		
Term loan	1,784	2,183
Trade receivables loan	680	1,161
	2,464	3,344
Total borrowings	2,864	3,744

In March 2010, the Group agreed terms to renew the Receivables and Inventory facilities from Barclays Bank PLC. The total facilities from Barclays Bank PLC comprises a variable rate Term Loan secured on the Group's freehold property which is being repaid on a 10 year profile and Receivables and Inventory Financing Agreements which provide three year variable rate floating loans secured on the eligible trade receivables and eligible inventories at any point in time (the working capital facilities). The working capital facilities may be drawn down in either sterling or euro.

The total Barclays Bank PLC facilities are capped at £16.5 million (2011: £16.5 million), the utilisation of the facilities at the year end was £2,864,000 (2011: £3,744,000). The term loan bears interest at variable rates based on a margin above the Bank of England base rate. The working capital facilities bear finance costs in the form of discount charges which are calculated periodically and vary at margins above the base rate published by Bank of England (for sterling loans) or the European Central Bank (for euro loans).

Under the Barclays Bank PLC facilities, the Group is subject to financial covenants which apply to the term loan, being interest cover and debt service. The receivables and inventory financing agreements require compliance with a number of operational covenants. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to Barclays Bank PLC that it was in full compliance with its financial and operational covenants throughout each of the periods presented.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS CONTINUED**22 Borrowings continued**

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant. The carrying amounts and fair value of the non-current borrowings are as follows

	Carrying amount		Fair Value	
	2012 £000	2011 £000	2012 £000	2011 £000
Term loan	1,784	2,183	1,800	2,200
Trade receivables loan	680	1,161	711	1,213
	2,464	3,344	2,511	3,413

The fair values are based on cash flows discounted using a weighted average rate based on the borrowing rate of 1.75% (2011: 1.75%)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the Balance Sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity profile of undiscounted cash flows on variable interest rate borrowings has assumed interest rates as at the Balance Sheet date.

	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
31 January 2012				
Borrowings	1,111	821	1,068	–
Trade and other payables	16,126	–	–	–
	17,237	821	1,068	–
31 January 2011				
Borrowings	1,613	821	1,286	222
Trade and other payables	17,566	–	–	–
	19,179	821	1,286	222

The carrying amounts of the Group's borrowings are denominated in the following currencies

	2012 £000	2011 £000
Sterling	2,864	3,744

23 Retirement benefit obligations**Defined contribution schemes**

The Group contributes to the defined contribution section of the Abans Holdings Limited Pension Scheme and to a Group Personal Pension Plan which is also a defined contribution scheme. Contributions are charged to the Income Statement as incurred and amounted to £451,000 (2011: £365,000). Active members of the schemes are also able to make contributions.

Defined benefit schemes

The Group operates the following funded defined benefit pension schemes in the UK which offer pensions on retirement and death benefits to members: the Walker Greenbank Pension Plan and the Abans Holdings Limited Pension Scheme. The WG Senior Management Pension Scheme was effectively closed during the year. Pension benefits are related to the members' salary at retirement and their length of service. The schemes are closed to new members and the future accrual of benefits.

The most recent finalised triennial funding valuation for the defined benefit schemes was April 2009 with an updated funding valuation performed as at April 2010. An updated valuation for IAS 19 financial reporting purposes has been completed at the Balance Sheet date.

The Group's contributions to the schemes for the year beginning 1 February 2012 are expected to be £1,583,000.

	2012	2011
Discount rate	4.60%	5.60%
Rate of salary increase	2.90%	3.40%
Rate of increase to LPI pensions in payment	2.90%	3.30%
Rate of increase to pensions (in excess of GMP) in deferment	2.10%	3.40%
Rate of inflation	2.90%	3.40%
Expected return on plan assets	5.90%	6.60%

23 Retirement benefit obligations continued**Defined benefit schemes** continued

The principal assumptions applied when valuing the defined benefit schemes were

Members are assumed to commute 25% of their pension (2011: 25%)

The assumptions used in determining the overall expected return on assets of the scheme have been set with reference to yields available on government bonds and appropriate risk margins for equities and other classes of assets

The mortality assumptions applied, in both years, are based on the Self Administered Pension Scheme with medium cohort effect and a floor of 1% p.a. on future mortality improvements. The mortality assumptions imply the expected future lifetime from age 65 as follows

	2012	2011
Non-pensioner male currently 45	23.4	23.2
Pensioner male currently 65	21.5	21.3
Non-pensioner female currently 45	26.2	26.0
Pensioner female currently 65	24.3	24.1

The amounts recorded in the Balance Sheet are determined as follows

	2012 £000	2011 £000
Equities	23,878	25,574
Fixed interest	21,973	13,301
Insured annuities	1,275	1,257
Cash and other	212	170
Fair value of plan assets	47,338	40,302
Present value of funded defined benefit obligations	(54,433)	(47,044)
Net liability in Balance Sheet	(7,095)	(6,742)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2012 £000	2011 £000
Benefit obligation at beginning of year	47,044	46,530
Scheme expenses	488	322
Interest cost	2,565	2,542
Actuarial loss – other	6,864	1,559
Removal of liabilities in Senior Management Scheme	–	(1,322)
Benefits paid	(2,528)	(2,587)
Benefit obligation at end of year	54,433	47,044

Reconciliation of opening and closing balances of the fair value of plan assets

	2012 £000	2011 £000
Fair value of plan assets at beginning of year	40,302	38,587
Expected return on plan assets	2,646	2,434
Actuarial gain	5,460	1,718
Contributions by employers	1,458	1,360
Enhanced transfer costs	–	46
Removal of scheme assets in Senior Management Scheme	–	(1,256)
Benefits paid	(2,528)	(2,587)
Fair value of plan assets at end of year	47,338	40,302

The amounts recognised in the Income Statement are

	2012 £'000	2011 £'000
Scheme expenses	488	322
Settlement gain	–	(66)
Interest on obligation	2,565	2,542
Expected return on plan assets	(2,646)	(2,434)
Net defined benefit pension charge	407	364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 Retirement benefit obligations continued

Reconciliation of opening and closing balances of the fair value of plan assets continued

The Group no longer has any remaining obligations in respect of The Walker Greenbank Senior Management Pension Scheme as the two remaining deferred members accepted enhanced transfer values during prior year. A net settlement gain of £66,000 was included within net defined benefit costs of the prior year.

The actual return on assets over the period was a gain of £8,106,000 (2011: gain of £4,152,000).

Actuarial gains and (losses) recognised in Statement of Comprehensive Income

	2012 £000	2011 £000
Actual return on scheme assets higher than expected return	5,460	1,718
Other actuarial losses on scheme liabilities	(6,864)	(1,559)
	(1,404)	159

Other actuarial losses on scheme liabilities in the period arise mainly from decreases in the discount rate and higher inflation assumptions used in determining the present value of scheme liabilities.

The cumulative amount of actuarial losses reported in the Statement of Comprehensive Income before deferred taxation was £22,130,000 (2011: £20,726,000).

History of schemes' assets, obligations and experience adjustments

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of defined benefit obligation	(54,433)	(47,044)	(46,530)	(39,224)	(44,260)
Fair value of scheme's assets	47,338	40,302	38,587	35,063	40,851
Deficit in the schemes	(7,095)	(6,742)	(7,943)	(4,161)	(3,409)
Experience adjustments arising on scheme liabilities	(6,864)	(1,559)	(7,694)	5,458	2,064
Experience adjustments arising on scheme assets	5,460	1,718	2,665	(7,458)	(1,364)

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24 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below

	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
31 January 2012				
Assets as per Balance Sheet				
Derivative financial instruments	-	-	54	54
Trade and other receivables	9,603	-	-	9,603
Cash and cash equivalents	2,197	-	-	2,197
Total	11,800	-	54	11,854

	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
31 January 2012				
Liabilities as per Balance Sheet				
Derivative financial instruments	-	-	50	50
Borrowings	-	2,864	-	2,864
Trade and other payables	-	16,126	-	16,126
Total	-	18,990	50	19,040

	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
31 January 2011				
Assets as per Balance Sheet				
Derivative financial instruments	-	-	63	63
Trade and other receivables	10,155	-	-	10,155
Cash and cash equivalents	1,927	-	-	1,927
Total	12,082	-	63	12,145

	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
31 January 2011				
Liabilities as per Balance Sheet				
Borrowings	-	3,744	-	3,744
Trade and other payables	-	17,566	-	17,566
Total	-	21,310	-	21,310

25 Share Capital

Ordinary shares of 1p each	Number of shares	£
Authorised share capital		
1 February 2010, 31 January 2011 and 31 January 2012	85,000,000	850,000
Allotted, called up and fully paid		
1 February 2010, 31 January 2011 and 31 January 2012	59,006,162	590,062

All holders of ordinary shares have the right to vote at general meetings of the Company and to distributions from dividends or on winding up of the Company

Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2011 59,006,162) ordinary shares of which 960,000 (2011 960,000) ordinary shares are held in treasury and a further 1,093,541 (2011 1,852,445) ordinary shares are held by the Walker Greenbank PLC Employee Benefit Trust ("EBT") with a cost of £224,638 (2011 £380,534). Shares held in treasury or by the EBT are treated as cancelled when calculating earnings per share

The market value of shares held by the EBT at 31 January 2012 of £565,907 (2011 £981,796)

The total number of shares held in treasury at the year end represented 1.63% (2011 1.63%) of the issued shares. The market value of these shares at 31 January 2012 was £496,800 (2011 £508,800)

The shares held by the EBT and the treasury shares are held for the purpose of satisfying awards under long-term incentive plans to Executive Directors and senior management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25 Share Capital continued

Long-Term Incentive Plans ('LTIPs')

The Group operates a Long-Term Incentive Plan. There have been five awards under this plan, in which Executive Directors and senior management of the Group participate. The first award vested during 2009 and the second vested during 2011. The LTIP has previously been approved by the shareholders at an Annual General Meeting.

Awards under the scheme are granted in the form of nil-priced share options, and are to be satisfied either using market-purchased shares or by the issuing of new shares. The awards vest in full or in part dependent on the satisfaction of specified performance targets at the end of the vesting period applying to each plan. The number of awards that vest is dependent upon both the adjusted profit before tax ('PBT') achieved for the relevant year or the Group's Total Shareholder Return ('TSR') during the vesting period within a comparator group. Details are set out below.

	Award Three	Award Four	Award Five
Grant date of awards	27 May 2009	20 May 2010	19 May 2011
Grant date fair value of award (pence per award)	7.92	18.00	25.22
Vesting date of awards	25 May 2012	17 May 2013	19 May 2014
Maximum number of awards	2,150,000	2,102,000	1,864,663
Vesting condition based on	TSR with PBT floor	TSR with PBT floor	TSR with PBT floor
Relevant date for determination of vesting conditions	TSR as at 27 May 2012 PBT for year ending 31 January 2012	TSR as at 17 May 2013 PBT for year ending 31 January 2013	TSR as at 19 May 2014 PBT for year ending 31 January 2014

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 26 to 28.

The fair value at grant date of Award Two was estimated based on the share price of the Group at grant date. Award's Three and Four include vesting conditions that are market based and allowance for these are included within the fair value at grant date. The weighted average fair value of options granted during the period (Award Five) determined using the Monte-Carlo valuation model was 25.22p per option. The significant inputs into the model were weighted average share price of 49.0p at the grant date, exercise price shown above, dividend yield of 1.94%, an expected option life of three years and an annual risk-free interest rate of 1.52%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 11 for the total expense recognised in the Income Statement for share options granted to Directors and employees.

Movements in the number of awards outstanding, assuming maximum achievement of vesting conditions are as follows:

	2012 Number	2011 Number
At 1 February	5,667,093	3,565,093
Granted	1,864,663	2,102,000
Exercised	(1,415,093)	–
At 31 January	6,116,663	5,667,093

26 Capital reserve

Capital reserve represents	£000
Share premium of companies acquired under merger accounting principles	1,276
Capital reserve arising on consolidation	293
Capital redemption reserve on capital restructurings	41,888
At 31 January 2012 and 2011	43,457

27 Dividends

During the year, the Group has paid a final dividend for the year to 31 January 2011 and an interim dividend of 0.20p for the year to 31 January 2012 (2011: 0.15p).

The Group will continue to invest in the future growth of the business and to continue to pay dividends.

The Directors recommend the payment of a final dividend of 1.00p per share (2011: 0.80p per share) which will be payable on 10 August 2012 to shareholders on the register at 13 July 2012. This brings the total dividend for the year to 1.20p (2011: 0.95p).

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28 Cash generated from operations

	2012 £000	2012 £000	2011 £000	2011 £000
Profit before tax		4,894		4,462
Defined benefit pension charge	407		364	
Net borrowing costs	254		146	
Depreciation	1,550		1,419	
Amortisation	303		319	
Charge for long-term incentive plan recognised in equity	353		493	
Tax paid on vesting of LTIP 2	(348)		-	
Unrealised foreign exchange losses included in operating profit	(39)		9	
Defined benefit pension cash contributions	(1,458)		(1,406)	
Changes in working capital				
(Increase) in inventories	(1,370)		(2,392)	
Decrease/(increase) in trade and other receivables	1,282		(3,962)	
(Decrease)/increase in trade and other payables	(1,298)		5,004	
		(364)		(6)
Cash generated from operations		4,530		4,456

29 Analysis of net debt

	1 February 2011 £000	Cash flow £000	Working Capital facilities £000	Current portion of term facilities £000	Other non cash changes £000	Exchange movement £000	31 January 2012 £000
Cash and cash equivalent	1,927	270	-	-	-	-	2,197
Borrowings due within one year	(400)	400	-	(400)	-	-	(400)
Borrowings due after one year	(3,344)	504	-	400	(24)	-	(2,464)
	(3,744)	904	-	-	(24)	-	(2,864)
Net debt	(1,817)	1,174	-	-	(24)	-	(667)

Other non-cash changes are capitalisation and amortisation of the issue costs relating to the borrowings

30 Commitments

a) Capital commitments

Capital expenditure contracted for at the Balance Sheet date but not yet incurred is as follows

	2012 £000	2011 £000
Property, plant and equipment	137	582

b) Lease Commitments

Operating lease payments represent rentals payable by the Group for certain office properties. Land and building leases are negotiated for an average of 14 years and rentals are fixed for an average of five years. Other leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

Total commitments due under non-cancellable operating leases are as follows

	Land and buildings 2012 £000	Other 2012 £000	Land and buildings 2011 £000	Other 2011 £000
Within one year	1,435	378	1,416	329
Between one and five years	4,433	359	4,671	308
Over five years	6,487	-	3,553	7
	12,355	737	9,640	644

Other leases include hire of plant, machinery and motor vehicles

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 Principal subsidiary undertakings

The principal Group operating companies that traded during the year, and are wholly owned, and which are included in these consolidated financial statements are as follows

Abaris Holdings Limited	– registered in England and Wales
Walker Greenbank Inc*	– incorporated in the USA
Arthur Sanderson & Sons Inc*	– incorporated in the USA
Arthur Sanderson & Sons SARL*	– incorporated in France

*Shares held by subsidiary company

For a full list of subsidiary companies, please contact the Company Secretary at the Group registered address

Investments in Group companies are ordinary shares

The principal activities of the Group are design, manufacture, marketing and distribution of wallcoverings, furnishing fabrics and associated products for the consumer market

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WALKER GREENBANK PLC

We have audited the parent Company financial statements of Walker Greenbank PLC for the year ended 31 January 2012 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements – give a true and fair view of the state of the Company's affairs as at 31 January 2012, – have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and – have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the parent Company financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Walker Greenbank plc for the year ended 31 January 2012.



OWEN MACKNEY
(SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
15 May 2012

COMPANY BALANCE SHEET

AT 31 JANUARY 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	4	37	10
Investments	5	43,762	43,665
		43,799	43,675
Current assets and liabilities			
Debtors	6	13,268	18,027
Cash at bank and in hand		-	460
		13,268	18,487
Creditors amounts falling due within one year	8	(6,124)	(10,987)
Net current assets		7,144	7,500
Total assets less current liabilities		50,943	51,175
Creditors amounts falling due after more than one year	9	(1,800)	(2,200)
Net assets		49,143	48,975
Capital and reserves			
Share capital	11	590	590
Share premium account	12	457	457
Retained earnings	12	6,208	6,040
Other reserves	12	41,888	41,888
Total shareholders' funds		49,143	48,975

The financial statements on pages 66 to 73 were approved by the Board of Directors on 15 May 2012 and were signed on its behalf by


JOHN SACH
DIRECTOR


ALAN DIX
DIRECTOR

Registered Number 61880

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Accounting convention

The financial statements are prepared on a going concern basis and under the historical cost convention. They have been prepared in accordance with applicable accounting standards and United Kingdom Generally Accepted Accounting Practice, with the Companies Act 2006 and with the accounting policies set out below which have been consistently applied to all periods presented unless otherwise indicated.

Going concern

The Company meets its day to day working capital requirements through its banking facilities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Company will be able to operate within the level of its current facilities as disclosed in note 9.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the Company continues to adopt the going concern basis in preparing its financial statements.

Profit and loss account

No Profit and loss account is presented for Walker Greenbank PLC ('the Company') as it has applied the exemption provided by Section 408 of the Companies Act 2006.

A profit of £733,000 (2011: loss of £745,000) has been dealt with in the financial statements of the Company.

Consolidation

These financial statements present information relating to the entity Walker Greenbank PLC and are not consolidated. The consolidated financial statements of Walker Greenbank PLC and its subsidiaries ('the Group') of which the Company is the parent are separately presented within this Annual Report and Financial Statements and are prepared in accordance with IFRS.

Tangible fixed assets

Depreciation is charged on tangible fixed assets (excluding freehold land) on a straight-line basis on the original cost after deduction of any estimated residual value. The principal annual rates are:

Freehold buildings	2%
Short leasehold improvements	Over the unexpired period of the lease
Plant, equipment and vehicles	Between 5% and 33%
Computer assets	Between 12.5% and 33%

Land and buildings were stated at cost less any provision for impairment.

Impairment of tangible fixed assets and investments

Fixed assets and investments are subject to review for impairment in accordance with FRS 11. Where impairment triggers are identified the recoverable amount of the relevant asset, or group of assets within an income generating unit, is determined, being the higher of value in use and net realisable value. If the carrying amount of the asset exceeds its recoverable amount an impairment loss is calculated. Any impairment is recognised in the Profit and loss account in the year in which it occurs. Where impairments have been identified in prior years and recoverable amount was based on value in use, an updated discounted cash flow is prepared annually to assess whether the previous impairment in value has reversed. When all conditions are met, the impairment is reversed and recognised in the profit and loss in the year in which the reversal occurs.

Financial instruments

The Company is listed on the Alternative Investment Market regulated by The London Stock Exchange. It is not required to adopt FRS 26 'Financial Instruments: Measurement' or FRS 29 'Financial Instruments: Disclosures' in these financial statements and has not elected to voluntarily do so.

The Company continues to adopt the amortised cost basis of accounting for financial instruments and had not elected to voluntarily apply fair value measurements of financial instruments, including derivative financial instruments.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date.

Transactions in foreign currencies are recorded at the rates ruling at the date of transaction. All differences are taken to the Profit and loss account.

Further disclosure of the Group's financial risk management policies is included in note 2 of the consolidated financial statements of the Group which are separately presented from this Company's financial statements.

Employee share ownership plan ('ESOP')

Where the Company's issued share capital is acquired by an ESOP trust sponsored by the Company the cost of acquisition is deducted from the Profit and loss reserve in accordance with UITF Abstract 38.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

Employee benefits – share-based payments under long-term incentive plans ('LTIPs')

The Company issues equity-settled share-based payments to certain employees of the Group which are measured at fair value and are recognised as an expense in the Profit and loss account with a corresponding increase in equity

The fair values of these payments are measured at the dates of grant, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met. The total amount recognised in the Profit and loss account as an expense is adjusted to reflect the actual number of awards that vest.

National insurance contributions, related to the awards are recognised as an expense in the Profit and loss account with a corresponding liability being recorded on the Balance Sheet.

The Company has applied the amendment to FRS 20 'Share-based payments – Group and treasury shares'. This is consistent with the requirements of UITF 44 which the Company adopted in previous years.

Under these requirements a portion of the fair value of awards granted to employees providing services to the Company's subsidiary companies are recognised as an additional investment in those subsidiaries, and not as an expense of the Company.

Employee benefits – pensions

The Walker Greenbank Group operates both defined benefit and defined contribution pension schemes for the benefit of its employees. Further details of these schemes are included in note 23 of the consolidated financial statements of the Group presented within their Annual Report and Financial Statements.

Defined benefit pension schemes are accounted for within the separate financial statements of the Company's trading subsidiary, Abans Holdings Limited. The Company recognises contributions to defined contribution schemes in respect of its employees as expenses when incurred.

Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Consideration paid including any directly attributable incremental costs (net of income taxes) on the purchase of the Company's equity share capital (treasury shares) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects and is included in equity attributable to the Company's equity shareholders.

Deferred taxation

Deferred taxation is recognised in respect of timing differences that have originated but not reversed at the Balance Sheet date and that give rise to an obligation to pay more tax or a right to pay less tax in the future. Deferred tax is calculated using the average rates that are expected to apply when the timing differences reverse, based on tax rates that have been substantively enacted by the Balance Sheet date.

No provision has been made for any liability arising from the distribution of past earnings of subsidiary undertakings.

Deferred tax assets are only recognised when it is more likely than not that they will be recovered in the foreseeable future.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets used by the Company which have been funded through finance leases are capitalised in tangible fixed assets and the resulting lease obligations are included in liabilities. The assets are depreciated over their useful lives and the interest element of the rental obligations is charged to the Profit and loss account over the period of the lease, and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the Profit and loss account on a straight line basis over the period of the lease. Rent free periods receivable on entering an operating lease are released on a straight line basis to the next break point in the lease.

Cash flow statement and related party transactions

The Company has applied the exemption available in FRS 8 and has decided not to disclose transactions with wholly owned subsidiary undertakings.

In addition, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

For details of other related party transactions see note 16.

2 Auditors' remuneration

	2012 £000	2011 £000
Audit fee – fees payable to the Company auditor for the audit of the parent Company and the consolidation of the Group financial statements	50	50

3 Emoluments of Directors

	Salary £000	Bonus £000	LTIP £000	Benefits £000	Sub-total Aggregate emoluments £000	Pension £000	2012 Total £000	2011 Total £000
Executive Directors								
John Sach	231	162	244	2	639	35	674	428
David Smallridge	183	128	174	1	486	27	513	310
Alan Dix	132	49	139	2	322	13	335	216
Non-executive Directors:								
Terry Stannard	62	–	–	–	62	–	62	60
Fiona Goldsmith	27	–	–	–	27	–	27	27
	635	339	557	5	1,536	75	1,611	1,041

In both years, retirement benefits were accruing to one Director under a defined benefit scheme, who is the highest paid Director. Accrued annual pension benefits at the year end were £11,570 (2011: £11,072).

Benefits are accruing under defined contribution schemes for three Directors (2011: three Directors).

Further information on the remuneration of the Directors is included in the Directors' Remuneration Report which is included on pages 26 to 28 of the Group's Annual Report and Financial Statements.

4 Tangible fixed assets

	Plant, equipment and vehicles £000	Computer assets £000	Total £000
Cost			
31 January 2011	50	20	70
Additions	35	2	37
31 January 2012	85	22	107
Depreciation			
31 January 2011	41	19	60
Charge	9	1	10
31 January 2012	50	20	70
Net book amount			
31 January 2012	35	2	37
31 January 2011	9	1	10

5 Investments

	2012 £000	2011 £000
Shares in subsidiary undertakings		
Cost		
As at 1 February 2011	44,703	44,595
Additions	97	108
Disposal of subsidiary	–	–
As at 31 January 2012	44,800	44,703
Provision for impairment:		
Beginning of year and end of year	(1,038)	(1,038)
Net book amount at 31 January 2012 and 2011	43,762	43,665

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 Investments continued

Additions in both years relate to the application of the Company's accounting policy on share-based payments under FRS 20

Walker Greenbank PLC is registered and domiciled in the United Kingdom. It is the parent Company of the Walker Greenbank Group. The principal operating companies that traded during the year, all of which are wholly owned, are as follows:

Abans Holdings Limited	– registered in England and Wales
Walker Greenbank Inc*	– incorporated in the USA
Arthur Sanderson & Sons Inc*	– incorporated in the USA
Arthur Sanderson & Sons SARL*	– incorporated in France

* Shares held by subsidiary company

Investments in Group companies are Ordinary shares

The principal activities of the Group are design, manufacture, marketing and distribution of wallcoverings, furnishing fabrics and associated products for the consumer market.

The carrying value of the investment in Abans Holdings Limited is reviewed annually by reference to its value in use to the Company. The value in use was calculated using future expected cash flow projections, discounted at 6.57% (2011: 7.35%) on a pre-tax basis and is not intended to reflect a realisable value on disposal.

A full list of subsidiaries will be included with the next Annual Return of the Company.

6 Debtors

	2012 £000	2011 £000
Amounts owed by subsidiary undertakings	12,994	17,805
Other debtors	274	222
	13,268	18,027

Amounts owed by subsidiary undertakings are non-interest bearing and are unsecured. These loans are repayable on demand by the Company should payment be required, but full settlement within the next 12 months is unlikely to be sought.

7 Disclosure of fair value of derivative financial instruments

	2012 £000	2011 £000
Forward foreign exchange contracts – cash flow hedges – (liability)/asset	(50)	63
Swap contract – cash flow hedges – asset	54	–

Forward foreign exchange contracts

The Group's US based subsidiary, Walker Greenbank Inc, sells products to local customers with sales invoiced in US dollars. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of these sales. The Group considers that it is highly probable that future sales of this nature will continue to arise over at least the next 12 months. During the year the Company has entered into monthly forward foreign exchange contracts up to June 2013, with a third party, to buy sterling and sell US dollars.

The Group has designated these contracts as cash flow hedges of the foreign currency risk arising from the highly probable future forecast sales transactions.

As at the reporting date forward exchange contracts with a notional principal of US\$4.8 million (2011: US\$4.5 million) are outstanding. The fair value of the forward foreign contracts relating to the benefit on these anticipated future transactions is a liability of £50,000 (2011: asset of £63,000).

Swap foreign exchange contracts

The Group uses swap contracts to manage its working capital exchange risk from both the foreign subsidiaries and the balances on debtors, creditors and cash held in foreign currency.

The use of swaps are reviewed monthly and renewed when necessary.

The swap contract held at the Balance Sheet date was reversed on 13 February 2012. There were no swap contracts held at the year ended 31 January 2011.

8 Creditors due within one year

	2012 £000	2011 £000
Bank term loans (note 9)	400	400
Bank overdrafts	86	–
Trade creditors	93	70
Amounts owed to subsidiary undertakings	4,410	9,256
Other taxes and social security	204	218
Other creditors	62	–
Accruals	869	1,043
	6,124	10,987

Amounts owed to subsidiary undertakings are non-interest bearing and are unsecured. These loans are payable on demand by the Company should payment be required, but full settlement within the next 12 months is unlikely to be sought.

9 Creditors due after more than one year

	2012 £000	2011 £000
Bank term loan	1,800	2,200

Interest is charged at 1.25% (2011: 1.25%) over base rate.

Repayment of total borrowings

	2012 £000	2011 £000
Over five years	200	600
Between two and five years	1,200	1,200
Between one and two years	400	400
After more than one year	1,800	2,200
Within one year (note 8)	400	400
	2,200	2,600

The Company has facilities from Barclays Bank PLC which comprises a variable rate term loan secured on the Group's freehold property of £4.0 million which is being repaid on a 10 year profile.

Under the Barclays Bank PLC facilities, the Group is subject to various financial covenants which apply to the term loan, including interest cover and debt service.

Any non-compliance with the covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements.

The Group has reported to Barclays Bank PLC that it was in full compliance with its financial and operational covenants throughout each of the periods presented.

There is a set off arrangement for Group bank accounts held with Barclays Bank PLC.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 Deferred taxation

Potential deferred tax assets at 31 January 2012 of £1,328,000 (2011 £1,759,000) relating to tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery will arise

	2012 £000	2011 £000
Tax losses	1,159	1,320
Other timing differences	169	439
	1,328	1,759

There are also unutilised capital tax losses of £4,885,000 (2011 £4,885,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised

11 Share capital

Ordinary shares of 1p each	Number of shares	£
Authorised share capital		
1 February 2011 and 31 January 2012	85,000,000	850,000
Allotted, called up and fully paid		
1 February 2011 and 31 January 2012	59,006,162	590,062

Walker Greenbank's issued ordinary share capital, with voting rights, consists of 59,006,162 (2011 59,006,162) ordinary shares of which 960,000 (2011 960,000) ordinary shares are held in treasury and a further 1,093,541 (2011 1,852,445) ordinary shares are held by the Walker Greenbank PLC Employee Benefit Trust ('EBT') with a cost of £224,638 (2011 £380,534) and a market value at 31 January 2012 of £565,907 (2011 £981,786). Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The total number of shares held in treasury at the year end represented 1.63% (2011 1.63%) of the issued ordinary shares. The market value of these shares at 31 January 2012 was £496,800 (2011 £508,800).

The shares held by the EBT and the treasury shares are held for the purpose of satisfying awards under long-term incentive plans to Executive Directors and senior management.

Long-Term Incentive Plans ('LTIPs')

The Group operates a Long-Term Incentive Plan. There have been five awards under this Plan, in which Executive Directors and senior management of the Group participate. The LTIP has previously been approved by the shareholders at an Annual General Meeting. Further details are included in note 25 of the consolidated financial statements of the Group which are separately included within this Annual Report and Financial Statements.

12 Shareholders' funds and reserve movements

	Share capital £000	Share premium account £000	Profit and loss account £000	Capital reserve £000	Total £000
1 February 2010	590	457	6,838	41,888	49,773
Reserve for long-term incentive plans	-	-	493	-	493
Loss for the year	-	-	(745)	-	(745)
Dividends paid	-	-	(368)	-	(368)
Treasury shares	-	-	(178)	-	(178)
31 January 2011	590	457	6,040	41,888	48,975
Reserve for long-term incentive plans	-	-	5	-	5
Profit for the year	-	-	733	-	733
Dividends paid	-	-	(570)	-	(570)
31 January 2012	590	457	6,208	41,888	49,143
Capital reserve represents					£000
Capital redemption reserve arising on capital reconstructions					41,888

13 Operating lease commitments

Annual commitments due under non-cancellable operating leases are as follows

	Land and buildings 2012 £000	Other 2012 £000	Land and buildings 2011 £000	Other 2011 £000
Operating leases which expire				
Within one year	-	-	-	-
Between one and five years	87	-	86	-
Over five years	420	-	420	-
	507	-	506	-

14 Contingent liability

The Company is party to a cross guarantee relating to the borrowings of its subsidiary Abans Holdings Limited under the funding arrangement with Barclays Bank PLC

15 Post balance sheet event

The Directors have recommended the payment of a final dividend of 100p per share (2011 0 80p per share), a total of £571,537 (2011 £449,550) The shares held in Treasury or by the Employee Benefit Trust are excluded from receiving dividends in accordance with UK GAAP

16 Related party transactions

The Company made contributions to the Walker Greenbank Group Personal Pension Plan of £101,000 for the year ended 31 January 2012 (2011 £74,000)

FIVE YEAR RECORD

	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000
Revenue	62,448	63,698	60,378	68,778	74,014
Overseas revenue by location of customer	20,908	22,672	20,409	22,456	25,441
Profit from operations	3,961	3,561	2,415	4,972	5,555
Profit from operations before exceptional items and discontinued operations	3,961	3,857	2,522	4,472	5,555
EBITDA	5,783	5,703	4,308	6,210	7,001
Profit before income tax	3,099	2,787	1,552	4,462	4,894
Capital expenditure	1,797	1,527	1,067	2,636	2,538
Earnings per ordinary share	14 49p	2 96p	2 10p	5 36p	6 76p
Average number of employees	586	594	529	550	582
Dividends paid in year	–	–	–	368	570
Shareholders' funds	20,799	19,911	18,770	21,393	23,052
Dividend per share					
– Final (prior year end) – paid	–	–	–	0 50p	0.80p
– Interim (current year end) – paid	–	–	–	0 15p	0.20p
– Final (current year end) – proposed	–	–	–	–	1.00p

EBITDA is based on profit from operations before exceptional items

SHAREHOLDER INFORMATION

Financial Calendar

Annual General Meeting	27 June 2012
Announcement of half-year results	October 2012

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