

Walker Greenbank PLC

Heritage and quality Providing luxury worldwide

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Annual Report & Accounts 2013

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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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For more information please visit
www.walkergreenbank.com

Cover image
The Quartz collection from Zoffany

Image above
Sanderson Home's debut collection Maycott

Brand Strength

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The Group has a range of brands positioned at the mid to upper end of the furnishings market covering a wide range of tastes from traditional to contemporary

Investing in Innovation

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The Group's manufacturing businesses continue to invest in capability and development of a highly skilled workforce to secure genuine competitive advantage

Highlights

- Sales up 2.3% to £75.7 million (2012 £74.0 million) with strong growth in the US up 17.6%
- Strong performance from the new contemporary brand, Scion and brand offshoot Sanderson Home
- Adjusted profit before tax* up 11.7% at £6.38 million (2012 £5.72 million)
- Unadjusted profit before tax of £4.93 million (2012 £4.89 million)
- Licensing income up 18.2% to £1.88 million (2012 £1.59 million) with strong growth in Japan
- Adjusted earnings per share* up 14.6% at 9.41p per share (2012 8.21p per share)
- Final dividend up 25.0% to 1.25p per share (2012 1.00p per share)
- Net funds of £1.2 million, the first time the Group has reported net funds since January 2000

* Adjusted for accounting charges relating to share-based incentives and defined benefit charge

International Potential

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The Group sells in 75 countries throughout the world through an extensive network of agents and distributors

Licensing Opportunities

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The Brands have increased their focus on licensing opportunities, building on existing relationships and forming new partnerships, both in the UK and international markets

Chairman's Statement

Establishing our strong position through quality brands and key partnerships

Terry Stannard Non-executive Chairman

Overview

I am pleased to report that the Group continues to make encouraging progress in sometimes difficult global markets. This progress reflects our continued focus on developing our product offering, manufacturing capability and international sales potential.

The year has seen significant growth in the US for the first time since 2008, with brand sales increasing 17.6% in reportable currency, 16.7% in constant currency.

The US performance has been driven by the success of the Harlequin brand, which has increased sales year-on-year by 39.4% and is now the Group's biggest selling brand in the US market. We believe the US offers significant potential for all our brands and, to assist in taking advantage of this opportunity, we are currently extending our flagship showroom in New York.

I am pleased to report that we have grown sales in the UK, our largest market, by 2.5%. This growth has been achieved in a difficult marketplace but we have seen good responses to our new collections, brand development and manufacturing investment. The challenging conditions in the Eurozone are well documented but we have seen some improvement in sales in the second half. Year on year sales in the Eurozone have declined 9.4% in reportable currency, 3.0% in constant currency.

Outside of the Middle East, we have grown our Rest of the World sales by 4.3%, with most major markets making progress including growth in the Far East of 5.7%, Eastern Europe 3.3%, Australasia 9.2% and a doubling of sales in South America. The Middle East has seen a sales decline of 30.8% but this is predominantly due to two significant contracts in the prior year.

We continue to make significant progress in extending our product range. In the first half, we launched Scion, a completely new interiors brand aimed at younger customers, and Sanderson Home, a competitively priced brand extension. In the second half, we have added an entirely new trimmings range for both Harlequin and Sanderson together with a Harlequin wallpaper collection developed with Orla Kiely, the internationally acclaimed designer. In addition, we have extended our product offering through new licensing arrangements for the Scion brand in bedding, rugs and towels, helping us grow our licensing income 18.2%.

Our UK manufacturing base is a key asset that differentiates us from others in our industry and puts us at the forefront of innovation in printing techniques. In the second half we commissioned our first high speed digital printer at Standfast, our fabric printing factory, and our first digital printer at Anstey, our wallpaper factory. These new digital printers have helped us grow our manufacturing sales and profits on what was a record year last year. I am particularly pleased with the 17.5% growth in sales to export customers from our manufacturing base.

Financials

Total sales increased 2.3% to £75.7 million (2012: £74.0 million). The operating profit before an accounting charge relating to the Long-Term Incentive Plan (LTIP) rose 10.2% to £6.58 million (2012: £5.97 million). The profit from operations was up 5.0% to £5.83 million (2012: £5.56 million).

The interest charge has reduced from £254,000 to £193,000 due to lower average borrowings. The defined benefit pension charge has risen from £407,000 to £704,000 as a consequence of a reduction in the expected return on scheme assets.

Profit before tax before the LTIP accounting charge and the increased defined benefit charge was £6.38 million (2012: £5.72 million) an increase of 11.7%. The profit before tax after the two charges was £4.93 million (2012: £4.89 million). The profit after tax was £3.96 million (2012: £3.83 million) and adjusted earnings per share were up 15% after removing the LTIP accounting charge and defined benefit charge.

The cash inflow from operating activities was £5.80 million (2012: £4.28 million), reflecting strong operating profits and continued investment in product. The Group has continued to invest with capital expenditure of £3.12 million (2012: £2.54 million). Despite this investment, the Group had net funds at the year end compared to a net debt of £0.67 million a year ago. This is the first time the Group has returned to net funds since 2000.

Dividend

During the year the Group has paid a final dividend for the year to 31 January 2012 of 1.00p per share and an interim dividend of 0.23p per share. The Directors recommend the payment of a final dividend of 1.25p per share (2012: 1.00p) which will be payable on 9 August 2013 to shareholders on the register on 19 July 2013. This brings the total dividend for the year to 1.48p per share (2012: 1.20p) an increase of 23.3%.

People

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

Outlook

The current financial year has started well. In the first 11 weeks, our UK manufacturing base has performed strongly and our brand sales are in line with a strong comparator period last year.

We are excited by our new product launches, including the second collection from the Scion brand, and by the opportunities to develop our business internationally. We look forward with confidence to the year ahead.



Terry Stannard
Non-executive Chairman
1 May 2013

Image left
Momentum Wallcoverings
Volume 2 from Harlequin

Image right
Town & Country from Zoffany

Our Year in Review

A year of initiatives, expanding our business

Harlequin launches Orla Kiely wallpapers

September 2012

Harlequin launches a stunning new collection of wallpapers through a collaboration with Orla Kiely the internationally acclaimed designer. The collection comprises of 14 of Orla Kiely's signature designs in a wide range of vibrant and neutral colours.

Investment in fast run digital printer at Standfast

October 2012

Standfast commissions its latest digital printer. The fast run printer is a continuance of the investment in digital printing which allows customers the flexibility of high value, short print runs and large scale designs with a range of colours not available in conventional fabric printing.

Scion's debut collection, Melinki wins awards

November 2012

Scion's debut collection, Melinki, wins awards. The collection combined an eclectic mix of printed fabrics, embroideries, jacquards, plains and wallpapers. It has been the fabric designs that have stood out. Scion won the Gold Award for Best Fabric in House Beautiful magazine 2012 awards. This accolade followed on from the 2012 Award from Homes & Gardens for Best fabric under £30 for the Berry Tree design. The fabric is printed at the Standfast factory.

The Scion brand is launched

February 2012

The design essence is that of a young, contemporary interiors brand aimed at aspirational and fashion aware consumers whose products are accessibly priced. It is targeted at a subsector of the interior furnishings market in which Walker Greenbank was not represented. The brand name Scion was inspired by the dictionary definition of scion as a 'young shoot or twig or a descendant of a notable family', evoking the brand's freshness and design provenance.

Barbour uses Morris & Co. designs

March 2012

Barbour selects two Morris & Co designs, Strawberry Thief and Marigold for use as linings for a fashionable range of women's enduringly popular wax and quilted jackets and also in tweed jackets, duffle coats and handbags in the autumn and winter collections.

Launch of licenced products by Portmeirion and Blueprint

February 2012

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.

Scion launches a range of licensed products

November 2012

Scion launches licensed products, highlighting the progress achieved in the brand's launch year and the versatility of the Melinkı designs. The licensed product includes rugs, bedlinen and towels. Brink & Campman, the prestige rugmaker based in the Netherlands, produces the rugs whilst Bedeck, the UK's leading bedlinen specialist, produces the bedlinen and towels.

Delivering growth through continued investment

John Sach Group Chief Executive

Strategy

It is pleasing to report that the Group continues to make progress with the implementation of its strategy, which comprises

- International expansion – to focus on the distribution and marketing of our brands in the important European, Asia Pacific and North American markets where we see significant potential to grow our existing market share and to invest in the exciting growth opportunities in other international markets
- Market penetration – to continue to develop 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 Harlequin and the recently launched Scion brand, by broadening the product range and exploiting the considerable licensing opportunities,
- Extending manufacturing capability – to continue to invest in the latest printing techniques and to promote and grow the international sales opportunities of being a quality UK manufacturer, and
- Acquisitions – to actively evaluate acquisition opportunities that fit synergistically with our current brand portfolio with the objective of further advancing our earnings growth

Overview

I am pleased to report that we have continued to make progress with further growth in sales and profits

Our Brands have benefited from the continued investment in design, marketing and from new product launches. We have extended our product range into areas of the market that we haven't previously targeted through the launch of the new Scion brand and Sanderson Home brand extension. Total Brands sales increased 2.5% to £58.9 million. In a difficult UK market, Brands sales increased 2.5% and export sales grew 1.5% to £22.3 million with an extremely difficult Eurozone market affecting growth.

The start of the recovery in the US market seen last year has accelerated, leading to growth in sales of 17.6% to £6.4 million in reportable currency and 16.7% in local currency. Sales in the Far East are up 5.8% to just over £3.0 million helped by strong growth in China, up 9.3%, and India, up 62.2% in what is currently a small territory for the Group with obvious potential. Other highlights include the doubling of sales in South America and growth of 9.2% in Australasia. These encouraging figures have been adversely impacted by the negative trading environment in the Eurozone where sales declined 9.4% to £6.1 million in reportable currency, but only 3.0% in constant currency. The worst performing regions were Benelux, France, Spain and Southern Ireland. International sales have also been affected by a drop of 30.8% in sales in the Middle East due to two substantial contracts in the previous year not being repeated.

Global licensing income has grown 18.2% to £1.88 million with both the UK and overseas growing strongly. In the UK our established bedlinen licensee, Bedeck, achieved significant growth with the launch of a new range for Sanderson selling particularly well. The licensed products developed at the end of the previous year by Portmerion tableware, Blueprint stationery, Elstead Lighting and Brink & Campman rugs have performed well. Amongst our overseas licensees we have seen significant growth in Japan following the 150th anniversary of Morris & Co. last year. Notably the Scion brand has recently signed licensing arrangements for bedding, rugs and towels within its first year of launch. Whilst this is a fledgling brand, the nature of its designs translate particularly well to licensed product and is seen as an exciting opportunity for the Group.

Manufacturing has had another successful year increasing both sales and profits on what was a record year last year. There has been continued investment in digital printing at both the fabric and wallpaper printing sites with a significant investment at Standfast in its first high speed digital printer and a smaller investment at Anstey in its first digital printer.

The Brands

The Brands segment incorporates global trading from our internationally recognised brands including our overseas subsidiaries in the US and France.

The Brands have increased sales by 2.5% over last year to £58.9 million. The Brands' operating profits grew 9.6% to £5.89 million helped by strong licensing income and improved operating margins.

Harlequin & Scion

Harlequin has grown its total sales 4.0% over the same period last year to £25.2 million and remains the UK's leading mid-market contemporary brand. Sales in the UK and the Eurozone were both slightly up on last year. Sales in the US have seen significant growth, up 39.4%, and Harlequin is now the largest selling of the Group brands in the US market. Growth in the Far East was significantly up, by 20.6%, with the key markets of Japan and China performing well. Sales in Russia were down 21.4%, due to disruption caused by a change in distributor half way through the year, and sales in the Middle East were down 25.0%, due predominantly to a significant contract last year not being repeated. These sales shortfalls have been compensated by strong growth in South America, where sales have more than doubled, and Australasia, up 20.5%.

The Scion brand was launched in February 2012. This brand is an affordable contemporary brand aimed at young, aspirational and fashion-aware customers in an adjacent market segment to that of Harlequin. The launch has been very successful and trading is ahead of internal projections. Scion won the prestigious Gold Award in November 2012 for Best Fabric in House Beautiful magazine's awards 2012. The designs within Scion have proved to be very suited to licensed product with ranges of rugs, bedlinen and towels launched during the year, which has helped grow licensing income 47.5%. In September Harlequin also launched a stunning new collection of wallpapers through a collaboration with Orla Kiely, the internationally acclaimed designer.

Arthur Sanderson & Sons incorporating the Morris & Co. brand

Total sales were up 0.2% over the same period last year to £20.0 million. The UK and the US have been the drivers of growth with increases of 2.7% and 17.4% respectively. Sales in Western Europe have been particularly badly affected by the Eurozone crisis and are down 14.6% on last year. Sales in the Far East were down 5.7% on last year due to the boost to last year's sales from the 150th anniversary celebration of Morris & Co. Sales in the Middle East are also down 18.8% due primarily to a significant contract last year not being repeated. These sales shortfalls have been mitigated by strong growth in Eastern Europe and South America, up 8.3% and 36.8% respectively.

*Image left
The Wabi Sabi collection from Scion*

*Image right
Maple from the Options 11 collection
from Sanderson*

Strong foundations through continual innovation

In the second half Sanderson launched the Sanderson Home brand extension. This brand is an exciting offshoot and combines keen pricing with aspirational English design. It takes the Sanderson brand into a new area of the market place whilst retaining the quality and style for which Sanderson is renowned worldwide. Sales so far are significantly ahead of internal projections. Licensing income is up 16% on last year driven by a strong performance in Japan, following the 150th anniversary of Morris & Co. last year, and, encouragingly, new licence arrangements particularly Portmeirion tableware and Blueprint stationery.

Zoffany

Zoffany is positioned at the upper end of the premium market. Total sales have grown by 1.2% over the same period last year to £11.0 million. Zoffany's two largest markets, the UK and US, have encouragingly grown 7.7% and 2.9% respectively. Sales in Western Europe were affected by the Eurozone crisis and were down 16.0%. Elsewhere sales were up 2.0% with the exception of the Middle East where sales were 48.2% lower than the previous year due to two significant contracts last year not repeated.

Manufacturing

Manufacturing has delivered another strong performance with both sales and profitability increasing to record levels. Total sales grew 4.9% driven by an increase in international sales of 17.5% leading to an increase in profits of 4.0% to £2.7 million (2012: £2.6 million).

Anstey

Anstey, our wallpaper printing business, had a very successful year with sales growing by 16.6% to £15.7 million. Third party sales in the UK were up 15.2% and third party export sales were up 55.7%. Internal sales to our own brands also grew by 11.8%.

Anstey has continued to add new printing techniques to its portfolio with investment in its first digital printer during the year. The digital printing technique was utilised in Zoffany's Melissa White wallpaper collection launched in February. The second Momentum collection from Harlequin, which was launched in the autumn of 2012, featured a distinctive textured effect from the scatter machine purchased last year. This growing range of techniques has helped produce new wallpapers that have helped to increase market interest in wallpaper and attracted new export customers. We continue to innovate at Anstey with a significant investment planned for the coming year in a hybrid rotary/gravure machine, which will be able to create unique effects as well as enhance our capacity and efficiency.

Standfast

Standfast, our fabric printing factory, has seen a decline in annual sales of 5.5% to £14.3 million. Third party sales declined 12.6% with sales to our own brands increasing 6.8% with a stronger launch of new print collections from the Brands this year.

When launching a print collection using traditional printing techniques the customer has to make a significant investment and, during a difficult market, it is not surprising that customers have been more cautious. Standfast has seen volumes decline for these traditional techniques. Digital printing helps reduce the level of initial investment in a new collection and sales from digital have grown 76% compared with last year. Standfast continues to invest in digital printing and the first fast-run printer was commissioned during the second half of the year.

Summary

We continued to exploit the potential of our brands during the year and to extend the areas of the marketplace in which we operate. We launched an entirely new brand in Scion and a brand extension in Sanderson Home, both of which have been well received. Our manufacturing capability has been extended through our investment in digital printing at our wallpaper and fabric factories.

We achieved encouraging growth in many of our international markets, including an excellent performance in the US. During the current year, we will continue to build our business internationally and remain confident of continued progress.



John Sach
Group Chief Executive
1 May 2013

Chief Executive's Q&A

Question

How have conditions been in your markets during the past year?

We grew our sales even though market conditions were demanding. This is encouraging because what it demonstrates is that with an improvement in market conditions we could grow our sales and profits significantly.

Question

How have international markets performed?

We achieved sales growth in many of our overseas markets. The US, where the economic environment is beginning to improve, was a particular highlight. We saw significant US growth for the first time since 2008 with sales up 18% in reportable currency and up 17% at constant currency.

Question

Is the US a major opportunity for Walker Greenbank?

We see huge potential for all of our brands in the US. We've had a presence there for many years but have only recently been in a financial position to focus on growing our market share. We are extending our New York showroom among other initiatives to grow US sales.

Question

Can you continue to grow in the UK?

Whilst we already have significant market share in the UK, we can continue to grow our sales through launching products in new areas of the marketplace by stretching our brands into new price points or launching new brands aimed at specific consumers. We would also consider acquiring brands if they were complementary to our existing portfolio.

Question

What were your most significant initiatives during the year for future growth?

We launched an entirely new brand, Scion, aimed at younger customers and we also launched a competitively priced extension to the Sanderson brand, called Sanderson Home. Both of these new brands have been well received and have taken the Company into new areas of the home furnishings marketplace.

Question

How much progress are you making in emerging markets?

Emerging markets are a very exciting opportunity for Walker Greenbank because of our brands' unique combination of heritage, design and UK manufacturing. Our sales to BRIC countries last year grew 14% to £2.8 million but grew very rapidly, in percentage terms, in India and Brazil up 62% and 274% respectively.

Question

Can you exploit the potential of your brands beyond wallpaper and fabric?

Many of our brands' designs have huge flexibility for use on other products. Our licensed range now includes bedlinen, towelling, rugs, tableware, lighting and stationery. Licensing income was up 18% last year and we continue to identify opportunities for new licensing arrangements.

Question

How has manufacturing performed during the year?

Our factories achieved record sales and profits last year in part because of our continued investment in digital printing, which has drawn in new customers from new markets. Our UK manufacturing base is a key asset and we intend to continue to invest in new machinery, differentiating us in our industry and keeping us at the forefront of innovative printing techniques.

*Image left
The Wabi Sabi collection
from Scion*

*Image right
The Impasto collection
from Harlequin*

Brand Strength

Our Brands are internationally recognised for their market leading designs, quality, service and value. Carefully positioned to focus on the mid to upper end of the furnishings market, the Walker Greenbank Brands offer stylish solutions for consumers, designers and contract interiors, covering a wide range of tastes from traditional to ultra contemporary.

Founded in 1860 Sanderson is the oldest surviving brand in its field. Granted the Royal warrant in 1923, Sanderson is one of the most renowned brands in interiors worldwide, offering classic, inspirational products often based on documents from its extensive archive. It is aimed at the mid to premium end of the worldwide interior furnishings market. Sanderson is known for its lasting quality, timeless style and quintessentially English designs.

The Morris & Co. business has a history that dates back to 1861 when the acclaimed designer, William Morris, founded his first company. Its unique Arts & Crafts heritage is preserved in the modern interpretation of its high quality fabrics and wallcoverings. The past 12 months have witnessed a resurgence of interest in all things Morris following the 150th anniversary celebrations of 2011, and in particular the success of the widely admired Archive collections launched in that year. To further build on this revival additional investment in the brand will see two striking follow on collections, Archive Prints II and Archive Wallpapers II, launched in March 2013.

Zoffany is a luxury brand with elegance and heritage at its core, offering products of the highest quality including wallpaper, fabrics, trimmings, paint and furniture. Inspired by a unique archive, together with technical innovation, Zoffany continues to create beautiful designs for both contemporary and period interiors. Operating at the premium end of the interiors market the dedicated design studio creates products that are used by leading interior designers and architects all over the world.

- Complementary range of brands in the areas of the market with the best mix of volumes and margins
- Continued growth in the best margin segments through brand extension
- Sizeable market scope for significant further growth

Harlequin supplies high quality, design-led collections to the mid to premium end of the worldwide interior furnishings market. Harlequin has enjoyed significant growth over the last 10 years as the product profile has expanded to appeal to a greater breadth of consumers and designers. Alongside its core products, the brand has continued to develop and extend its successful licensing partnerships in bedlinen, towels and rugs, and in 2013 will introduce new product categories such as giftware, candles and room fragrances.

Launched to great acclaim in Spring 2012, Scion's refreshing and innovative approach to furnishings design met with instant approval among trend savvy, fashion aware consumers and designers. The cutting edge, accessibly priced and forward looking fabrics and wallpapers also resonated with the broader interiors market leading to the establishment of instant licensing arrangements for bedlinen, towels, rugs, giftware and ceramics. The impact of this exciting new brand cannot be underestimated with customers eagerly anticipating the follow on collections launched in early 2013.

Investing in Innovation

Broadening our
offering through
investment in British
manufacturing

Barry Forester
Managing Director
Manufacturing

*Our locations
Standfast is based
in Lancaster in
the north west of
England and Anstey
in Loughborough in
the East Midlands*

*Image above
Digitally printed wallpaper*

*Image opposite
Printing a Zoffany fabric design at
Standfast using the latest digital
printing technology*

With the global market for printed fabrics estimated at 28 billion square metres, most of which is now produced in the developing world, success as a British manufacturer is hugely dependent upon being able to deliver the highest possible levels of product quality, service and innovation to our customers

Both the Group's manufacturing businesses have invested heavily over recent years, not just in the latest production equipment and computer aided design ('CAD') technology but also in developing a highly skilled and flexible workforce to secure a genuine competitive advantage

At Standfast the focus has been on developing a digital printing capability that is, in terms of product quality at the absolute fore-front of what is possible on the premium cotton, linen, velvet and wool fabrics required by our home furnishings customers. By combining our traditional skills and expertise in fabric processing with a state-of-the-art design studio capability we are able to create beautiful large-scale designs, typically using many more colours than is possible using screen printing processes. The latest investment in a high-speed digital

printer, which runs seven times faster than our existing bank of ink-jet printers, marks a further shift in the economics of the digital process and creates a new paradigm of opportunity for Standfast

Anstey has also invested recently in digital printing to further broaden the product offer, but with the technical and economic benefits for wallcoverings currently much less compelling than for fabrics, the primary focus for product development and investment remains on our wide range of conventional print techniques. Last year's investment in a scatter machine, which enables beads and large particle metallic inks and 'gritter' to be applied in-register to a printed design, has been further developed and expanded and new base substrate options added, including plain and holographic foils, to create some stunning effects. In response to the dramatic growth in demand for the innovative products produced using our rotary screen process Anstey is investing a further £1.75 million this summer in a new eight-colour rotary/gravure hybrid printing press, which will further strengthen our reputation as one of the most innovative and flexible wall coverings manufacturers in the world

International Potential

Developing our sales infrastructure to maximise growth opportunities in World markets.

International markets offer substantial scope for growth. Already sold in 75 countries we continue to find new opportunities and our financial strength provides a strong platform for the development of closer ties and more direct engagement with our partners, both existing and new. Our products continue to grow in popularity and market reach as we maintain our intense focus on design excellence and increasingly promote the heritage of our brands alongside the added value that comes from our unique manufacturing capabilities.

Looking at our extensive network of agents and distributors we are pursuing a number of exciting new initiatives. In 2012 our distribution partner in China opened his flagship showroom in Shenzhen to inspire his customers. We hope that this will lead to many similar showrooms opening in major cities throughout China in the coming years. Other markets establishing new distribution channels include India, Brazil and Russia. Elsewhere, in France we redeveloped our Paris showroom and towards the end of the year in New York we acquired additional space to extend our principal showroom there. In 2013 we will capitalise on this extra space with a complete refurbishment programme.

*Image above
The Maycott collection from
Sanderson Home*

*Image top left
Richmond Hill, from Sanderson*

*Image above
Arabella Trimmings the first
trimmings collection launched by
Harlequin*

Image above
The Wabi Sabi collection
from Scion

Image left
The Momentum Sheers &
Structures collection from
Harlequin

Achieving high ambitions through our extensive network

With our brands offering a compelling blend of qualities that set us apart from our competitors, from ultra contemporary designs to heritage collections and an ever widening spread of price points, we are increasingly important to our distribution partners around the world. This unique positioning, coupled with our enhanced marketing and sales operations provides considerable potential for future growth in both established and emerging markets.

Image above
Jubilee Square from the Options
11 collection from Sanderson

Licensing Opportunities

Extending our range through the brands growth potential

The Brands have increased their focus on licensing opportunities in the past year, building on existing relationships and forming new partnerships both in the UK and international markets

Following the successful launch of the Harlequin rug collection with Brink & Campman, a prestige rug manufacturer in the Netherlands, in early 2012, we rapidly extended the relationship to include complete rug collections for the Sanderson and Scion brands, both of which were launched in the final quarter of 2012. This partnership has benefited greatly from our studios working in close harmony with the Brink & Campman studio, and during 2013 we have already identified further projects for co-operation including children's rugs, an exclusive collection for Zoffany and also the possibility of a Morris collection.

1 Scion launches a quirky range of towels produced by Bedeck

2 Scion's first rug collection produced by pioneering rug manufacturer Brink and Campman

3 Harlequin joins forces with Wild & Wolf to produce a range of giftware and stationery

Also enjoying rapid sales growth are our bedlinen partners in the UK and Australia, both of whom have significantly increased their offers under the Sanderson, Harlequin and Scion brands. Once again, by linking our designers more closely with the bedlinen studios during concept development, our brands are seen to be bringing excitement and innovation to this core home product sector.

Alongside rugs and bedlinen we have continued the development of our relationships with Portmeirion (Sanderson – ceramic tableware) and Christy (Harlequin – towels) and also developed new ranges of stationery with Blueprint for Sanderson, giftware with Wild & Wolf for Harlequin/Scion and ceramic mugs with Make International for Scion. Other existing product categories continue to grow and we are actively exploring a number of new opportunities for late 2013 and beyond.

Looking to International markets the past two years have seen major advances with Sanderson and Morris & Co's licensing partners in Japan. Always a key market, the substantial extension of the product offer and attendant sales growth for Sanderson and Morris & Co has been achieved against a backdrop of declining revenues for other brands.

4 Pavilion bedlinen by Sanderson

5 Sanderson launches its first range of rugs by Brink and Campman

6 Scion's first range of ceramic mugs produced by Make due to be launched in 2013

7 Porcelain Garden toiletries by Sanderson

8 The Lace Stripe bedlinen and Mr Fox Knitted Cushion from Scion

History of Wallpaper Printing

Investing through the cycle

Image right
Surface print rollers

Image above
Traditional block printing by hand

Image left
Digitally printing a large-scale multi-coloured wallpaper design

Late 1700s

Block printing was the first commercial process used to produce wallpaper and was used on the first Morris & Co wallpapers. Anstey still has a large number of the original blocks.

1839

The invention of the 'continuous length' printing machine aka surface printing, which quickly replaced traditional hand block printing. The process was further developed over the next 30 or so years to enable 20 colour designs to be printed in register at a fraction of the costs of block printing and thus enabled William Morris, Arthur Sanderson and others in the arts & crafts movement to bring wallpaper & design to the Victorian masses. Anstey are one of the few wallpaper manufacturers in the world to still use this process. Our two 12 colour machines were built in the 1950s but are authentic and we still print original 19th century designs of course.

1954

Introduction of rotary screen printing which mechanised the much slower silk screen process. Anstey still operates a rotary screen machine built in the 1970s, which will be replaced in the summer of 2013 at a cost of £1.75 million.

1961

Introduction of vinyl wallpaper for domestic and commercial applications. Some markets, particularly in the Far East, still have a very strong preference for vinyl because it's washable and offers texture to cover up uneven walls. Anstey offers a wide range of grades and deep emboss patterns.

c1965

Introduction of the gravure and flexo processes. Much cheaper than surface print and also enabled designers to produce a wide range of modern designs that were previously not possible. Led to an explosion in wallpaper sales and the trend in interior design to make more extensive use of colour and pattern. The two processes still provide the mainstay of Anstey's production with designs from our archives from the 1970s still regularly being recycled as well as very contemporary, graphic designs.

Late 1990s

The growing popularity of non-woven paper, which enables the consumer to 'paste-the-wall' rather than the back of the paper and is thus much easier to work with. Some markets have now switched over almost completely, in others (including the UK) the take-up has been slower but is growing. We supply both.

Late 2000s

The emergence of digital printing i.e. ink jet. Much slower and thus more expensive to produce than conventional print processes but short runs are more economic as there is no investment in rollers, and there is complete design freedom to produce large scale, multi-coloured or even photographic images. A small but growing sector of the market, Anstey bought two printers last year and is installing a new and larger printer currently.

Image below
Selection of wallpapers demonstrating Anstey's wide range of printing techniques

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 2 of this Report further information on our segments. 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. There has been a change from last year in the information supplied to the CODM as overseas brand information has been amalgamated into the Brands segment.

Exceptional items are both material and their nature is sufficient to warrant separate disclosure and identification. There were no exceptional items in the year.

Long-Term Incentive Plan ('LTIP')

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 ('TSR') with an adjusted profit before tax floor. There has been a charge of £746,000 (2012: £414,000) in the Income Statement relating to LTIP awards. At each accounting reporting date, January and July, the relative position of Walker Greenbank PLC amongst the comparator group in terms of TSR performance is calculated. The charge in the year is higher than last year as the relative position of Walker Greenbank PLC within the comparator group has risen which means the number of shares that would vest under each award has increased. This increase in the number of shares along with the increase in share price has resulted in a significant increase in the national insurance element of the charge for the period.

Interest

The net interest charge for the year was £193,000 (2012: £254,000) including amortisation of capitalised debt issue costs. The level of cost has reduced due to a reduction in the level of average borrowings during the year.

Net Defined Benefit Pension

The charge during the year was £704,000 (2012: £407,000). The level of expected return on scheme assets reduced significantly from the level in the previous year as this is based on the return on gilts at the beginning of each financial year and these had reduced significantly. Next year IAS19 (revised) will apply and there will be a decrease in the expected return on scheme assets. If applied this year the return on scheme assets would have been £42,000 lower.

Current Taxation

There is a small corporation tax charge of £16,000 (2012: £15,000) arising from withholding tax suffered on overseas licence income.

Deferred Taxation

Due to brought forward UK corporation tax losses of £9.1 million (2012: £12.6 million), the Group does not anticipate paying UK corporation tax in the immediate future. However, as the corporation tax losses that are being utilised have 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. It is expected that given the current level of taxable profits within the main UK entity, Abaris Holdings Limited, the tax losses giving rise to the deferred tax asset will either be fully utilised or nearly fully utilised by January 2014.

The Group also continues to recognise the deferred tax asset arising from the pension deficit. Although there has been a reduction in the tax rate from 23% to 21%, as the pension deficit has increased during the year there has been a small increase in the associated deferred tax asset which has been recognised in the Statement of Comprehensive Income.

Earnings per share ('EPS')

The basic and diluted EPS was 6.89p (2012: 6.76p). The Group also reports an underlying EPS which excludes the impact of the LTIP charge and Net defined benefit pension charge as these can fluctuate due to external factors outside of the control of the Group. A better understanding of the underlying performance of the business is given after adjusting for these items.

Operating Cash Flow and Net Debt

The Group generated net cash inflow from operating activities during the year of £5,798,000 (2012: £4,282,000) reflecting a smaller increase in working capital than in the previous year.

The Group paid net interest of £209,000 (2012 £230,000), as the level of average borrowing reduced year on year. Capital expenditure was £3,119,000 (2012 £2,538,000) with significant investment in digital printing at Standfast and Anstey and the investment in a replacement IT system for the Brands which was implemented in the final month of the year. The depreciation and amortisation charge during the period was £2,048,000 (2012 £1,853,000). The Group will continue to invest in the Manufacturing facilities and will refurbish the New York showroom in the coming year so capital expenditure will remain high during the next 12 months.

The Group made additional payments to the Pension schemes of £1,077,000 (2012 £1,022,000) to reduce the deficit, part of the ongoing planned reduction, along with £507,000 (2012 £436,000) of regular contributions to fund scheme expenses.

Income tax of £640,000 (2012 £348,000) that arose on the vesting of an LTIP award was paid during the year.

The Group had net funds of £1,156,000 at the year end compared to net debt the previous year of £667,000 an improvement of £1,823,000. There is average debt during the year due to the timing and seasonality of revenues and investment in product. The average net debt improved by £1,934,000 to £4,748,000 (2012 £6,682,000).

The Group utilises facilities provided by Barclays Bank Plc. There is a term property facility of £1,800,000 (2012 £2,200,000) at the year end expiring in July 2017. There is also a receivables facility linked to the level of Trade Receivables which allows the Group to more effectively manage seasonal fluctuations in working capital. This facility was renewed on 31 January 2013 for a further three year term expiring in January 2016. The Group has replaced an Inventory facility during the year with a three year committed facility of £2.5 million. There were no borrowings at the end of the year for the receivables facility and committed facility. Under these facilities there was borrowing head room of £12,607,000 (2012 £11,257,000). The total facilities have a current limit of £16.50 million (2012 £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 and higher inflation expectations but an increase in scheme assets. The impact of these factors is shown as follows:

	2013 £000
Deficit at beginning of year	(7,095)
Scheme expenses	(455)
Interest cost	(2,439)
Expected return on plan assets	2,190
Contributions	1,584
Actuarial gain on scheme assets	1,013
Actuarial losses from the change in discount factor	(3,036)
Gross deficit at the end of the year	(8,238)

Dividends

During the year, the Group has paid a final dividend for the year to 31 January 2012 of 1.00p per share and an interim dividend of 0.23p per share. The Directors recommend the payment of a final dividend of 1.25p per share (2012 1.00p) which will be payable on 9 August 2013 to shareholders on the register on 19 July 2013. This brings the total dividend for the year to 1.48p per share (2012 1.20p) an increase of 23.3%.

Disposals

There were no major disposals during the year but the obsolete, fully depreciated, Brands IT system was replaced.

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 asset of £63,000 (2012 £50,000 liability) at the end of the year in relation to US dollar and Japanese Yen forward contracts.

There is a liability of £15,000 (2012 £54,000 asset) arising from US dollar and Euro 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 against individual receivables, a provision has been required of £284,000 (2012 £314,000) which is a collective assessment of the risk against non-specific receivables.



Alan Dix
Group Finance Director
1 May 2013

Directors and Advisers

Terry G Stannard (63)

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 TSC Food Group Ltd and holds Non-executive Director roles at Bradford & Sons Ltd and Macphie of Glenbervie Ltd.

Fiona C Goldsmith (46)

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 D Sach (57)

Group 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 Group Chief Executive Officer in May 2004.

David H Smallridge (57)

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 five main fabric and wallcovering brands, Harlequin, Sanderson, Morris & Co, Zoffany and Scion.

Alan N Dix (54)

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

Stockbrokers and Advisers

Cantor Fitzgerald Europe

1 America Square
17 Crosswall
London EC3N 2LS

Independent Auditors

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

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

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

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 2013

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 6, which, taken with the Chairman's Statement on page 2, 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 £4,934,000 (2012 £4,894,000)

The Directors recommend payment of a final ordinary dividend of 1.25p per share, amounting to £722,000 (excluding dividends on shares held by the employee benefit trust) which will be recognised in the financial statements for the following year (2012 1.00p per share). An interim dividend of 0.23p (2012 0.20p) per share was paid during the year

Key Performance Indicators ('KPIs')

The KPIs for the business are primarily financial

	2013	2012
Sales growth	2.3%	7.6%
Operating profit margin	7.7%	7.5%
Gearing	(4.8)%	2.9%
Pension deficit as a percentage of shareholders funds	34%	31%
Earnings per share	6.89p	6.76p

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 previously identified were the potential loss of the core IT system used by the Brands and the potential loss of the central warehousing facility in Milton Keynes. During the year a new IT system was implemented which uses modern software and hardware giving improved resilience. The Group has mitigated some of the risks associated with the 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

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 2013 represents 80 days (2012 82 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 (2012 nil). During the year the Group made no charitable donations (2012 nil)

Directors

The Board of Directors as at the date of this report and during the year ended 31 January 2013 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) A Dix will retire by rotation and being eligible will offer himself for re-election

Report of the Directors continued

Directors' Share Interests

The Directors in office at 31 January 2013 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 2013 Number	1p ordinary shares 31 January 2012 Number
T Stannard	70,000	70,000
F Goldsmith	45,000	45,000
J Sach	1,410,015	1,331,105
D Smallridge	864,416	729,734
A Dix	634,174	566,334

There have been no changes in the interests set out above between 31 January 2013 and 1 May 2013.

The share price on 1 February 2012 was 51.75p and on 31 January 2013 was 80.5p.

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.

Reissue of Treasury Shares

On 18 May 2012 the Company transferred 960,000 ordinary shares previously held in treasury into the Company's Employee Benefit Trust to satisfy conditional awards made in 2009. Following the transfer the Company no longer holds any shares in treasury.

Substantial shareholdings

At 22 April 2013 the Company is aware of the following substantial shareholdings in its ordinary share capital, comparatives at 7 May 2012 are shown: Cazenove Capital Management 15.56% (2012: 8.46%), Blackrock Investment Management 8.90% (2012: 7.44%), Investec Wealth & Investment 8.55% (2012: 0%), Revera Asset Management 3.93% (2012: 0%), British Airways Pension Investment Management 3.64% (2012: 3.70%), Royal London Asset Management 3.41% (2012: 3.28%), TD Direct Investing 3.16% (2012: 3.27%).

Annual General Meeting

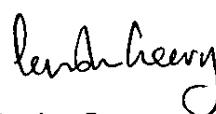
The Annual General Meeting will be held on 26 June 2013 as stated in the Notice of Meeting separately distributed to shareholders.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as independent 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
1 May 2013

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 and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and have prepared 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.

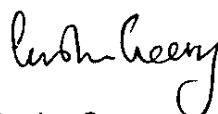
In preparing these financial statements, the Directors are required to

- (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
1 May 2013

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). However, whilst the Company is not required to comply with the Regulations, the Company has used them as guidance and voluntarily presented selected disclosures in this report, where relevant and appropriate.

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 Officer 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. New Bridge Street was appointed during the financial year to provide independent advice to the Committee where required.

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 Group and individual performance, market levels of, and trends in, executive remuneration and relative pay levels within the Group.

In addition to basic salary, each Executive Director is provided with health care benefits.

Annual performance related bonus

Each Executive Director's remuneration package includes a performance-related bonus.

The maximum bonus potential was 105% of basic salary for the year ended 31 January 2013. Payouts are based on sliding scale profit targets and performance against individual objectives. Details of the bonus awards for 2012/13 are set out on page 27.

Long-Term Incentive Plan ('LTIP')

The Company operates the 2006 Walker Greenbank Long-Term Incentive Plan ('LTIP') as its primary senior executive incentive arrangement. The LTIP seeks to motivate and retain Executive Directors and other senior management within the Group, to enable them to potentially benefit from delivering above market Total Shareholder Returns ('TSR') and earnings growth. The key terms of the LTIP are as follows:

- the LTIP has a maximum annual limit of 150% of basic salary,
- awards are normally granted in May each year. In 2012 the grant equated to a maximum of 125% of basic salary,
- awards are normally structured as nil cost options, and
- awards only vest (i.e. become exercisable) subject to continued service and to the extent that relevant performance conditions are met.

The 2013 grant will again be a three year measurement with the performance conditions based on a combination of TSR and EPS growth. This combination rewards both earnings growth and relative stock market performance and is consistent with market practice in the FTSE AllShare.

A 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.

Dilution

All equity-based awards are subject to an overall limit on the number of new shares issued of 10% within any 10 year period. The current dilution against this limit is 0%.

Pensions

J Sach is a member of the defined benefit section of the Walker Greenbank Pension scheme and the Abaris 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

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	2013 Total £000	2012 Total £000
Executive Directors							
J Sach	238	173	465	1	36	913	674
D Smallridge	188	121	349	1	28	687	513
A Dix	140	57	174	1	14	386	335
Non-executive Directors							
T Stannard	64	–	–	–	–	64	62
F Goldsmith	28	–	–	–	–	28	27
	658	351	988	3	78	2,078	1,611

The majority of the annual bonus payable was linked to achievement of Operating Profit with a sliding scale starting at the budget level set for the financial year. A small percentage was based on achievement of personal performance objectives

Directors' pension entitlements

Accrued annual pension benefits for J Sach at the year end were £12,708 (2012: £11,570)

Directors' LTIP Awards

	Date of grant	Share price at grant	Maximum awards at 1 February 2012	Granted in year	Exercised in year	Lapsed in year	Maximum awards at 31 January 2013
J Sach							
	27/05/2009	14.25p	800,000	–	700,000	100,000	–
	20/05/2010	33.0p	680,000	–	–	–	680,000
	19/05/2011	49.0p	589,623	–	–	–	589,623
	18/05/2012	71.5p	–	416,199	–	–	416,199
			2,069,623	416,199	700,000	100,000	1,685,822
D Smallridge							
	27/05/2009	14.25p	600,000	–	525,000	75,000	–
	20/05/2010	33.0p	495,000	–	–	–	495,000
	19/05/2011	49.0p	467,347	–	–	–	467,347
	18/05/2012	71.5p	–	329,888	–	–	329,888
			1,562,347	329,888	525,000	75,000	1,292,235
A Dix							
	27/05/2009	14.25p	300,000	–	262,500	37,500	–
	20/05/2010	33.0p	292,000	–	–	–	292,000
	19/05/2011	49.0p	337,693	–	–	–	337,693
	18/05/2012	71.5p	–	244,755	–	–	244,755
			929,693	244,755	262,500	37,500	874,448

The 2009 LTIP awards partially vested on 28 May 2012 as a result of the Company being ranked second in a TSR comparator group of companies operating in the household sector and the profit before tax underpin of £3.1 million for the year ended 31 January 2012 being exceeded. The share price on the vesting date was 70.5p. The balance of awards lapsed

Directors' Remuneration Report continued

The 2010, 2011 and 2012 LTIP awards will vest subject to continued service and the extent to which relevant performance conditions are achieved. The primary performance condition for each of the awards above is based on relative TSR against a comparator group of companies operating in the household sector, with partial vesting for a median TSR increasing on a sliding scale to full vesting for a top ranking TSR. In addition to the relative TSR target, a profit before tax underpin applies. For awards granted in 2010, 2011 and 2012, respective profit before tax underpins of £3.5 million, £6 million and £6.5 million will apply in relation to the financial year ending prior to the relevant date of vesting.

The share price reached a high of 81.5p and a low of 51.75p during the financial year ended 31 January 2013. The average share price during the financial year was 70.0p. The share price on 31 January 2013 was 80.5p.

Total Shareholder Return index for the five financial years ending 31 January 2013



Approval

This report was approved by the Directors and signed by order of the Board

Caroline Geary
Company Secretary
1 May 2013

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, 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 comprises himself 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 herself and 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 overviews 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.

Corporate Governance Statement continued

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 Annual General Meeting 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 2013 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 2013 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.

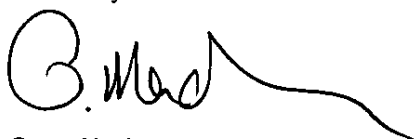
Matters on which we are required to report by exception

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 2013.



Owen Mackney
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Independent Statutory Auditors
Birmingham
1 May 2013

Consolidated Income Statement

Year ended 31 January 2013

	Note	2013 £000	2012 £000
Revenue	4	75,725	74,014
Profit from operations	4–7	5,831	5,555
Net defined benefit pension charge	8	(704)	(407)
Finance costs	9	(193)	(254)
Net finance costs		(897)	(661)
Profit before tax		4,934	4,894
Tax expense	12	(972)	(1,065)
Profit for the year		3,962	3,829
Earnings per share – Basic and diluted	13	6 89p	6 76p
Adjusted earnings per share – Basic and diluted	13	9 41p	8 21p

All of the activities of the Group are continuing operations

The notes on pages 37 to 64 form an integral part of the consolidated financial statements

Consolidated Statement of Comprehensive Income

Year ended 31 January 2013

	Note	2013 £000	2012 £000
Profit for year		3,962	3,829
Other Comprehensive Income/(Expense)			
Actuarial gains on scheme assets	23	1,013	5,460
Other actuarial losses on scheme liabilities	23	(3,036)	(6,864)
Currency translation gains/(losses)		14	(41)
Cash flow hedges gains/(losses)		113	(113)
Recognition/(reduction) of deferred tax asset relating to pension scheme liability		121	(47)
Other comprehensive expense for the year, net of tax		(1,775)	(1,605)
Total comprehensive income for the year attributable to the owners of the parent		2,187	2,224

The notes on pages 37 to 64 form an integral part of the consolidated financial statements

Consolidated Balance Sheet

At 31 January 2013

	Note	2013 £000	2012 £000
Non-current assets			
Intangible assets	14	6,683	6,111
Property, plant and equipment	15	9,808	9,313
Deferred income tax assets	16	2,015	2,850
		18,506	18,274
Current assets			
Inventories	17	16,825	17,000
Trade and other receivables	18	12,810	13,047
Derivative financial asset	19	63	54
Cash and cash equivalents	20	2,920	2,197
		32,618	32,298
Total assets		51,124	50,572
Current liabilities			
Trade and other payables	21	(16,925)	(17,511)
Derivative financial liability	19	(15)	(50)
Borrowings	22	(400)	(400)
		(17,340)	(17,961)
Net current assets		15,278	14,337
Non-current liabilities			
Borrowings	22	(1,364)	(2,464)
Retirement benefit obligation	23	(8,238)	(7,095)
		(9,602)	(9,559)
Total liabilities		(26,942)	(27,520)
Net assets		24,182	23,052
Equity			
Share capital	25	590	590
Share premium account		457	457
Foreign currency translation reserve		(188)	(202)
Accumulated losses		(17,247)	(18,250)
Other reserves		40,570	40,457
Total equity		24,182	23,052

The financial statements on pages 32 to 64 were approved by the Board of Directors on 1 May 2013 and signed on its behalf by



John Sach
Director



Alan Dix
Director

Registered number 61880

Consolidated Cash Flow Statement

Year ended 31 January 2013

	Note	2013 £000	2012 £000
Cash flows from operating activities			
Cash generated from operations	28	6,023	4,530
Interest paid		(209)	(230)
Income tax paid	12	(16)	(18)
		5,798	4,282
Cash flows from investing activities			
Purchase of intangible fixed assets	14	(880)	(441)
Purchase of property, plant and equipment	15	(2,239)	(2,097)
		(3,119)	(2,538)
Cash flows from financing activities			
Purchase of treasury shares	25	(136)	–
Repayment of borrowings	29	(1,109)	(904)
Dividends paid to Company's shareholders		(711)	(570)
		(1,956)	(1,474)
Net increase in cash, cash equivalents and bank overdrafts		723	270
Cash, cash equivalents and bank overdrafts at beginning of year		2,197	1,927
Cash, cash equivalents and bank overdrafts at end of year	29	2,920	2,197

The notes on pages 37 to 64 form an integral part of the consolidated financial statements

Consolidated Statement of Changes in Equity

Year ended 31 January 2013

	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 2011	590	457	(20,063)	43,457	(2,950)	63	(161)	21,393
Profit for the year	–	–	3,829	–	–	–	–	3,829
Other comprehensive income/(expense)								
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
Profit for the year	–	–	3,962	–	–	–	–	3,962
Other comprehensive income								
Actuarial gains on scheme assets (note 23)	–	–	1,013	–	–	–	–	1,013
Other actuarial losses on scheme liabilities (note 23)	–	–	(3,036)	–	–	–	–	(3,036)
Deferred tax relating to pension scheme liability	–	–	121	–	–	–	–	121
Currency translation differences	–	–	–	–	–	–	14	14
Cash flow hedging reserve – released to Income Statement	–	–	–	–	–	(56)	–	(56)
Cash flow hedging reserve – recognised in equity during the year	–	–	–	–	–	169	–	169
Total comprehensive income	–	–	2,060	–	–	113	14	2,187
Transactions with owners								
Dividends	–	–	(711)	–	–	–	–	(711)
Long-term incentive plan charge	–	–	430	–	–	–	–	430
Long-term incentive plan vesting	–	–	(640)	–	–	–	–	(640)
Purchase of treasury shares	–	–	(136)	–	–	–	–	(136)
Balance at 31 January 2013	590	457	(17,247)	43,457	(2,950)	63	(188)	24,182

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 Sanderson, Morris & Co, Harlequin, Zoffany and Scion. 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 (AIM) 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 through profit and loss, 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 2012 or ending 31 January 2013.

Since the Group's previous annual financial statements for the year ended 31 January 2012 the following pronouncements are now effective and have been adopted by the Group:

- Amendment to IFRS 7 'Financial instruments: Disclosures' on transfers of assets – effective periods on or after 1 July 2011
- Amendment to IFRS 1 'First time adoption' – on fixed dates and hyperinflation – effective periods on or after 1 July 2011

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 2013 and/or which have not yet been endorsed by the EU. The Group has 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 IAS 1 'Financial statement presentation' – regarding other comprehensive income – effective periods beginning on or after 1 July 2012
- Amendment to IAS 12 'Income taxes on deferred tax' – effective periods on or after 1 January 2013
- Amendment to IAS 19 'Employee benefits' – effective periods beginning on or after 1 January 2013
- Amendment to IFRS 1 'First time adoption' – on government loans – effective periods beginning on or after 1 January 2013
- Amendment to IFRS 7 'Financial instruments: Disclosures' on offsetting financial assets and financial liabilities – effective periods beginning on or after 1 January 2013
- Amendment to IFRSs 10, 11 and 12 on transition guidance – effective periods beginning on or after 1 January 2013
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities – effective periods beginning on or after 1 January 2014
- Annual improvements 2011 – effective periods beginning on or after 1 January 2013
- IFRS 10 'Consolidated financial statements' – effective periods beginning on or after 1 January 2014
- IFRS 11 'Joint arrangements' – effective periods beginning on or after 1 January 2014
- IFRS 12 'Disclosures of interests in other entities' – effective periods beginning on or after 1 January 2014
- IFRS 13 'Fair value measurement' – effective periods beginning on or after 1 January 2014
- IAS 27 (revised 2011) 'Separate financial statements' – effective periods beginning on or after 1 January 2014
- IAS 28 (revised 2011) 'Associates and joint ventures' – effective periods beginning on or after 1 January 2014
- Amendment to IAS 32 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities – effective periods beginning on or after 1 January 2014
- IFRS 9 'Financial instruments' – classification and measurement – effective periods beginning on or after 1 January 2015

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.

Notes to the Consolidated Financial Statements continued

1 Accounting policies and general information continued

Basis of preparation continued

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 65 to 73).

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. Any acquisition costs are expensed as incurred. 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.

The Employee Benefit Trust ('EBT') controlled by the Group is also included by consolidation. Until shares held by the EBT 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 EBT 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 Consolidated Income Statement and is not subsequently reversed. If a significant event occurs that may affect the carrying value of goodwill, an impairment review will be carried out. No such events have occurred in the current or previous financial year. 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. The measurement basis for goodwill is cost less accumulated impairment.

1 Accounting policies and general information continued

Intangible Assets – Goodwill continued

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 can be used at any point going forward and is regularly 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. If a significant event occurs that may affect the carrying value of the archive, an impairment review will be carried out. No such events have occurred in the current or previous financial year. The measurement basis used for the archive is cost less accumulated impairment.

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 ten years on a straight line basis. Software amortisation commences when the asset goes into operational use by the business. The measurement basis used for software is cost less accumulated amortisation and impairment.

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. The measurement basis used for collection design is cost less accumulated amortisation and impairment.

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.

Notes to the Consolidated Financial Statements continued

1 Accounting policies and general information continued

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 and is continually reviewed for impairment going forward. 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.

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, or
- 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 receivable, probability that the receivable will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the unavailability of credit insurance at commercial rates for receivables 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 payable 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.

1 Accounting policies and general information continued

Derivative financial instruments and hedge accounting – measurement basis continued

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.

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 capitalised at the leases' commencement at the lower of fair value of the leased assets and the present value of minimum lease payments. The assets are depreciated over their useful lives and the interest element of the rental obligations is charged to the Consolidated 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.

Notes to the Consolidated Financial Statements continued

1 Accounting policies and general information continued

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. Dividend distribution is set by the Board on a regular basis so long as sufficient funds are available

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. The EBT is treated as an agent of the Group and as such EBT transactions are treated as being those of the Group

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

Deposits received from customers in advance of the delivery of goods or services are recognised as deferred revenue. 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

1 Accounting policies and general information continued

Taxation including deferred tax continued

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 two reportable segments which are brands and manufacturing

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 cooperation 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

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 2013, the average sterling to US dollar translation rate applied by the Group including the impact of hedging contracts was £1 US\$1.59. If the rate had been £1 US\$1.49 with all other variables held constant, profit before tax would have been higher by £151,000. If the rate had been £1 US\$1.69 with all other variables held constant, profit before tax would have been lower by £133,000

For the year ended 31 January 2013, the average sterling to euro translation rate applied by the Group including the impact of hedging contracts was £1 €1.24. If the rate had been £1 €1.14 with all other variables held constant, profit before tax would have been lower by £198,000. If the rate had been £1 €1.34 with all other variables held constant, profit before tax would have been higher by £169,000

The sensitivities tested above reflect movements in the foreign currency exchange rates over the financial year. 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

Notes to the Consolidated Financial Statements continued

2 Financial risk management continued

Interest rate risk continued

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 initially renewed in March 2010 for a further 15 month period. The receivables facility was subsequently renewed on 31 January 2013, effective early February 2013 and a new Committed facility was agreed as a replacement to the Inventory facility, signed on 15 January 2013. Variable interest rates were negotiated on all the loans. The Board continues to monitor the interest rates monthly.

For the year ended 31 January 2013, 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 £31,000 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 pro forma 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 was renewed in January 2013.

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.

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.

2 Financial risk management continued

Capital risk management continued

During the year to 31 January 2013, the Group's strategy, which was unchanged from the previous year, was to reduce the average gearing ratio. The average gearing ratios for 2013 and 2012 were as follows

	Year ended 31 January	
	2013 £000	2012 £000
Average net debt	4,748	6,682
Total equity	24,182	23,052
Less amounts recognised directly in equity relating to currency contracts	(63)	50
Adjusted capital	24,119	23,102
Average net debt to adjusted capital ratio	19.6%	29%
Year end net funds/debt to adjusted capital ratio	(4.8)%	2.9%

The Group considers the average net debt to adjusted capital 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 receivables 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.

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 notes 14 and 15.

Notes to the Consolidated Financial Statements continued

3 Critical accounting estimates and assumptions continued

b) Impairment of non-financial assets continued

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. The carrying values of the non-financial assets are not considered to be sensitive due to the nature of the assets.

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. The Group considers the sensitivity on Deferred tax recognition to be based on profits generated by the Group and tax rates set by the government. There has been no material impact on sensitivity in the current or previous financial year.

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 – comprising the design, marketing, sales and distribution, and licensing activities of Sanderson, Morris & Co, Harlequin, Zoffany and Scion brands operated from the UK and its foreign subsidiaries in the US and France
- Manufacturing – comprising the wallcovering 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. There has been a change from last year in the information supplied to the CODM. 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 plan expenses, taxation and eliminations of intersegment items, are presented within 'Eliminations and unallocated'.

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

Year ended 31 January 2013

	Brands total £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK Revenue	34,669	13,864	–	48,533
International Revenue	22,315	3,000	–	25,315
Licence Revenue	1,877	–	–	1,877
Revenue – External	58,861	16,864	–	75,725
Revenue – Internal	–	13,200	(13,200)	–
Total Revenue	58,861	30,064	(13,200)	75,725
Profit/(loss) from operations	5,894	2,675	(2,738)	5,831
Net borrowing costs	–	–	(193)	(193)
Net pension charge	–	–	(704)	(704)
Profit/(loss) before taxation	5,894	2,675	(3,635)	4,934
Tax charge	–	–	(972)	(972)
Profit/(loss) for the year	5,894	2,675	(4,607)	3,962

4 Segmental analysis continued

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

Year ended 31 January 2012

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

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

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

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

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	2013 £000	2012 £000
Western Europe	6,142	6,776
Scandinavia	1,908	1,997
Eastern Europe	2,174	2,104
Europe Total	10,224	10,877
Middle East	846	1,223
Far East	3,018	2,853
USA	6,442	5,478
South America	401	199
Australasia	841	770
Other	543	595
	22,315	21,995

Revenue of the Brands reportable segment – revenue from operations in all territories where the sale is sourced from the Brands operations, together with contract and licence revenue

Brand Revenue Analysis	2013 £000	2012 £000
Harlequin, incorporating Scion	25,154	24,195
Sanderson, incorporating Morris & Co	19,977	19,939
Zoffany	10,952	10,823
Other brands	901	872
Licensing	1,877	1,588
	58,861	57,417

Notes to the Consolidated Financial Statements continued

4 Segmental analysis continued

b) Additional segmental revenue information continued

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

Manufacturing Revenue Analysis	2013 £000	2012 £000
Standfast	14,344	15,172
Anstey	15,720	13,482
	30,064	28,654

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 2013	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Depreciation	873	852	15	1,740
Amortisation	264	44	–	308
Impairment losses – trade receivables	152	25	–	177
Reversal of impairment losses – trade receivables	(27)	(10)	–	(37)
Impairment losses – inventory	838	71	–	909
Reversal of impairment of inventory	–	(7)	–	(7)
Share-based payment charges	–	–	746	746

Year ended 31 January 2012	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Depreciation	767	773	10	1,550
Amortisation	251	52	–	303
Impairment losses – trade receivables	125	23	–	148
Reversal of prior period impairment losses – trade receivables	(7)	–	–	(7)
Impairment losses – inventory	723	33	–	756
Reversal of impairment of inventory	–	(15)	–	(15)
Share-based payment charges	–	–	414	414

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 2013	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	35,508	17,253	(1,637)	51,124
Liabilities	(17,877)	(5,042)	(4,023)	(26,942)
Total net assets/(liabilities)	17,631	12,211	(5,660)	24,182
Capital expenditure – Intangible assets	876	4	–	880
Capital expenditure – Property, plant and equipment	993	1,235	11	2,239

Year ended 31 January 2012	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	35,070	16,660	(1,158)	50,572
Liabilities	(17,252)	(4,714)	(5,554)	(27,520)
Total net assets/(liabilities)	17,818	11,946	(6,712)	23,052
Capital expenditure – Intangible assets	437	4	–	441
Capital expenditure – Property, plant and equipment	1,091	969	37	2,097

4 Segmental analysis continued
e) Additional entity-wide disclosures

Revenue by geographical location of customers	2013 £000	2012 £000
United Kingdom	48,533	48,573
Continental Europe	11,696	11,678
United States of America	8,499	7,398
Rest of the World	6,997	6,365
	75,725	74,014

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	2013 £000	2012 £000
United Kingdom	16,137	15,037
Continental Europe	247	250
United States of America	107	137
	16,491	15,424

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

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 and prior year, there are no exceptional items.

6. (a) Analysis of operating profit by function of expense

	2013 £000	2012 £000
Revenue	75,725	74,014
Cost of sales	(30,193)	(30,029)
Gross profit	45,532	43,985
Net operating expenses		
Distribution and selling costs	(12,939)	(12,716)
Administration expenses	(25,926)	(25,297)
LTIP accounting charge	(746)	(414)
Other operating (expense)	(90)	(3)
Net operating expenses	(39,701)	(38,430)
Profit from operations	5,831	5,555

(b) Analysis of revenue by category

	2013 £000	2012 £000
Sale of goods	73,848	72,426
Licence royalty income	1,877	1,588
	75,725	74,014

(c) Analysis of expense by nature

	2013 £000	2012 £000
Changes in inventories of finished goods and work in progress	(545)	(356)
Raw materials and consumables used	24,704	24,934
Employee benefit expense	21,177	20,141
Depreciation and amortisation charges	2,048	1,853
Transportation expenses	2,976	2,619
Advertising costs	1,559	1,749
Other selling costs	6,958	6,999
Establishment costs	3,399	2,938
Operating lease payments	1,868	1,817
Repairs and maintenance	1,114	1,072
Other expenses	4,546	4,690
Total cost of sales, distribution and selling costs, administration expenses and LTIP accounting charge	69,804	68,456

Notes to the Consolidated Financial Statements continued

7 Group profit from operations

	2013 £000	2012 £000
Group profit from operations is stated after charging/(crediting)		
Depreciation of property, plant and equipment	1,740	1,550
Amortisation of intangibles	308	303
Cost of inventories recognised as expense in cost of sales	24,159	24,578
Impairment of inventories	909	756
Reversal of impairment of inventories	(7)	(15)
Impairment of trade receivables	177	148
Reversal of impairment of trade receivables	(37)	(7)
Net foreign exchange losses	90	4
Operating lease rentals		
– Hire of motor vehicles and plant and machinery	469	434
– Land and buildings	1,399	1,383

	2013 £000	2012 £000
Auditor's remuneration		
– Fees payable to Company's auditor for the audit of parent Company and consolidated financial statements	53	50
– Audit of Company's subsidiaries pursuant to legislation	93	88
– Taxation services	–	5
– Other accounting services	47	31
	193	174

8 Net defined benefit pension charge

	2013 £000	2012 £000
Expected return on pension scheme assets	2,190	2,646
Interest on pension scheme liabilities	(2,439)	(2,565)
Scheme expenses met by Group	(455)	(488)
Net charge (note 23)	(704)	(407)

9 Finance Costs

	2013 £000	2012 £000
Interest expense		
Interest payable on bank borrowings	(159)	(230)
Amortisation of issue costs of bank loans	(34)	(24)
Total finance costs	(193)	(254)

10 Emoluments of Directors

	Salary £000	Bonus £000	LTIP £000	Benefits £000	Sub-total aggregate emoluments £000	Pension £000	2013 Total £000	2012 Total £000
Executive Directors								
John Sach	238	173	465	1	877	36	913	674
David Smallridge	188	121	349	1	659	28	687	513
Alan Dix	140	57	174	1	372	14	386	335
Non-executive Directors								
Terry Stannard	64	–	–	–	64	–	64	62
Fiona Goldsmith	28	–	–	–	28	–	28	27
	658	351	988	3	2,000	78	2,078	1,611

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 £12,708 (2012: £11,570). Benefits are accruing under defined contribution schemes for three Directors (2012: 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

	2013 £000	2012 £000
Wages and salaries	17,860	17,253
Social security costs	2,067	1,976
Other pension costs	504	498
Share-based payment awards including NIC thereon	746	414
Employee benefit expense	21,177	20,141

	2013 Number	2012 Number
The average monthly number of employees (including Directors) during the year		
Brands, including warehousing	232	233
Manufacturing	308	303
Overseas	29	26
Corporate and administration	20	20
	589	582

Compensation of key management personnel

	2013 £000	2012 £000
Short-term employee benefits (including short-term incentives)	2,928	2,911
Post employment benefits (including pension costs)	154	145
Share-based payment awards	746	414
	3,828	3,470

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

	2013 £000	2012 £000
Current tax		
– overseas, current tax	(16)	(15)
– overseas, adjustment in respect of prior year	–	36
Current tax	(16)	21
Deferred tax		
– current year	(821)	(933)
– adjustment in respect of prior year	(53)	7
– effect of change in corporation tax rate to 23% (2012: 25%)	(82)	(160)
Deferred tax	(956)	(1,086)
Tax charge for the year	(972)	(1,065)

	2013 £000	2012 £000
Reconciliation of tax charge for the year		
Profit on ordinary activities before tax	4,934	4,894
Tax on profit on ordinary activities at standard rate 24% (2012: 26%)	(1,184)	(1,272)
Non-deductible expenditure	(39)	(32)
Parent and overseas losses and temporary timing differences not recognised	353	356
Adjustments in respect of prior years	(53)	43
Effect of change in corporation tax rate to 23% (2012: 25%)	(49)	(160)
Tax charge for year	(972)	(1,065)

Notes to the Consolidated Financial Statements continued

12 Tax expense continued

Factors affecting current and future tax charges

No UK corporation tax is anticipated to become payable within the next twelve months due to the availability of gross tax losses of approximately £9.1 million (2012 £12.6 million)

No overseas taxation is anticipated to become payable within the immediate future due to the availability of gross tax losses of approximately £1.9 million (2012 £1.7 million)

Legislation has now been substantively enacted to reduce the main corporation tax rate to 23% from 1 April 2013

The Chancellor of the Exchequer has announced various changes to further reduce the rates of corporation tax in the future. A reduction of 2% to 21% has been proposed to take effect from 1 April 2014 with a further reduction of 1% to 20% with effect from 1 April 2015.

Accordingly, the deferred tax balance at 31 January 2013 included within these financial statements, which was calculated at a rate of 23%, being the rate enacted in the Finance Act (2012), would decrease by £10,000 assuming that the proposed rate of 21% from 1 April 2014 is enacted. This reduction will be recognised in the financial statements for the year ended 31 January 2014.

The further reductions to a rate of 20%, assuming that these are formally enacted, would result in a decrease in the deferred tax balance at 31 January 2013 of £15,000. 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.

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.

	2013			2012		
	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	3,962	57,501	6.89	3,829	56,655	6.76
Adjusted basic and diluted earnings per share						
Add back LTIP accounting charge	746			414		
Add back Net defined benefit pension accounting charge	704			407		
Adjusted basic and diluted earnings per share	5,412	57,501	9.41	4,650	56,655	8.21

On 18 May 2012 960,000 treasury shares were transferred into the Walker Greenbank PLC EBT, following this transaction Walker Greenbank PLC had no treasury shares. On 28 May 2012 the Walker Greenbank PLC EBT purchased 191,921 shares of 1p each in the Company at 70.5p per ordinary share. Following this transaction Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2012 59,006,162) ordinary shares of which no (2012 960,000) ordinary shares are held in treasury and a further 1,243,916 (2012 1,093,541) ordinary shares are held by the Walker Greenbank PLC EBT with a cost of £255,528 (2012 £224,638). 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 2013 was £1,001,352 (2012 £565,907). The total number of shares held in the EBT at the year end represented 2.1% (2012 1.9%) of the issued shares.

The total number of shares held in treasury at the year end represented 0% (2012 1.63%) of the issued shares. The market value of these shares at 31 January 2013 was Enil (2012 £496,800).

14 Intangible assets

	Goodwill £000	Arthur Sanderson and William Morris Archive £000	Collection design £000	Software £000	Total £000
Cost					
1 February 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
Additions	–	–	287	593	880
Disposals	–	–	–	(4,409)	(4,409)
31 January 2013	1,400	4,300	1,744	1,525	8,969
Amortisation					
1 February 2011	841	–	608	4,662	6,111
Charge	–	–	247	56	303
Disposals	–	–	(27)	–	(27)
31 January 2012	841	–	828	4,718	6,387
Charge	–	–	254	54	308
Disposals	–	–	–	(4,409)	(4,409)
31 January 2013	841	–	1,082	363	2,286
Net book amount					
31 January 2013	559	4,300	662	1,162	6,683
31 January 2012	559	4,300	629	623	6,111
31 January 2011	559	4,300	632	482	5,973

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 £308,000 (2012: £303,000) is included in administration expenses £306,000 (2012: £293,000) and distribution and selling costs £2,000 (2012: £10,000).

Impairment tests for Goodwill and Arthur Sanderson and William Morris Archive

The carrying value of Goodwill at the year end of £559,000 (2012: £559,000) is attributable to the manufacturing segment. The carrying value of the Archive at the year end of £4,300,000 (2012: £4,300,000) 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 (2012: Nil).

In assessing whether an impairment of goodwill is required, the carrying value of the cash generating 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% (2012: 6.57%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2012: 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% (2012: 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% (2012: 6.57%) 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 2013.

Notes to the Consolidated Financial Statements continued

15 Property, plant and equipment

	Land and buildings £000	Plant equipment and vehicles £000	Computer hardware £000	Total £000
Cost				
1 February 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
Additions	16	2,115	108	2,239
Disposals	–	(147)	–	(147)
Currency movements	–	6	–	6
31 January 2013	5,420	20,934	1,628	27,982
Depreciation				
1 February 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
Charge	103	1,481	156	1,740
Disposals	–	(138)	–	(138)
Currency movements	–	1	–	1
31 January 2013	1,507	15,334	1,333	18,174
Net book amount				
31 January 2013	3,913	5,600	295	9,808
31 January 2012	4,000	4,970	343	9,313
31 January 2011	4,103	4,367	298	8,768

The total depreciation expense of £1,740,000 (2012 £1,550,000) is included in administration expenses £1,736,000 (2012 £1,507,000) and distribution and selling costs £4,000 (2012 £43,000)

	2013 £000	2012 £000
The net book amount of land and buildings comprises		
Freehold land	450	450
Freehold buildings	3,463	3,550
Net book amount	3,913	4,000

Land and buildings are stated at historical cost

All of the Group's banking facilities remain secured by a fixed and floating charge over the carrying value of assets (land and buildings) of £3,913,000 (2012 £4,000,000)

16 Deferred income tax assets

A deferred tax asset of £2,015,000 (2012 £2,850,000) is recognised in respect of tax losses and other temporary differences and £972,000 (2012 £1,086,000) has been charged to the Income Statement during the year as some of the tax losses have been utilised

	2013 £000	2012 £000
Taxable temporary differences on property, plant and equipment	(875)	(849)
Taxable temporary differences on intangible assets	(175)	(171)
Other temporary differences	101	107
Unutilised tax losses	1,069	1,989
	120	1,076
Retirement benefit obligations	1,895	1,774
	2,015	2,850

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

16 Deferred income tax assets continued

At the Balance Sheet date the Group has gross unused UK tax losses of £9.1 million (2012 £12.6 million) available for offset against future profits. A deferred tax asset of £1.0 million (2012 £2.0 million) is recognised in respect of £4.6 million (2012 £8.0 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 2013 of £1,969,000 (2012 £1,939,000) relating to UK and overseas 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 £4.5 million (2012 £4.6 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 £1,968,000 (2012 £1,757,000) 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.

	2013 £000	2012 £000
Unutilised tax losses – UK	1,035	1,159
Unutilised tax losses – Overseas	683	611
Other deductible temporary differences – UK	251	169
	1,969	1,939

As detailed in note 12 the main rate of corporation tax is to reduce to 20% by 1 April 2015. If these changes are enacted then the unrecognised deferred tax asset noted above would reduce by £15,000.

There are also unutilised capital tax losses at 31 January 2013 of £2,485,000 (2012 £2,485,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

17 Inventories

	2013 £000	2012 £000
Raw materials	1,909	1,858
Work in progress	1,283	972
Finished goods	13,633	14,170
	16,825	17,000

The cost of inventories recognised as an expense and included in cost of sales amounted to £24,159,000 (2012 £24,578,000).

The value of inventories providing security under the Barclays Bank PLC facility, if it were to be fully drawn, was £4,415,000 (2012 £11,379,000). This facility was not utilised at either year end.

18 Trade and other receivables

	2013 £000	2012 £000
Current		
Trade receivables	9,589	9,574
Less: Provision for impairment of trade receivables	(535)	(487)
Net trade receivables	9,054	9,087
Other receivables	588	516
Marketing materials	1,515	2,068
Prepayments	1,653	1,376
	12,810	13,047

The value of trade receivables providing funding under the Barclays facility was £7,149,000 (2012 £7,224,000).

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 receivables with a carrying value of £5,675,000 (2012 £5,615,000) 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.

Notes to the Consolidated Financial Statements continued

18 Trade and other receivables continued

(i) Neither past due nor impaired continued

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 receivables with a carrying value of £3,685,000 (2012 £3,721,000) 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 receivable. The table below shows the aging analysis of the receivables

	2013 £000	2012 £000
1–30 days past due	2,287	1,816
31–60 days past due	1,066	1,508
61–90 days past due	276	370
91+ days past due	56	27
	3,685	3,721

The Directors believe, however, that in the current economic environment there is objective evidence of credit deterioration and an impairment of £284,000 (2012 £314,000) representing a collective assessment of risk against receivables 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 2013, trade receivables of £292,000 (2012 £238,000) were individually determined to be impaired and provided for. The amount of the provision was £251,000 (2012 £173,000). 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.

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

	2013 £000	2012 £000
Sterling	7,722	8,103
Dollars	91	16
Euros	1,678	1,351
Other	151	133
	9,642	9,603

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

	2013 £000	2012 £000
United Kingdom	6,486	6,610
Continental Europe	1,627	1,497
United States of America	332	195
Rest of the World	609	785
	9,054	9,087

Provisions for impairment

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

	2013 £000	2012 £000
At 1 February	(487)	(515)
Provision for receivables impaired	(177)	(148)
Receivables written off in the year as uncollectible	92	168
Unused amounts reversed	37	7
Exchange difference	–	1
At 31 January	(535)	(487)

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

	2013 £000	2012 £000
Forward foreign exchange contracts – cash flow hedges – asset/(liability)	63	(50)
Swap contract – cash flow hedges – (liability)/asset	(15)	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 twelve months.

During the year the Company has entered into monthly forward foreign exchange contracts up to June 2014, 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 an asset of £63,000 (2012 liability of £50,000).

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 fifteen months of the Balance Sheet date.

The Brands make more purchases from the Eurozone than sales made to the Eurozone. 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 twelve months. As at the reporting date there were no euro 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 receivables, payables and cash held in foreign currency. These swap contracts are designated as Fair Value through the Income Statement.

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

The US dollar swap contract held at the Balance Sheet date was closed on 22 February 2013 and at the year end had a fair value liability of £15,000 (2012 fair value asset of £54,000). The euro swap contract held at the Balance Sheet date was closed on 22 February 2013 and at the year end had a fair value asset of £600. There were no euro swap contracts held at the year ended 31 January 2012.

20 Cash and cash equivalents

	2013 £000	2012 £000
Cash at bank and in hand	2,920	2,197

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

	2013 £000	2012 £000
Trade payables	10,174	10,461
Other taxes and social security	1,459	1,385
Other payables and deferred revenue	367	358
Accruals	4,925	5,307
	16,925	17,511

22 Borrowings

	2013 £000	2012 £000
Current		
Term loan	400	400
	400	400
Non-Current		
Term loan	1,388	1,784
Committed facility	(24)	–
Trade receivables loan	–	680
	1,364	2,464
Total borrowings	1,764	2,864

Notes to the Consolidated Financial Statements continued

22 Borrowings continued

In January 2013, the Group agreed terms to renew the Receivables facilities from Barclays Bank PLC and to cancel the existing Inventory facility and replace it with a new £2.5 million Committed facility. 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, a Committed facility whose availability is determined by the level of finished goods held by the Brands and a Receivables Financing Agreement which provides three year variable rate floating loans secured on the eligible trade receivables 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 (2012: £16.5 million), the utilisation of the facilities at the year end was £1,764,000 (2012: £2,864,000). 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 the Bank of England (for sterling loans) or the European Central Bank (for euro loans). The Committed Facility bears interest at a variable rate based on a margin above the Bank of England base rate.

Under the Barclays Bank PLC facilities, the Group is subject to a financial covenant which applies to the term loan, being interest cover. The receivables financing agreement requires 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.

The fair value of current borrowings equals 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	
	2013 £000	2012 £000	2013 £000	2012 £000
Term loan	1,388	1,784	1,400	1,800
Committed facility	(24)	–	–	–
Trade receivables loan	–	680	–	711
	1,364	2,464	1,400	2,511

The fair values are based on cash flows discounted using a weighted average rate based on the borrowing rate of 1.75% (2012: 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 2013				
Borrowings	400	821	636	–
Trade and other payables	15,466	–	–	–
	15,866	821	636	–
	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	–

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

	2013 £000	2012 £000
Sterling	1,764	2,864

23 Retirement benefit obligations

Defined contribution schemes

The Group contributes to the defined contribution section of the Abaris 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 £458,000 (2012: £451,000). 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 Abaris 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 2013 are expected to be £1,718,000.

	2013	2012
Discount rate	4.50%	4.60%
Rate of salary increase	3.30%	2.90%
Rate of increase to LPI pensions in payment	3.10%	2.90%
Rate of increase to pensions (in excess of GMP) in deferment	2.40%	2.10%
Rate of inflation	3.30%	2.90%
Expected return on plan assets	6.30%	5.90%

The principal assumptions applied when valuing the defined benefit schemes were:

Members are assumed to commute 25% of their pension (2012: 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:

	2013	2012
Non-pensioner male currently 45	23.5	23.4
Pensioner male currently 65	21.6	21.5
Non-pensioner female currently 45	26.3	26.2
Pensioner female currently 65	24.4	24.3

The amounts recorded in the Balance Sheet are determined as follows:

	2013 £000	2012 £000
Equities	25,009	23,878
Fixed interest	22,777	21,973
Insured annuities	1,249	1,275
Cash and other	220	212
Fair value of plan assets	49,255	47,338
Present value of funded defined benefit obligations	(57,493)	(54,433)
Net liability in Balance Sheet	(8,238)	(7,095)

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

	2013 £000	2012 £000
Benefit obligation at beginning of year	54,433	47,044
Scheme expenses	455	488
Interest cost	2,439	2,565
Actuarial loss – other	3,036	6,864
Benefits paid	(2,870)	(2,528)
Benefit obligation at end of year	57,493	54,433

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

	2013 £000	2012 £000
Fair value of plan assets at beginning of year	47,338	40,302
Expected return on plan assets	2,190	2,646
Actuarial gain	1,013	5,460
Contributions by employers	1,584	1,458
Benefits paid	(2,870)	(2,528)
Fair value of plan assets at end of year	49,255	47,338

The amounts recognised in the Income Statement are

	2013 £000	2012 £000
Scheme expenses	455	488
Interest on obligation	2,439	2,565
Expected return on plan assets	(2,190)	(2,646)
Net defined benefit pension charge	704	407

The Group no longer has any remaining obligations in respect of The Walker Greenbank Senior Management Pension Scheme

The actual return on assets over the year was a gain of £3,203,000 (2012 gain of £8,106,000)

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

	2013 £000	2012 £000
Actual return on scheme assets higher than expected return	1,013	5,460
Other actuarial losses on scheme liabilities	(3,036)	(6,864)
	(2,023)	(1,404)

Other actuarial losses on scheme liabilities in the year 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 £24,152,000 (2012 £22,130,000)

History of schemes' assets, obligations and experience adjustments

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Present value of defined benefit obligation	(57,493)	(54,433)	(47,044)	(46,530)	(39,224)
Fair value of schemes' assets	49,255	47,338	40,302	38,587	35,063
Deficit in the schemes	(8,238)	(7,095)	(6,742)	(7,943)	(4,161)
Experience adjustments arising on scheme liabilities	(3,036)	(6,864)	(1,559)	(7,694)	5,458
Experience adjustments arising on scheme assets	1,013	5,460	1,718	2,665	(7,458)

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 2013				
Assets as per Balance Sheet				
Derivative financial instruments	–	–	63	63
Trade and other receivables	9,642	–	–	9,642
Cash and cash equivalents	2,920	–	–	2,920
Total	12,562	–	63	12,625

	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
31 January 2013				
Liabilities as per Balance Sheet				
Derivative financial instruments	–	–	15	15
Borrowings	–	1,764	–	1,764
Trade and other payables	–	15,466	–	15,466
Total	–	17,230	15	17,245

	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

25 Share Capital

Ordinary shares of 1p each	Number of shares	£
Authorised share capital		
1 February 2011, 31 January 2012 and 31 January 2013	85,000,000	850,000
Allotted and fully paid		
1 February 2011, 31 January 2012 and 31 January 2013	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

On 18 May 2012, 960,000 treasury shares were transferred into the Walker Greenbank PLC Employee Benefit Trust (EBT), following this transaction Walker Greenbank PLC had no treasury shares. On 28 May 2012 the Walker Greenbank PLC EBT purchased 191,921 shares of 1p each in the Company at 70.5p per ordinary share. Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2012: 59,006,162) ordinary shares of which no (2012: 960,000) ordinary shares are held in treasury and a further 1,243,916 (2012: 1,093,541) ordinary shares are held by the Walker Greenbank PLC EBT with a cost of £255,528 (2012: £224,638).

The market value of shares held by the EBT at 31 January 2013 was £1,001,352 (2012: £565,907). The total number of shares held in the EBT at the year end represented 2.1% (2012: 1.9%) of the issued shares.

The total number of shares held in treasury at the year end represented 0% (2012: 1.63%) of the issued shares. The market value of these shares at 31 January 2013 was £nil (2012: £496,800).

Notes to the Consolidated Financial Statements continued

25 Share Capital continued

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 six awards under this plan, in which Executive Directors and senior management of the Group participate. The first award vested during 2009, the second vested during 2011 and the third vested during 2012. 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 Four	Award Five	Award Six
Grant date of awards	20 May 2010	19 May 2011	18 May 2012
Grant date fair value of award (pence per award)	18.00	25.22	36.76
Vesting date of awards	17 May 2013	19 May 2014	18 May 2015
Maximum number of awards	2,102,000	1,864,663	1,500,842
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 17 May 2013 PBT for year ending 31 January 2013	TSR as at 19 May 2014 PBT for year ending 31 January 2014	TSR as at 18 May 2015 PBT for year ending 31 January 2015

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 Three was estimated based on the share price of the Group at grant date. Awards Four and Five 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 Six) determined using the Monte-Carlo valuation model was 36.76p per option. The significant inputs into the model were weighted average share price of 71.5p at the grant date, exercise price shown above, dividend yield of 1.68%, 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:

	2013 Number	2012 Number
At 1 February	6,116,663	5,667,093
Granted	1,500,842	1,864,663
Exercised	(1,881,250)	(1,415,093)
Lapsed	(268,750)	-
At 31 January	5,467,505	6,116,663

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 2013 and 2012	43,457

27 Dividends

During the year, the Group has paid a final dividend for the year to 31 January 2012 and an interim dividend of 0.23p for the year to 31 January 2013 (2012: 0.20p).

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 1.25p per share (2012: 1.00p per share) which will be payable on 9 August 2013 to shareholders on the register at 19 July 2013. This brings the total dividend for the year to 1.48p (2012: 1.20p) giving a cost of £855,000 (2012: £711,000).

28 Cash generated from operations

	2013 £000	2013 £000	2012 £000	2012 £000
Profit before tax		4,934		4,894
Defined benefit pension charge	704		407	
Net borrowing costs	193		254	
Depreciation	1,740		1,550	
Amortisation	308		303	
Charge for long-term incentive plan recognised in equity	430		353	
Long-term incentive plan vesting	(640)		(348)	
Unrealised foreign exchange losses included in operating profit	18		(39)	
Defined benefit pension cash contributions	(1,584)		(1,458)	
Changes in working capital				
Decrease/(increase) in inventories	175		(1,370)	
Decrease in trade and other receivables	172		1,282	
(Decrease) in trade and other payables	(427)		(1,298)	
		1,089		(364)
Cash generated from operations		6,023		4,530

29 Analysis of net funds

	1 February 2012 £000	Cash flow £000	Working capital facilities £000	Current portion of term facilities £000	Other non- cash changes £000	Exchange movement £000	31 January 2013 £000
Cash and cash equivalent	2,197	723	–	–	–	–	2,920
Borrowings due within one year	(400)	400	–	(400)	–	–	(400)
Borrowings due after one year	(2,464)	709	–	400	(9)	–	(1,364)
	(2,864)	1,109	–	–	(9)	–	(1,764)
Net (debt)/funds	(667)	1,832	–	–	(9)	–	1,156

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

	2013 £000	2012 £000
Property plant and equipment	1,797	137

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 2013 £000	Other 2013 £000	Land and buildings 2012 £000	Other 2012 £000
Within one year	1,450	364	1,435	378
Between one and five years	3,858	413	4,433	359
Over five years	5,635	–	6,487	–
	10,943	777	12,355	737

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 including all subsidiaries are design, manufacture, marketing and distribution of wall coverings, 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 2013 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 2013,
- 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.

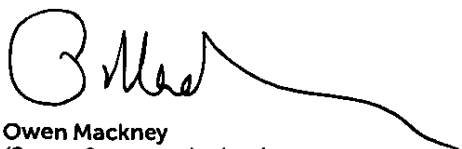
Matters on which we are required to report by exception

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 2013.



Owen Mackney
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Independent Statutory Auditors
Birmingham
1 May 2013

Company Balance Sheet

At 31 January 2013

	Note	2013 £000	2012 £000
Fixed assets			
Tangible assets	4	34	37
Investments	5	43,888	43,762
		43,922	43,799
Current assets and liabilities			
Debtors	6	11,774	13,268
Cash at bank and in hand		247	-
		12,021	13,268
Creditors amounts falling due within one year	8	(5,438)	(6,124)
Net current assets		6,583	7,144
Total assets less current liabilities		50,505	50,943
Creditors amounts falling due after more than one year	9	(1,364)	(1,800)
Net assets		49,141	49,143
Capital and reserves			
Called up share capital	11	590	590
Share premium account	12	457	457
Profit and loss account	12	6,206	6,208
Capital reserve	12	41,888	41,888
Total shareholders' funds		49,141	49,143

The financial statements on pages 66 to 73 were approved by the Board of Directors on 1 May 2013 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 £1,055,000 (2012: £733,000) 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 these Financial Statements and are prepared in accordance with IFRS.

Tangible fixed assets

Tangible fixed assets are stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged on tangible fixed assets on a straight-line basis on the original cost after deduction of any estimated residual value. The principal annual rates are:

Plant, equipment and vehicles	Between 5% and 33%
Computer assets	Between 12.5% and 33%

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Impairment of tangible fixed assets and investments

Tangible 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 a cash 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 account 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 has 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 with a corresponding credit to equity.

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.

Defined benefit pension schemes are accounted for within the separate financial statements of the Company's trading subsidiary, Abaris 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. Dividend distribution is set by the Board on a regular basis so long as sufficient funds are available.

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. The EBT is treated as an agent of the Company and as such EBT transactions are treated as being those of the Company.

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 capitalised at the leases' commencement, at the lower of fair value of the leased assets and the present value of the minimum lease payments. 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 on the basis that it is consolidated into a group which produces a consolidated cash flow statement and whose accounts are publicly available.

For details of other related party transactions see note 16.

2 Auditors' remuneration

	2013 £000	2012 £000
Audit fee – fees payable to the Company auditor for the audit of the parent Company and the consolidation of the Group financial statements	53	50

3 Emoluments of Directors

	Salary £000	Bonus £000	LTIP £000	Benefits £000	Sub-total Aggregate emoluments £000	Pension £000	2013 Total £000	2012 Total £000
Executive Directors								
John Sach	238	173	465	1	877	36	913	674
David Smallridge	188	121	349	1	659	28	687	513
Alan Dix	140	57	174	1	372	14	386	335
Non-executive Directors								
Terry Stannard	64	–	–	–	64	–	64	62
Fiona Goldsmith	28	–	–	–	28	–	28	27
	658	351	988	3	2,000	78	2,078	1,611

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 £12,708 (2012: £11,570).

Benefits are accruing under defined contribution schemes for three Directors (2012: 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 2012	85	22	107
Additions	5	7	12
31 January 2013	90	29	119
Depreciation			
31 January 2012	50	20	70
Charge	12	3	15
31 January 2013	62	23	85
Net book amount			
31 January 2013	28	6	34
31 January 2012	35	2	37

5 Investments

	2013 £000	2012 £000
Shares in subsidiary undertakings		
Cost		
As at 1 February 2012	44,800	44,703
Additions	126	97
As at 31 January 2013	44,926	44,800
Provision for impairment		
Beginning of year and end of year	(1,038)	(1,038)
Net book amount at 31 January 2013 and 2012	43,888	43,762

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

Notes to the Financial Statements continued

5 Investments continued

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:

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

* Indicates that the shares are held by a subsidiary company

Investments in Group companies are ordinary shares

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

The carrying value of the investment in Abaris 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% (2012: 6.57%) on a pre-tax basis, and is not intended to reflect a realisable value on disposal. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

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

6 Debtors

	2013 £000	2012 £000
Amounts owed by subsidiary undertakings	11,533	12,994
Other debtors	241	274
	11,774	13,268

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 twelve months is unlikely to be sought.

7 Disclosure of fair value of derivative financial instruments

	2013 £000	2012 £000
Forward foreign exchange contracts – cash flow hedges – asset/(liability)	63	(50)
Swap contract – cash flow hedges – (liability)/asset	(15)	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 twelve months.

During the year the Company has entered into monthly forward foreign exchange contracts up to June 2014, 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 an asset of £63,000 (2012: liability of £50,000).

The amounts deferred in equity will be released into the profit and loss account in the period or periods during which the hedged forecast transactions impact the profit and loss account, which is expected to be within fifteen months of the Balance Sheet date.

The Brands make more purchases from the Eurozone than sales made to the Eurozone. 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 twelve months. As at the reporting date, there were no euro 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 profit and loss account.

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

The US dollar swap contract held at the Balance Sheet date was closed on 22 February 2013 and at the year end had a liability of £15,000 (2012: asset of £54,000). The euro swap contract held at the Balance Sheet date was closed on 22 February 2013 and at the year end had an asset of £600. There were no euro swap contracts held at the year ended 31 January 2012.

8 Creditors due within one year

	2013 £000	2012 £000
Bank term loans (note 9)	400	400
Bank overdrafts	–	86
Trade creditors	169	93
Amounts owed to subsidiary undertakings	4,410	4,410
Other taxes and social security	(267)	204
Other creditors	48	62
Accruals	678	869
	5,438	6,124

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 twelve months is unlikely to be sought.

9 Creditors due after more than one year

	2013 £000	2012 £000
Bank term loan	1,364	1,800
Interest is charged at 1.25% (2012: 1.25%) over base rate		
Repayment of total borrowings	2013 £000	2012 £000
Over five years	–	200
Between two and five years	964	1,200
Between one and two years	400	400
After more than one year	1,364	1,800
Within one year (note 8)	400	400
	1,764	2,200

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. The Company arranged a new £2.5 million Committed facility on 15 January 2013 for a period of three years. This facility replaced the Inventory facility that was in place at the end of the previous year. The availability of the facility is dependent upon the level of Brand finished goods.

Under the Barclays Bank PLC facilities, the Group is subject to a financial covenant which applies to the term loan, interest cover

Any non-compliance with the covenant 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.

10 Deferred taxation

Potential deferred tax assets at 31 January 2013 of £1,285,000 (2012: £1,328,000) relating to tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery will arise.

	2013 £000	2012 £000
Tax losses	1,035	1,159
Other timing differences	250	169
	1,285	1,328

There are also unutilised capital tax losses of £4,885,000 (2012: £4,885,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

Notes to the Financial Statements continued

11 Share capital

Ordinary shares of 1p each	Number of shares	£
Authorised share capital		
1 February 2012 and 31 January 2013	85,000,000	850,000
Allotted and fully paid		
1 February 2012 and 31 January 2013	59,006,162	590,062

On 18 May 2012, 960,000 treasury shares were transferred into the Walker Greenbank PLC Employee Benefit Trust ('EBT'), following this transaction Walker Greenbank PLC had no treasury shares. On 28 May 2012 the Walker Greenbank PLC Employee Benefit Trust ('EBT') purchased 191,921 shares of 1p each in the Company at 70.5p per ordinary share. Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2012: 59,006,162) ordinary shares of which no (2012: 960,000) ordinary shares are held in treasury and a further 1,243,916 (2012: 1,093,541) ordinary shares are held by the Walker Greenbank PLC Employee Benefit Trust ('EBT') with a cost of £255,528 (2012: £224,638).

The market value of shares held by the EBT at 31 January 2013 was £1,001,352 (2012: £565,907).

The total number of shares held in treasury at the year end represented 0% (2012: 1.63%) of the issued shares. The market value of these shares at 31 January 2013 was Enil (2012: £496,800).

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 six 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 £000	Profit and loss account £000	Capital reserve £000	Total £000
1 February 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
Reserve for long-term incentive plans	–	–	(346)	–	(346)
Profit for the year	–	–	1,055	–	1,055
Dividends paid	–	–	(711)	–	(711)
31 January 2013	590	457	6,206	41,888	49,141
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 2013 £000	Other 2013 £000	Land and buildings 2012 £000	Other 2012 £000
Operating leases which expire				
Within one year	–	–	–	–
Between one and five years	87	–	87	–
Over five years	420	–	420	–
	507	–	507	–

14 Contingent liability

The Company is party to a cross guarantee relating to the borrowings of its subsidiary Abaris 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 1.25p per share (2012 1.00p per share), a total of £722,000 (2012 £571,537). 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 £111,000 for the year ended 31 January 2013 (2012 £101,000).

Five Year Record

	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000
Revenue	63,698	60,378	68,778	74,014	75,725
Overseas revenue by location of customer	22,672	20,409	22,456	25,441	27,192
Profit from operations	3,561	2,415	4,972	5,555	5,831
Profit from operations before exceptional items and discontinued operations	3,857	2,522	4,472	5,555	5,831
EBITDA	5,703	4,308	6,210	7,001	7,175
Profit before income tax	2,787	1,552	4,462	4,894	4,934
Capital expenditure	1,527	1,067	2,636	2,538	3,119
Earnings per ordinary share	2.96p	2.10p	5.36p	6.76p	6.89p
Average number of employees	594	529	550	582	587
Dividends paid in year	–	–	368	570	711
Shareholders' funds	19,911	18,770	21,393	23,052	24,182
Dividend per share					
– Final (prior year end) – paid	–	–	0.50p	0.80p	1.00p
– Interim (current year end) – paid	–	–	0.15p	0.20p	0.23p
– Final (current year end) – proposed	–	–	–	–	1.25p

EBITDA is based on profit from operations before exceptional items

Shareholder Information

Financial Calendar

Annual General Meeting	26 June 2013
Announcement of half-year results	October 2013

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