

Walker Greenbank PLC

Providing luxury worldwide

Annual Report & Accounts.
2014

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Walker Greenbank PLC is an international luxury interior furnishings group.

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

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Brand Strength

The Group owns six individual brands, all positioned from the mid to the upper end of the furnishings market and covering a broad spectrum of tastes from traditional to contemporary.

18

Investing in Innovation

The Group's manufacturing businesses continue to invest in technology, efficiency and the development of a highly skilled and flexible workforce to secure genuine competitive advantage.

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International Potential

The Group sells in over 75 countries around the world, with its own operations in the USA, France and Holland, and elsewhere through an extensive network of agents and distributors.

26

Licensing Opportunities

The Brands continue to increase their focus on licensing opportunities, delivering significant extensions to the product lines offered by existing partners and regularly forming new relationships both in the UK and international markets.

Left
The Woodville collection
from Zoffany

Right
The Emma Bridgewater
collection by Sanderson

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Highlights

- Sales up 3.6% to £78.4 million (2013: £75.7 million)
- Adjusted profit before tax* up 14.9% at £7.33 million (2013: £6.38 million)
- Unadjusted profit before tax up 11.6% at £5.50 million (2013: £4.93 million)
- Licensing income up 13.6% to £2.13 million (2013: £1.88 million)
- Adjusted earnings per share** up 20.1% at 11.30p per share (2013: 9.41p per share)
- Final dividend up 25.6% to 1.57p per share (2013: 1.25p per share), giving a total dividend up 25.0% at 1.85p per share (2013: 1.48p per share)
- Significant capital investment of £4.74 million (2013: £3.12 million)
- Net funds of £1.5 million (2013: £1.2 million)

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

** Adjusted earnings per share excludes the accounting charges relating to share-based incentives and defined benefit charge and the deferred tax credit arising from the share-based incentives.

| Group revenue | Group adj PBT* | Group adj operating margin |
|---------------|----------------|----------------------------|
| £78.4m | £7.33m | +9.6% |
| 2013 £75.7m | 2013 £6.38m | 2013 8.7% |
| +3.6% | +14.9% | +89bps |

| Cash inflow from operating activities | EPS | Dividend per share |
|---------------------------------------|------------|--------------------|
| £5.95m | 11.30p | 1.85p |
| 2013 £5.80m | 2013 9.41p | 2013 1.48p |
| +2.6% | +20.1% | +25.0% |

Chairman's Statement

Terry Stannard
Non-executive Chairman

It is pleasing to report a further year of progress at Walker Greenbank and to announce another significant increase in profitability and dividend payments.

International sales

+6.6%

International sales were up 6.6% during the year at £23.8 million, which represents 39% of our Brands sales.

Overview

It is pleasing to report a further year of progress at Walker Greenbank and to announce another significant increase in profitability and dividend payments. Looking back over the past four years, we have delivered double digit growth in underlying profitability each year. This track record has been achieved in a mixed global economic environment. As we begin our current financial year, it is encouraging to see positive trends in the UK economy, which is of particular importance as the UK, where we are market leader, is our largest market by sales. We are also encouraged by the economic backdrop in many of our overseas markets.

We have achieved the past four years of growth through the delivery of our strategy, in which continued investment in product, marketing and manufacturing is a recurring theme. During the year we extended the capabilities of our UK factories, including a £1.75 million investment in a hybrid rotary/gravure machine at our wallpaper printing factory in Loughborough. This custom-built machine has allowed the creation of a highly innovative textured wallpaper, which Harlequin launched earlier this month under a new brand named Anthology. Anthology marks the first time that we have specifically designed wallpaper for overseas markets.

Our strategy of licensing our designs for use in lifestyle products, such as bedlinen, has been an important contributor to growth. Last year, our global licensing income grew by £256,000 to more than £2.1 million. This has made a significant contribution to our profit growth but, because licence income is essentially a royalty payment, this income is not proportionally reflected in turnover growth. When we created the Scion brand, which was launched in early 2012, licensing was an integral part of the brand's development. In the short period of time since Scion's launch we have already seen successful ranges of Scion bedlinen, rugs, towels, and other products.

International sales were up 6.6% during the year at £23.8 million, which represents 39% of our Brands sales. Economic recovery in the US helped fuel strong growth, which we continue to see as a major opportunity for the Company. During the year we commenced the extension and redesign of our New York showroom, which, along with other initiatives,

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

Top
Picture Gallery from the Sanderson
Voyage of Discovery collection

Left
The Voyage of Discovery collection
from Sanderson

will continue to drive US sales. We have also opened a new showroom in Dubai, complementing our existing international showrooms in New York and Paris and our partnership showrooms in Russia and China.

Financials

Total sales increased 3.6% to £78.4 million (2013: £75.7 million). The operating profit before an accounting charge relating to the Long-Term Incentive Plan ('LTIP') rose 14.2% to £7.51 million (2013: £6.58 million). The profit from operations was up 12.2% to £6.54 million (2013: £5.83 million). The interest charge has reduced from £193,000 to £180,000. The net defined benefit pension charge has risen from £704,000 to £868,000 as a consequence of costs associated with the triennial valuation and a reduction in the expected return on scheme assets.

Profit before tax excluding the LTIP accounting charge and the net defined benefit charge was £7.33 million (2013: £6.38 million) an increase of 14.9%. The profit before tax after the two charges was £5.50 million (2013: £4.93 million). The profit after tax was £5.04 million (2013: £3.96 million) and basic adjusted earnings per share were up 20.1% after removing the LTIP accounting charge, net defined benefit charge and the deferred tax credit arising from LTIP.

The cash inflow from operating activities was £5.95 million (2013: £5.80 million), reflecting strong operating profits and continued investment in product. The Group has continued to invest with capital expenditure of £4.74 million (2013: £3.12 million). Despite this investment, the Group had net funds at the year end of £1.49 million (2013: £1.16 million).

Dividend

During the year, the Group has paid a final dividend for the year to 31 January 2013 of 1.25p per share and an interim dividend of 0.28p per share. The Directors recommend the payment of a final dividend of 1.57p per share (2013: 1.25p) which will be payable on 8 August 2014 to shareholders on the register on 18 July 2014. This brings the total dividend for the year to 1.85p per share (2013: 1.48p) an increase of 25.0%.

People

On behalf of the Board, I would like to thank all of our management and employees for their contribution to another successful year. Post the year end, I was delighted to welcome Mike Gant to Walker Greenbank as Chief Financial Officer. He brings a depth of international, financial, and brand experience to the Company. I would like to thank Mike's predecessor, Alan Dix, for his valuable contribution during his nine years as Group Finance Director.

Outlook

The current financial year has started well. In the first 12 weeks our total Brands sales are up 6.7% compared with the same period last year helped by sales in the UK, our largest market, up 9.4%. Overseas Brands sales are up 2.8% in reportable currency and, encouragingly, 7.1% ahead in constant currency. Manufacturing has performed strongly during the first 12 weeks, driven by digital printing.

We have recently launched some exciting and innovative products, including Anthology and Scion's third collection, and are continuing to develop our export business. With an improving economic environment, we expect to drive sales growth in both UK and international markets and look forward to the year ahead with confidence.



Terry Staggard
Non-executive Chairman
6 May 2014

Chief Executive's Strategic Review

John Sach
Chief Executive

We have continued to make strong progress with further growth in sales and profits.

Licensing income

+13.6%

Global licensing income

Global licensing income has grown 13.6% to £2.13 million with both the UK and overseas growing strongly. Substantial growth in the UK was achieved by our bedlinen partner, with Scion branded bedlinen launched alongside new ranges for both Harlequin and Sanderson.

I am pleased to report the continued progress that the Group has made with the successful implementation of its strategy, comprising:

- Market penetration – to continue to develop our brands in the UK and internationally through the development of new product categories and extension of market positions;
- International expansion – to focus on the distribution and marketing of our brands in the important US, European, and Asia Pacific markets where we see significant potential to grow our existing market share and to invest in the exciting growth opportunities in other international markets;
- Lifestyle product extension – to profit from the global recognition of the Group's heritage brands, Sanderson and Morris & Co, and the contemporary design excellence of the Harlequin and Scion brands, by broadening the product range and exploiting the considerable licensing opportunities;
- To continue to promote our British manufacturing capability through investment in innovative printing techniques and market leading facilities that provide quality, added value products to our customers worldwide; 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

We have continued to make strong 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 are particularly encouraged with the performance of the Scion brand which in its second year has achieved UK and overseas sales of over £2 million. Total Brands sales increased 3.3% to £60.8 million. In a challenging UK market, Brands sales increased by 0.6% over the full year helped by an improving second half trend. Export sales grew 6.6% to £23.8 million driven by strong growth in US and Western Europe markets.

Right
The Jardin Bohème collection
from Harlequin

Below
Caspia bedlinen by Harlequin

Digital print sales have more than doubled compared with last year.

Following the Eurozone crisis in 2012 we are encouraged to report sales growth in Western Europe of 9.3% to £6.7 million in reportable currency, 5.0% in constant currency, driven by Southern Ireland, Benelux, and Germany. The recovery in the US has continued, leading to growth in sales of 8.6% to £7.0 million in reportable currency and 6.9% in local currency. Other highlights include sales in the Far East, up 11.1% to £3.4 million, and growth of 12.7% to £0.9 million in Australasia.

Global licensing income has grown 13.6% to £2.13 million with both the UK and overseas growing strongly. Substantial growth in the UK was achieved by our bedlinen partner, with Scion branded bedlinen launched alongside new ranges for both Harlequin and Sanderson.

Overseas, our Australian bedlinen partner launched the Scion brand alongside Harlequin and Sanderson with immediate positive results whilst in Japan our long-term partner for Sanderson/Morris, Nishikawa, developed a full bed and bath offer for Harlequin. Licensing will remain a core area of focus for the Group with a number of further initiatives already underway, both at home and abroad.

Manufacturing has had another successful year increasing both sales and profits on what was a record year last year. There continues to be significant investment in digital printing at both the fabric and wallpaper printing sites. This year has also seen a substantial investment at our wallpaper factory of £1.75 million in the commissioning of a custom-built hybrid rotary/gravure machine. Standfast, our fabric printing factory, has advanced the commissioning of its second fast-run digital printer to meet substantial increase in demand from its customers with digital print sales having more than doubled compared with last year.

The Brands

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

The Brands segment has grown sales by 3.3% over the same period last year to £60.8 million. The Brands' operating profits grew 11.8% to £6.59 million helped by strong licensing income and improved operating margins.

Harlequin & Scion

Harlequin has grown its worldwide sales 3.8% to £26.1 million compared with the same period last year. It continues to be the UK's leading mid-market brand achieving growth of 1.1% in a challenging UK market. It has cemented its position as the Group's number one brand in the US, growing 21.3% year on year. Sales in Western Europe continue to improve, growing 14.4% over last year, whilst elsewhere sales were broadly flat.

The Scion brand was launched in the early part of last year. It continues to grow its brand presence and its second extensive collection, Wabi Sabi, was launched in February 2013. Its simple contemporary designs are ideally suited to licensed products and to date successful ranges of bedlinen, rugs, towels, and other ancillary products have been launched. The impact of this exciting new brand cannot be overstated – its recently launched third collection, Spirit and Soul, is being hailed by customers as its strongest yet.

Arthur Sanderson & Sons incorporating the Morris & Co. brand

Encouragingly, sales at Sanderson grew 5.0% over the same period last year to £21.0 million. A strong second half performance has helped grow the UK, its largest market, 3.5% over the same period last year to £11.1 million. Export sales overall grew 7.0% with Western Europe, its largest market outside the UK, growing 1.1% helped by a stronger second half performance, particularly in Germany and Southern Ireland. The US, its second biggest export market, increased sales by 4.7% year on year whilst the rest of the world grew 11.6% driven by the Far East, up 31.9%, and specifically Japan and China, up 52.6% and 38.8% respectively, reflecting the strength of the Sanderson and Morris & Co. brands.

The Sanderson and Morris & Co. brands benefit from heritage and global brand recognition, as well as an extensive archive of designs to attract licensing opportunities. Licence income increased 7.6% over the same period last year. UK and Australian bedlinen licensees have helped drive this growth along with a number of new licence arrangements signed during the year.

Adjusted for accounting charges relating to share-based incentives and defined benefit charge. Adjusted earnings per share excludes the accounting charges relating to share-based incentives and defined benefit charge and the deferred tax credit arising from the share-based incentives.

Standfast
Standfast, our fabric printing factory, also had a strong performance with annual sales up 7.1% to £15.4 million compared with the same period last year. Third party sales are up 2.7% with sales to our own brands increasing 9.0% with a stronger launch of new print collections from the Brands this year. Due to increasing customer demand, a second fast-run digital printer was acquired and commissioned in the second half. This, combined with the investment in digital printing over the past five years, has helped grow digital sales 110% year

export customers.
UK, the designs have been specifically developed for collections. Whilst these collections will be available in the Harlequin brand and create the recently launched Anthology developing their own new products. It has also helped the launched in the second half and by third party customers capability was used by Harlequin in its Leonida collection product by combining the two print techniques. This new machine enables the creation of new textured wallpaper techniques that the factory is able to offer its customers. The capability. This purchase adds to the wide range of printing rotary equipment leading to improvements in efficiency and much needed greater capacity and replaced outdated machine. This new custom-built machine has increased a £1.75 million investment in a new hybrid rotary/groove purchase of its third digital printer and most significantly printing techniques. Its recent investment includes the Anstey has continued its investment in new innovative

to our own brands grew by 7.5%.
7.1% and third party export sales were up 2.7% whilst sales same period last year. Third party sales in the UK were up year with sales growing by 6.9% to £16.8 million over the Anstey, our wallpaper printing factory, had a very successful

Anstey

Our continued commitment to investment in our wallpaper and fabric printing factories has helped deliver another strong performance with both sales and profitability increasing to record levels. Total sales grew 7.0% leading to an increase in profits of 14.5% to £3.1 million (2013: £2.7 million).

Manufacturing

Sales in the UK declined 5.8%. In contrast, Zoffany's second largest market, the US, grew by 3.8% and sales in Western Europe were up 17.6%, driven by strong performances in Southern Ireland and Spain.
last year benefiting from strong performances from more recent collections.
experienced an improving performance over the same period £10.7 million. Encouragingly though, the second half has which has contributed to a full year sales decline of 1.9% to impacting the performance in the first half of the year discontinued some older, slow-selling collections slightly early the market in the recent past. This led to the decision to market, which has been the most challenging end of Zoffany is positioned at the upper end of the premium

Zoffany

on year and now represents 23% of Standfast's sales. This continued investment in technology and innovation, together with our extensive historic archives, has helped create the platform to investigate other market opportunities such as upper end apparel.

Summary

We have continued to grow our brands both in the UK and internationally during the year through our sustained investment in design, marketing and from new product launches such as the Scion brand which in its second year has delivered sales of more than £2 million. Wabi Sabi, its second collection, launched in the spring of 2013 won the gold award for Best Fabric and silver for Best Wallcovering at the recent House Beautiful Awards.

Internationally, we have seen encouraging growth driven by the US, Western Europe, and the Far East. With the recent launch of our Anthology collections combined with improving trends in the UK, our largest market, we are confident that we will continue to build market share.

Global licensing income delivered a strong performance as we continue to find new opportunities to leverage the Group's heritage brands. Product extensions for 2014 will include a contemporary collection of Momentum bedlinen designs under the Hallequin brand and a range of Morris & Co. bedlinen.

We have continued to invest in our British manufacturing sites to further enhance the innovative, added value, techniques that we are able to offer our customers. In addition, the Group has opened a new design showroom in Chelsea Harbour and another in Dubai and are currently extending and redesigning our New York showroom.

We have also made a significant investment of £400,000 during the past 12 months to transform our presence online. Customers can now view our products, experiment with different designs and order samples online on any device from a PC to a smartphone. We are particularly excited by our Style Library website as it marks the first time that all our brands and products have been accessible in the same place online.

The new websites are integrated into the Company's central IT system, which was launched in January last year after a substantial investment in renewing our IT platform. The new websites have the functionality for B2B e-commerce, which we believe could have considerable potential in our planned expansion in the US.

We will continue to focus on delivering against our strategy and the Board remains confident of our future growth prospects.



John Sach
Group Chief Executive
6 May 2014

Top
Modern collection
from Sanderson HOWE

Bottom
The Jardin Bohème collection
from Hallequin

Chief Financial Officer's Review

Mike Gant
Chief Financial Officer

The Group had net funds at the year end of £1.49 million and has increased the total dividend for the year by 25%.

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 Manufacturing divisions included in these reports, the Group has included in note 4 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.

Long-Term Incentive Plan

There has been a new award of shares during the year under the Long-Term Incentive Plan with the vesting conditions of half the award based on Total Shareholder Return ('TSR') with an adjusted profit before tax floor and half based on Earnings Per Share ('EPS') growth. There has been a charge of £970,000 (2013: £746,000) in the Income Statement relating to LTIP awards. 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 also 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 £180,000 (2013: £193,000) including amortisation of capitalised debt issue costs.

Net Defined Benefit Pension

The charge during the year was £868,000 (2013: £704,000). The increased charge reflects the additional costs associated with the triennial valuation and a reduction in the expected return on scheme assets.

Current Taxation

There is a small corporation tax charge of £21,000 (2013: £16,000) arising from withholding tax suffered on overseas licence income.

Deferred Taxation

Due to brought forward UK corporation tax losses of £6.3 million (2013: £9.1 million), the Group does not anticipate paying significant UK corporation tax in the coming year. However, as the corporation tax losses that are being utilised have been recognised as a deferred tax asset, in the current and following year there will be a deferred tax charge in the Income Statement as the losses are utilised. 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 2015.

The Group also continues to recognise the deferred tax asset arising from the pension deficit. Although there has been an increase in the pension deficit, a reduction in the tax rate from 23% to 20% has resulted in a small decrease in the associated deferred tax asset which has been recognised in the Statement of Comprehensive Income.

Earnings per share ('EPS')

The basic EPS was 8.63p (2013: 6.89p). The Group also reports an underlying EPS which removes the impact of the LTIP accounting charge, net defined benefit pension charge and the deferred tax credit arising from LTIP 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. The adjusted basic EPS was 11.30p (2013: 9.41p).

Operating Cash Flow and Net Debt

The Group generated net cash inflow from operating activities during the year of £5,945,000 (2013: £5,798,000) reflecting strong operating profits and continued investment in product.

The Group paid net interest of £180,000 (2013: £209,000), as the level of average borrowing reduced year on year. Capital expenditure was £4,735,000 (2013: £3,119,000) with significant investment in the hybrid rotary/gravure machine at Anstey, additional digital printing at Standfast and our new websites. The depreciation and amortisation charge during the period was £2,217,000 (2013: £2,048,000). The Group will continue to invest in the Manufacturing facilities and will complete the refurbishment of the New York showroom in the first quarter although capital expenditure during the next 12 months will reduce from this year's increased level.

The Group made additional payments to the pension schemes of £1,138,000 (2013: £1,077,000) to reduce the deficit, part of the ongoing planned reduction, along with £535,000 (2013: £507,000) of fund scheme expenses.

Income tax of £936,000 (2013: £640,000) that arose on the vesting of an LTIP award was paid during the year.

The Group had net funds at the year end of £1.49 million (2013: £1.16 million). 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 £657,000 to £4,171,000 (2013: £4,748,000).

The Group utilises facilities provided by Barclays Bank Plc. There is a term property facility of £1,400,000 (2013: £1,800,000) 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. There is a three-year committed facility of £2.5 million secured against inventories. There were no borrowings at the end of the year for the receivables facility and committed facility. Under these facilities there was borrowing headroom of £13,092,000 (2013: £12,607,000). The total facilities have a current limit of £16.50 million (2013: £16.50m).

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 the contributions from the Company to reduce the deficit offset by a negative return on index linked gilts over the year. The impact of these factors is shown as follows:

| | 2014 £000 |
|---|--------------|
| Deficit at beginning of year | (8,238) |
| Scheme expenses | (535) |
| Interest cost | (2,545) |
| Expected return on plan assets | 2,212 |
| Contributions | 1,673 |
| Return on scheme assets | (1,580) |
| Actuarial losses from the change in discount factor | (547) |
| Actuarial gain from the change in demographic assumptions | 352 |
| Gross deficit at the end of the year | (9,208) |

Dividends

During the year, the Group has paid a final dividend for the year to 31 January 2013 of 1.25p per share and an interim dividend of 0.28p per share. The Directors recommend the payment of a final dividend of 1.57p per share (2013: 1.25p) which will be payable on 8 August 2014 to shareholders on the register on 18 July 2014. This brings the total dividend for the year to 1.85p per share (2013: 1.48p) an increase of 25.0%.

**Interview with
Mike Gant,
Chief Financial Officer**

Disposals

There were no major disposals during the year.

Going Concern

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

Foreign Currency Risk

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

The Group does not trade in financial instruments and hedges are used for highly probable future cash flows and to hedge working capital exposures. There is a hedging asset of £153,000 (2013: £63,000 asset) at the end of the year in relation to US dollar and Japanese yen forward contracts.

There is no liability (2013: £15,000 liability) 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 £289,000 (2013: £284,000) which is a collective assessment of the risk against non specific receivables.



Mike Gant

Chief Financial Officer
6 May 2014

I see multiple growth opportunities at Walker Greenbank and these will be helped by the improving macro-economic environment.

Q. What attracted you to joining Walker Greenbank earlier this year?

Walker Greenbank is a high quality business with many exciting opportunities for growth so I was keen to be part of it. Its key assets are its brands and its people with a real breadth of core skills including design, manufacturing and marketing. The combination of the brands' strength and the operational excellence has created an outstanding business in its marketplace. It's also an increasingly international business and there's real potential to grow export markets.

Q. Have you worked for similar companies in the past?

My background is in brands but predominantly in the fast moving consumer goods sector rather than in luxury goods. I'm sure that there will be many areas of my experience in FMCG that will be very useful at Walker Greenbank. I also have considerable international experience and of working with a supply chain that includes manufacturing and distribution. I joined Walker Greenbank from Britvic plc, where I was finance director of the GB and International business units.

Q. What differentiates Walker Greenbank?

I've been hugely impressed by the passion that people have across the business – the enthusiasm for the individual brands and the pride that people take in their work really shows on their faces. The depth of experience in terms of years working at the Company is also very impressive – even small teams of people at the Company can have more than 100 years of combined experience, which really benefits the business and reflects well on the company's culture.

I think the brands also differentiate the Company in that they have got a rich heritage, they continue to innovate and they are high quality.

Q. How would you describe Walker Greenbank's financial profile?

Walker Greenbank has an excellent financial profile. It is great to join the Company now as the balance sheet has been transformed during the past five years. I've joined a profitable, cash generative business with a progressive dividend policy. The financial profile means that the Company can continue to invest significantly in the business to drive its growth.

Q. What has particularly impressed or surprised you at Walker Greenbank?

I've been surprised by the level of complexity and skill in the manufacturing processes and what it actually takes to print luxury fabric and wallpaper. For example in digital fabric printing, which at first sight seems a very modern process, there is a significant artisan element in the preparation of the cloth, in the colour separation and the paintbrush work.

Q. Where do you see the growth opportunities in the business?

I see multiple growth opportunities at Walker Greenbank and these will be helped by the improving macro-economic environment. We're growing the brand portfolio and product range, we're expanding internationally and we're building the licensing opportunities. I can also see profits growth from operational gearing because the Company has reached the point where additional sales are very profitable.

Q. Which international markets do you see as having particular potential?

All of the overseas markets are important but I think this year Asia and the Middle East will be very interesting with the recent Anthology launch because the Anthology designs are specifically targeted at overseas markets. Also, I think the US has huge potential for Walker Greenbank brands and it's a country where the Company is under-represented. We're trialling B2B e-commerce in the US using our new web platform, which could work well because of our limited presence currently and because of the different time zones.

Strategic Report

The Directors present their Strategic Report on the Group for the year ended 31 January 2014.

Business review and future developments

A review of the Group's activities and the strategy and information regarding the future development of the business are given in the Chief Executive's Strategic Review on page 4, which when taken with the Chairman's Statement, the Chief Financial Officer's Review and the information provided below, together form the Directors' Strategic Report for the year ended 31 January 2014.

Strategy and business model

Walker Greenbank PLC is a luxury interior furnishings company that designs, manufactures and markets wallpapers and fabrics together with a wide range of ancillary interior products. The Company's brand portfolio – comprising Sanderson, Morris & Co., Harlequin, Zoffany, Scion and Anthology – spans heritage and contemporary design and its products are sold in more than 75 countries worldwide. The Company derives significant licensing income from the use of its designs in lifestyle products such as bedlinen, rugs and tableware.

The Company employs more than 600 people and has showrooms in London, New York, Paris and Dubai along with partnership showrooms in Moscow and in Shenzhen. Its UK manufacturing base, which includes a wallpaper factory in Loughborough and a fabric printing factory in Lancaster, manufactures product both for the Company and for other wallpaper and fabric brands. Continued investment in manufacturing has allowed the Company to offer a wide range of printing techniques.

The strategy comprises five pillars:

- Market penetration
- International expansion
- Lifestyle product extension
- Manufacturing capability
- Acquisitions

Key Performance Indicators ('KPIs') Employees

The KPIs for the business are primarily financial.

| | 2014 | 2013 |
|-----------------------------------|---------------|--------|
| Revenue growth | 3.6% | 2.3% |
| Adjusted operating margin | 9.6% | 8.7% |
| Year end gearing | (5.6)% | (4.8)% |
| Average gearing | 15.6% | 19.6% |
| Basic adjusted earnings per share | 11.30p | 9.41p |

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 Chief Financial Officer's Review.

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. A new IT system was implemented last year and we have seen the benefits of this investment during the year. In December, the Group secured a lease on a second warehouse premises, also in the Milton Keynes area, which is currently being fitted-out and appropriately staffed to be fully operational in May 2014. Not only does this secondary unit give increased resilience in the event of a major disaster, it also provides additional room for our ongoing expansion and investment in new product. The new facility will provide the opportunity to make working practices more streamlined and efficient and staff will benefit from a clean and modern working environment.

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. Further information can be found in the Audit Committee Report on page 39.

The Group is a responsible employer, compliant with all relevant human resources and health and safety regulations. 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.

Environment

Both factories have environmental policies and actively seek to reduce their impact on the environment through responsible sourcing of raw materials, responsible waste handling and recycling where economically viable, and emissions monitoring in accordance with Environmental permits.

Third party suppliers to the Brands are issued a set of quality and operational standards to which they are expected to adhere, which includes their confirmation that they conduct their business within all applicable laws with regard to human rights, pay, working conditions and health and safety.

This report was approved by the Board of Directors on 6 May 2014 and signed on its behalf by



John Sach
Group Chief Executive

Brand Strength

Our brands are internationally recognised for their market leading designs, quality, service and value. They are carefully positioned to focus on the mid to upper end of the furnishings market.

I feel so fortunate to be working in such a wonderful and vibrant company. Harlequin employed me on their graduate recruitment scheme almost three years ago and I am now living my dream, creating beautiful products that will be sold throughout the world.

Louise Collis,
Harlequin designer

3

With three separate full time design studios and the flexibility to work with freelance designers where appropriate, we are able to keep setting the trends year after year.

Brand Strength continued

Walker Greenbank Brands offer stylish solutions for consumers, designers and contract interiors, covering a wide range of tastes from traditional to ultra contemporary.

Top
The Harlequin design studio

Bottom
The Poetica collection
from Harlequin

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 few years have witnessed a resurgence of interest in all things Morris following the 150th anniversary celebrations of 2011, and in particular the huge success enjoyed by the Archive Collections launched in 2011 and the Archive II collections that followed in 2013. The next major launch is scheduled for spring 2015.

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

Contemporary

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. Particularly exciting has been the development of a concept for bed/bath with a new partner in Japan for 2014 and the further prospect of launching bedlinen and towels in the USA for 2015.

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 who have seen previews of the third season launch this spring, Spirit and Soul, claiming it to be the strongest yet.

Launched in April 2014, Anthology has been conceived and developed as an international brand that will focus intensely on the market for top end contemporary wallcoverings, with equal appeal for both the residential and contract markets. With over 100 beautiful products contained in collections 01 and 02, Anthology has already generated strong advance orders for pattern books from our partners around the world.

Investing in Innovation

We continue to promote our British manufacturing capability through investment in innovative printing techniques and market leading facilities that provide quality, added value products to our customers worldwide.

For the first time, this custom-built 8 colour hybrid machine allows for the combination of finely toned gravure printing techniques in line with and in registration with rich, lustrous and textured rotary screen techniques. Brand new product developments will now be possible fully utilising the unique capabilities of the machine onto paper and non-woven and in product formats suitable to both the UK and export markets.

£1.75m

We have invested heavily in our manufacturing including a £1.75 million investment in a hybrid rotary/gravure machine at our wallpaper printing factory in Loughborough.

Investing in Innovation continued

The Group's manufacturing businesses have invested heavily over recent years in the latest production equipment and computer aided design technology and also in developing a highly skilled and flexible workforce to secure a genuine competitive advantage.

Digitally printed fabrics sales

The demand for digital printing is accelerating with further investment to come.

Recent digital sales

- FY 2010/11: £0.5m
- FY 2011/12: £1.0m
- FY 2012/13: £1.7m
- FY 2013/14: £3.6m

At Standfast the focus has been on developing a digital printing capability that is, in terms of product quality, at the absolute forefront 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 investment in high-speed digital printers, which run seven times faster than our existing bank of ink-jet printers, mark a further shift in the economics of the digital process and creates a new paradigm of opportunity for Standfast.

Anstey has also invested 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. 2012'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 has invested £1.75 million in a new eight-colour rotary/gravure hybrid printing press, which further strengthens our reputation as one of the most innovative and flexible wallcoverings manufacturers in the world.

Top
The Leonida collection from Harlequin

Bottom
The Gondolier wallpaper from the Zoffany Tespi collection

Right
Clock Tower Standfast & Barracks, Lancaster

Far left
The Leonida collection from Harlequin

International Potential

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.

During the past 12 months we have opened a Walker Greenbank office and showroom in Dubai and have joined with our partner in Russia to open a showroom for our brands in Moscow. The first half of 2014 will see an impressive new showroom for Harlequin, Scion and Anthology in Chelsea Harbour and we will complete a full refurbishment of our recently enlarged flagship New York showroom.

75

Our products are sold in 75 countries and we continue to invest in exciting growth opportunities in International markets.

International Potential continued

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 market leading quality. We market these attributes carefully according to the brand and product type, giving prominence to our heritage wherever appropriate and highlighting the added value that our unique manufacturing capabilities bring to our printed fabrics and wallcoverings.

Showroom refurbishments

We have recently opened new showrooms in London and Dubai, and are extending and redesigning our New York showroom.

London

**Zoffany,
Sanderson
and Morris & Co.**
1,450 sq ft
21 years trading

Harlequin
1,120 sq ft
New (previously
400 sq ft)
21 years trading

Dubai
1,350 sq ft
New

Working closely with our extensive network of agents and distributors we have pursued many new initiatives around the world during the past 12 months. In Australia our partner doubled the size of the showroom in Sydney whilst in Moscow new showroom space for the Sanderson, Morris and Zoffany brands has been extended to include Harlequin, Scion and soon Anthology.

In the USA we have engaged with both existing and new partners to realise improved and enlarged showrooms in Atlanta, Los Angeles, San Francisco, Seattle and Washington. In addition, we have undertaken a complete refurbishment of our extended New York showroom which will open in May 2014.

Also under our own control we established our first Walker Greenbank office and showroom in Dubai during Autumn 2013, whilst closer to home Harlequin moved to an impressive new showroom in Chelsea Harbour which opened in February 2014.

All of these developments combine with our unique spread of design styles and price points to make Walker Greenbank an increasingly important partner on the world stage, providing ever increasing exposure to drive growth in both established and emerging markets.

**China
(Shenzhen)**
5,500 sq ft
2 years trading

New York
5,600 sqft
New (previously
4,300 sq ft)
20 years trading

Amsterdam
800 sq ft
14 years trading

Moscow
1,100 sq ft
2 years trading

Paris
1,100 sq ft
14 years trading

Top
Shenzhen showroom, China

Middle
New Walker Greenbank Dubai showroom

Bottom left
New Harlequin showroom,
Chelsea Harbour Design Centre,
London

Bottom right
Shenzhen showroom, China

+6.6%
Increase in International
Brand sales

Licensing Opportunities

The Brands have continued to increase their focus on licensing opportunities, extending the product reach of existing partners and building new relationships both in the UK and international markets.

It's a privilege to work with a brand with such a strong design heritage as Sanderson and to have access to such a broad range of designs, which translate easily into beautiful rugs.

Brink & Campman

£2.13m
licensing income

We have continued the development of our relationship with Brink & Campman with rug ranges across all brands.

Licensing Opportunities continued

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.

The two most significant product categories for licensing currently are bedlinen and rugs, so it is pleasing to note that all of our partners, both at home and abroad, have significantly extended their product offers across our brands. With Sanderson and Harlequin continuing to gain in strength it has been Scion that has shown the most dramatic new developments through 2013, in some cases establishing product lines as yet undeveloped elsewhere.

Particularly exciting was a significant new venture in Japan, where Sanderson's partner of many years developed a full offer in bedding and towels for the Harlequin brand.

During the year we have devoted increased attention to Morris & Co. in the UK and plan to introduce carefully selected new product categories during 2014.

Licensing income

Global licensing income has grown 13.6% to £2.13 million with both the UK and overseas growing strongly. Substantial growth in the UK was achieved by our bedlinen partner, with the Scion branded bedlinen launched alongside new ranges for both Harlequin and Sanderson.

+13.6%
Global licensing income

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.

Looking to International markets the past few 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.

Top
Spring Flowers bedlinen by Sanderson

Above
New rug range by Sanderson HOME

Left
Scion's first range of bathroom
accessories produced by BlissHome

Board of Directors and Company Secretary

Terry Stannard
Non-executive Chairman

John Sach
Group Chief Executive Officer

Terms of appointment

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. From a marketing background he went on to run businesses in Asia Pacific and Europe at United Biscuits plc, was a divisional CEO at Hillsdown Holdings plc and CEO at Terranova Foods plc and Uniq plc. Since 2001, he has held a wide range of non-executive Chair and director appointments at both quoted and unquoted businesses. He is currently Non-executive Chairman at Ensemble Clothing Ltd and a Non-executive Director at The Bradfords Group Ltd.

John is a Chartered Management Accountant who 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.

Committee membership

Audit Committee
Remuneration Committee
Nomination Committee

Nomination Committee

David Smallridge
Managing Director – Brands

David has an MA from Oxford University and broad experience as a managing director in a variety of consumer product businesses since 1986. He joined the Group in 2002 and was appointed to the Board in December 2004 following his appointment as Managing Director of the Group's six main fabric and wallcovering brands, Harlequin, Sanderson, Morris & Co., Zoffany, Scion and Anthology.

Mike Gant
Chief Financial Officer

Mike is a Chartered Management Accountant with an MBA from Nottingham Business School who joined the Board in 2014. He brings a breadth of international, financial, and brand experience to the Company from his previous roles at Bass plc, Marstons plc, Geest plc, Constellation Brands inc, and Britvic plc.

Fiona Goldsmith
Non-executive Director

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.

Audit Committee
Remuneration Committee
Nomination Committee

Caroline Geary
Company Secretary

Caroline joined the Group in 2000. She is a Chartered Secretary, and was appointed Company Secretary in 2012.

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 2014.

Group result

The profit before taxation amounted to £5,495,000 (2013: £4,934,000).

Proposed dividend

The Directors recommend payment of a final ordinary dividend of 1.57p per share, amounting to £923,000 (excluding dividends on shares held by the employee benefit trust) which will be recognised in the financial statements for the following year (2013: 1.25p per share). An interim dividend of 0.28p per share was paid during the year.

Business review and future developments

A review of the year and likely developments is contained in the Strategic Report.

Financial risk management

Details of the Group's financial risk management objectives and policies are contained in the Strategic Report on page 12 and in note 2 to the financial statements.

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.

Directors

The Board of Directors who served during the year ended 31 January 2014 and to the date of signing the financial statements were as follows:

| | |
|--------------|----------------------------|
| T Stannard | Non-executive Chairman |
| F Goldsmith | Non-executive Director |
| J Sach | Chief Executive Officer |
| A Dix | Finance Director |
| | – resigned 30 April 2014 |
| D Smallridge | Managing Director (Brands) |
| M Gant | Chief Financial Officer |
| | – appointed 3 March 2014 |

Details of the Directors' Service Contracts are set out in the Directors' Remuneration Report on pages 34 to 36, together with details of their interests in ordinary shares of the Company. Biographical details are set out on page 30.

Post balance sheet events

On 3 March 2014, M Gant was appointed to the Board as Chief Financial Officer. A Dix resigned from the Board effective 30 April 2014.

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.

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.

Political donations

The Group has not made any political donations (2013: nil).

Annual General Meeting

At the forthcoming Annual General Meeting ('AGM') M Gant will stand for election following his appointment since the last AGM. T Stannard and D Smallridge will retire by rotation and being eligible will offer themselves for re-election.

The AGM will be held on 16 July 2014. The Notice of Meeting will be separately distributed to shareholders.

Substantial shareholdings

As at 24 April 2014 the Company is aware of the following substantial shareholdings in its ordinary share capital. The percentages are calculated from the 59,006,162 ordinary 1p shares allotted, called and fully paid up. Comparatives at 22 April 2013 are shown.

Schroder Investment Management 17.07% (2013: 15.56%), Investec Wealth & Investment 10.29% (2013: 8.55%), Blackrock Investment Management 8.17% (2013: 8.90%), Octopus Investments 3.35% (2013: 1.67%), Royal London Asset Management 3.10% (2013: 3.41%), Revera Asset Management 3.02% (2013: 3.93%).

Independent auditors

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

Statement of Directors' Responsibilities

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

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

In preparing those financial statements, the Directors are required to:

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

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

The Directors confirm that:

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.

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
6 May 2014

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 as amended in August 2013 (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 retained 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 promote 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 100% of basic salary for the year ended 31 January 2014. Payouts are based on sliding scale profit targets and performance against individual objectives. Details of the bonus awards for 2013/14 are set out on page 35.

Long-Term Incentive Plan

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 2013 the highest grant equated to a maximum of 125% of basic salary;
- awards are normally structured as nil cost options;
- awards only vest (i.e. become exercisable) subject to continued service and to the extent that relevant performance conditions are met.

The 2014 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 36. 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 Soth is a member of the defined benefit section of the Walker Greenbank Pension Plan and the Abris 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 Soth, D Smidridge and A Dix are members of a Group Flexible Retirement 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.

Directors' detailed emoluments

| Year to 31 January 2014 | Salary £000 | Annual bonus £000 | LTIP awards £000 | Benefits in kind £000 | Pension contribution £000 | 2014 Total £000 |
|--------------------------------|----------------|-------------------------|------------------------|-----------------------------|---------------------------------|-----------------------|
| Executive Directors | | | | | | |
| J Sach | 245 | 194 | 666 | 1 | 37 | 1,143 |
| D Smallridge | 176 | 133 | 485 | 1 | 26 | 821 |
| A Dix | 144 | 58 | 286 | 1 | 14 | 503 |
| Non-executive Directors | | | | | | |
| T Stannard | 66 | — | — | — | — | 66 |
| F Goldsmith | 30 | — | — | — | — | 30 |
| | 661 | 385 | 1,437 | 3 | 77 | 2,563 |
| Year to 31 January 2013 | | | | | | |
| | Salary £000 | Annual bonus £000 | LTIP awards £000 | Benefits in kind £000 | Pension contribution £000 | 2013 Total £000 |
| Executive Directors | | | | | | |
| J Sach | 238 | 173 | 465 | 1 | 36 | 913 |
| D Smallridge | 188 | 121 | 349 | 1 | 28 | 687 |
| A Dix | 140 | 57 | 174 | 1 | 14 | 386 |
| Non-executive Directors | | | | | | |
| T Stannard | 64 | — | — | — | — | 64 |
| F Goldsmith | 28 | — | — | — | — | 28 |
| | 658 | 351 | 988 | 3 | 78 | 2,078 |

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 £13,153 (2013: £12,708)

Directors' share interests

The interest 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 2014 Number | 1p ordinary shares 31 January 2013 Number |
|--------------|---|---|
| T Stannard | 70,000 | 70,000 |
| F Goldsmith | 45,000 | 45,000 |
| J Sach | 1,600,365 | 1,410,105 |
| D Smallridge | 993,972 | 864,416 |
| A Dix | 704,589 | 634,174 |

There have been no changes in the interests set out above between 31 January 2014 and 6 May 2014.

Directors' LTIP awards

| | Date of grant | Share price at grant | Maximum awards at 1 February 2013 | Granted in year | Exercised in year | Lapsed in year | Maximum awards at 31 January 2014 |
|--------------|---------------|-------------------------|--|--------------------|----------------------|-------------------|--|
| J Sach | 20/05/2010 | 33.0p | 680,000 | — | 595,000 | 85,000 | — |
| | 19/05/2011 | 49.0p | 589,623 | — | — | — | 589,623 |
| | 18/05/2012 | 71.5p | 416,199 | — | — | — | 416,199 |
| | 16/05/2013 | 111.5p | — | 274,897 | — | — | 274,897 |
| | | | 1,685,822 | 274,897 | 595,000 | 85,000 | 1,280,719 |
| D Smallridge | 20/05/2010 | 33.0p | 495,000 | — | 433,125 | 61,875 | — |
| | 19/05/2011 | 49.0p | 467,347 | — | — | — | 467,347 |
| | 18/05/2012 | 71.5p | 329,888 | — | — | — | 329,888 |
| | 16/05/2013 | 111.5p | — | 196,938 | — | — | 196,938 |
| | | | 1,292,235 | 196,938 | 433,125 | 61,875 | 994,173 |
| A Dix | 20/05/2010 | 33.0p | 292,000 | — | 255,500 | 36,500 | — |
| | 19/05/2011 | 49.0p | 337,693 | — | — | — | 337,693 |
| | 18/05/2012 | 71.5p | 244,755 | — | — | — | 244,755 |
| | 16/05/2013 | 111.5p | — | 96,996 | — | — | 96,996 |
| | | | 874,448 | 96,996 | 255,500 | 36,500 | 679,444 |

Directors' Remuneration Report continued

The 2010 LTIP awards partially vested on 20 May 2013 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 £3.5 million for the year ended 31 January 2013 being exceeded. The share price on the vesting date was 112.0p. The balance of awards lapsed.

The 2011, 2012 and 2013 LTIP awards will vest subject to continued service and the extent to which relevant performance conditions are achieved.

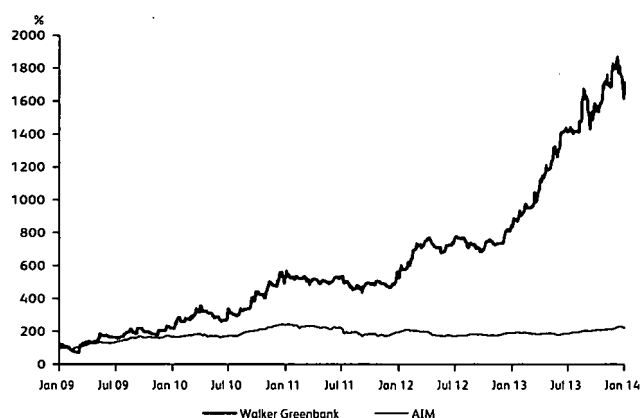
The primary performance condition for the 2011 and 2012 awards above is based on relative TSR against a comparator group of companies operating in the household sector, with partial vesting for a median TSR increasing on a sliding scale to full vesting for a top ranking TSR. In addition to the relative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

The performance conditions for the 2013 awards are based both on compound growth in EPS and relative TSR against a comparator group of AIM companies, with a profit before tax underpin of £6.75 million for the year ended 31 January 2016.

The comparator group chosen was the AIM companies ranked 101 to 200 by market capitalisation as at 15 May 2013, and the relevant TSR measurement is on a sliding scale, with no vesting until the Company reaches at least median position within the comparator group.

The share price reached a high of 178.5p and a low of 80.5p during the financial year ended 31 January 2014. The average share price during the financial year was 130.7p. The share price on 1 February 2013 was 80.5p and on 31 January 2014 it was 163.5p.

Total Shareholder Return index for the five financial years ending 31 January 2014



Approval

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

Caroline Geary
Company Secretary
6 May 2014

Corporate Governance Statement

As a company listed on the Alternative Investment Market the Company is not required to issue a Corporate Governance Statement of Compliance with the principles and provisions of the UK Corporate Governance Code ('the Code') however the Company voluntarily presents disclosures that reflect the extent of the Company's application of the Code.

Chairman's Statement

The Board supports the principles and aims of the Code. Good governance reduces risk and adds value to our business. Delivering growth and long-term shareholder value with effective and efficient decision making is of high importance to the Board.

The Board

The Company is supervised by the Board of Directors. The Board comprises three Executive and two Non-executive Directors. There is a clear division of responsibilities between the Chairman, who is responsible for the effective leadership and smooth running of the Board, and the Chief Executive Officer who, with the other Executive Directors, is responsible for the running of the Company.

The Directors

The Board of Directors who served during the year ended 31 January 2014 and their attendance at meetings is shown in the adjacent table. Since the year end A Dix has resigned his position, effective 30 April 2014, and M Gant was appointed to the Board effective 3 March 2014. Biographical details of the current Board are given on page 30.

Board programme

The Board meets at least nine times each year in accordance with its scheduled meeting calendar and the attendance by each Board member at scheduled meetings is shown.

The role of the Board

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. 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. The business reports monthly on its performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings, where appropriate, to present business updates.

Board meetings throughout the year are held at the Company's various sites giving, in particular the Non-executive Directors, access to the manufacturing sites to gain a greater understanding of the Group's activities.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition the Directors have direct access to the advice and services of the Company Secretary.

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.

Attendance at scheduled meetings of the Board and its Committees

| | Board | Nomination Committee | Remuneration Committee | Audit Committee |
|--------------|-------|----------------------|------------------------|-----------------|
| T Stannard | 9 | 1 | 3 | 3 |
| F Goldsmith | 9 | 1 | 3 | 3 |
| J Sach | 9 | 1 | — | — |
| D Smallridge | 9 | — | — | — |
| A Dix | 9 | — | — | — |

The Board scheduled nine meetings during the year and additional meetings were convened to deal with specific matters and approval of the financial results.

Independent Directors

The Board considers, after careful review, that the Non-executive Directors bring an independent judgment 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. 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 and their other time commitments are reviewed regularly. Further details of each of the independent Directors are set out on page 30.

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.

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 Officer.

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 Officer 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.

Corporate Governance Statement continued

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 fulfil their role, F Goldsmith is considered as having significant, recent and relevant experience in line with the Code. Further details of the work of the Committee is contained in the Audit Committee Report on page 39.

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.

Risk management process

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 Strategic Report and 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 Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

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.

The Chairman, Chief Executive Officer and Chief Financial Officer have regular dialogue with individual institutional investors in order to develop an understanding of their views. Presentations are made to analysts, investors and prospective investors covering the annual and interim results.

The Company website (www.walkergreenbank.com) has an Investors section giving private investors direct access to business information and Company reports. There is also an enquiries mailbox facility.

All shareholders receive notice of the Annual General Meeting at which all Committee chairs will be available for questions.

Audit Committee Report

The objective of the Committee is to provide oversight and governance to the Group's financial reports, its internal controls and processes in place, its risk management systems and the appointment and relationship with the external auditor.

Responsibilities

- Monitor the integrity of the financial statements of the Company, reviewing any significant reporting issues and judgements they contain.
- Advise on the clarity of disclosure and information contained in the Annual Report and Accounts.
- Ensure compliance with applicable accounting standards and review the consistency of methodology applied.
- Review the adequacy and effectiveness of the internal control and risk management systems.
- Oversee the relationship with the external auditor, reviewing performance and advising the Board on their appointment and remuneration.
- Ensure appropriate arrangements in place for individuals to raise concerns regarding breach of conduct and legal and regulatory compliance.

Membership

The Committee is comprised solely of independent Directors, being myself as Chairman and the other Non-executive Director, Terry Stannard. The Board is satisfied that I have significant, recent and relevant experience in line with the Code.

Terms of reference

Updated terms of reference were adopted by the Board in 2012. These are available on the website.

Meetings

The Committee meets three times per year; in April and September being the appropriate time to review the Annual Report and Accounts and the interim report respectively, and also in January to review the previous year and plan for the year ahead. At the meetings the findings of the external audit are discussed, and the effectiveness of the Company's system of internal controls and risk management is reviewed.

Each meeting is attended by the Committee's members as well as, by invitation, the Executive Directors and the external auditor. A record of the meeting attendance by Committee members is set out on page 37.

During the year, the Audit Committee held a private meeting with the external auditor, PricewaterhouseCoopers LLP ('PwC'), without management being present, in order to receive feedback from them. The Committee Chairman also met with PwC separately on several occasions.

The Committee supports the Board in carrying out its responsibilities in relation to financial reporting, risk management and assessing internal controls. The need for an internal audit department is also examined on a continuing basis. The Committee also manages the relationship with the external auditor.

The Committee undertook the following activities during the course of the year:

Financial reporting

The Committee reviews the half year and annual financial statements and matters raised by management and the auditors.

- The accounting policies used are consistent both year on year and across the Group (other than as disclosed in note 1 of the financial statements).
- The methods used to account for significant transactions are appropriate.
- The financial statements give a true and fair view and the disclosures made are balanced and understandable.
- Appropriate estimates and judgements have been used, taking into account the views of the external auditor.
- The appropriate accounting standards have been applied.

Internal controls and risk management

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

The Committee reviews this risk management process annually, and the process is continually being developed and improved. Each business unit reports monthly on key risks identified and measures that are being taken to mitigate the risk. The Strategic Report includes further detail as to the business risks identified and actions being taken.

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 have been found.

External audit

The Committee considers a number of areas when reviewing the external auditor appointment namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity and their reappointment and remuneration.

The Committee reviews the objectivity and independence of the auditors when considering reappointment. The external auditor is required to rotate the lead audit partner every five years. The provision of non-audit services provided by the external auditors is also monitored, and details of non-audit fees that have been provided by PricewaterhouseCoopers LLP during the year are disclosed in note 7 of the financial statements.

The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of PwC and has recommended to the Board that the auditors be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting.



Fiona Goldsmith
Audit Committee Chairman
6 May 2014

Independent Auditors' Report to the Members of Walker Greenbank PLC

Report on the group financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's affairs as at 31 January 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements (the "financial statements"), which are prepared by Walker Greenbank plc, comprise:

- Consolidated Balance Sheet as at 31 January 2014;
- Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- Consolidated cash flow statement for the year then ended;
- Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and Accounts (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit Our responsibilities and those of the directors

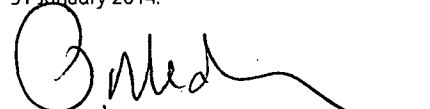
As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

Other matter

We have reported separately on the parent company financial statements of Walker Greenbank PLC for the year ended 31 January 2014.



Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
6 May 2014

Consolidated Income Statement

Year ended 31 January 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|----------------|--------------|
| Revenue | 4 | 78,434 | 75,725 |
| Profit from operations | 4-7 | 6,543 | 5,831 |
| Net defined benefit pension charge | 8 | (868) | (704) |
| Finance costs | 9 | (180) | (193) |
| Total finance costs | | (1,048) | (897) |
| Profit before tax | | 5,495 | 4,934 |
| Tax expense | 12 | (451) | (972) |
| Profit for the year attributable to owners of the parent | | 5,044 | 3,962 |
| Earnings per share – Basic | 13 | 8.63p | 6.89p |
| Earnings per share – Diluted | 13 | 8.14p | 6.89p |
| Adjusted earnings per share – Basic | 13 | 11.30p | 9.41p |
| Adjusted earnings per share – Diluted | 13 | 10.66p | 9.41p |

All of the activities of the Group are continuing operations.

The notes on pages 46 to 72 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 January 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|----------------|----------------|
| Profit for year | | 5,044 | 3,962 |
| Other comprehensive (expense)/income: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Actuarial (loss)/gains on scheme assets | 23 | (1,580) | 1,013 |
| Actuarial losses on scheme liabilities | 23 | (195) | (3,036) |
| (Reduction)/increase of deferred tax asset relating to pension scheme liability | | (53) | 121 |
| Total items that will not be reclassified to profit or loss | | (1,828) | (1,902) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Currency translation gains | | 99 | 14 |
| Cash flow hedges gains | | 90 | 113 |
| Total items that may be reclassified subsequently to profit or loss | | 189 | 127 |
| Other comprehensive expense for the year, net of tax | | (1,639) | (1,775) |
| Total comprehensive income for the year attributable to the owners of the parent | | 3,405 | 2,187 |

The notes on pages 46 to 72 form an integral part of the consolidated financial statements.

Consolidated Balance Sheet

At 31 January 2014

| | Note | 2014 £000 | 2013 £000 |
|--|------|-----------------|--------------|
| Non-current assets | | | |
| Intangible assets | 14 | 7,289 | 6,683 |
| Property, plant and equipment | 15 | 11,690 | 9,808 |
| Deferred income tax assets | 16 | 2,163 | 2,015 |
| | | 21,142 | 18,506 |
| Current assets | | | |
| Inventories | 17 | 18,428 | 16,825 |
| Trade and other receivables | 18 | 13,884 | 12,810 |
| Derivative financial asset | 19 | 153 | 63 |
| Cash and cash equivalents | 20 | 2,830 | 2,920 |
| | | 35,295 | 32,618 |
| Total assets | | 56,437 | 51,124 |
| Current liabilities | | | |
| Trade and other payables | 21 | (19,035) | (16,925) |
| Derivative financial liability | 19 | – | (15) |
| Borrowings | 22 | (400) | (400) |
| | | (19,435) | (17,340) |
| Net current assets | | 15,860 | 15,278 |
| Non-current liabilities | | | |
| Borrowings | 22 | (942) | (1,364) |
| Retirement benefit obligation | 23 | (9,208) | (8,238) |
| | | (10,150) | (9,602) |
| Total liabilities | | (29,585) | (26,942) |
| Net assets | | 26,852 | 24,182 |
| Equity | | | |
| Share capital | 25 | 590 | 590 |
| Share premium account | | 457 | 457 |
| Foreign currency translation reserve | | (89) | (188) |
| Accumulated losses | | (14,766) | (17,247) |
| Other reserves | | 40,660 | 40,570 |
| Total equity attributable to owners of the parent | | 26,852 | 24,182 |

The financial statements on pages 46 to 72 were approved by the Board of Directors on 6 May 2014 and signed on its behalf by



John Sach
Director



Mike Gant
Director

Registered number: 61880

Consolidated Cash Flow Statement

Year ended 31 January 2014

| | Note | 2014 £000 | 2013 £000 |
|--|------|--------------|--------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 28 | 6,165 | 6,023 |
| Interest paid | | (152) | (209) |
| Debt issue costs | | (50) | – |
| Income tax paid | 12 | (18) | (16) |
| Net cash generated from operating activities | | 5,945 | 5,798 |
| Cash flows from investing activities | | | |
| Purchase of intangible fixed assets | 14 | (1,049) | (880) |
| Purchase of property, plant and equipment | 15 | (3,704) | (2,239) |
| Proceeds from disposal of tangible fixed assets | | 18 | – |
| Net cash used in investing activities | | (4,735) | (3,119) |
| Cash flows from financing activities | | | |
| Purchase of treasury shares | 25 | – | (136) |
| Repayment of borrowings | 29 | (400) | (1,109) |
| Dividends paid to Company's shareholders | | (900) | (711) |
| Net cash used in financing activities | | (1,300) | (1,956) |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | | (90) | 723 |
| Cash, cash equivalents and bank overdrafts at beginning of year | | 2,920 | 2,197 |
| Cash, cash equivalents and bank overdrafts at end of year | 29 | 2,830 | 2,920 |

The notes on pages 46 to 72 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 January 2014

| | Attributable to owners of the parent | | | | | | | |
|--|--------------------------------------|----------------------------------|------------------------------|---|---------------------------|---------------------------------------|--------------------------------|---------------|
| | 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 2012 | 590 | 457 | (18,250) | 43,457 | (2,950) | (50) | (202) | 23,052 |
| Profit for the year | – | – | 3,962 | – | – | – | – | 3,962 |
| Other comprehensive income/(expense): | | | | | | | | |
| 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/(expense) | – | – | 2,060 | – | – | 113 | 14 | 2,187 |
| Transactions with owners, recognised directly in equity: | | | | | | | | |
| 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 |

| | Attributable to owners of the parent | | | | | | | |
|--|--------------------------------------|----------------------------------|------------------------------|---|---------------------------|---------------------------------------|--------------------------------|---------------|
| | 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 2013 | 590 | 457 | (17,247) | 43,457 | (2,950) | 63 | (188) | 24,182 |
| Profit for the year | – | – | 5,044 | – | – | – | – | 5,044 |
| Other comprehensive income: | | | | | | | | |
| Actuarial loss on scheme assets (note 23) | – | – | (1,580) | – | – | – | – | (1,580) |
| Actuarial losses on scheme liabilities (note 23) | – | – | (195) | – | – | – | – | (195) |
| Deferred tax relating to pension scheme liability | – | – | (53) | – | – | – | – | (53) |
| Currency translation differences | – | – | – | – | – | – | 99 | 99 |
| Cash flow hedging reserve – released to Income Statement | – | – | – | – | – | 67 | – | 67 |
| Cash flow hedging reserve – recognised in equity during the year | – | – | – | – | – | 23 | – | 23 |
| Total comprehensive income | – | – | 3,216 | – | – | 90 | 99 | 3,405 |
| Transactions with owners, recognised directly in equity: | | | | | | | | |
| Dividends | – | – | (900) | – | – | – | – | (900) |
| Long-term incentive plan charge | – | – | 467 | – | – | – | – | 467 |
| Long-term incentive plan vesting | – | – | (936) | – | – | – | – | (936) |
| Deferred tax arising on long-term incentive plan | – | – | 634 | – | – | – | – | 634 |
| Balance at 31 January 2014 | 590 | 457 | (14,766) | 43,457 | (2,950) | 153 | (89) | 26,852 |

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 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 ('IFRS as adopted by the EU') and International 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 2013 or ending 31 January 2014.

Since the Group's previous annual financial statements for the year ended 31 January 2013 the following pronouncements are now effective and have been adopted by the Group:

- 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 7 'Financial instruments: Disclosures' on offsetting financial assets and financial liabilities – effective periods beginning on or after 1 January 2013

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 2014 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.

- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities – effective periods beginning on or after 1 January 2014
- IFRS 10 'Consolidated financial statements' – 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
- IAS 36 'Impairment of assets' on recoverable amount disclosures – effective periods beginning on or after 1 January 2015
- Amendment to IAS 19 'Employee benefits' on defined benefit plans – effective periods beginning on or after 1 July 2014
- IFRS 9 'Financial instruments' – classification and measurement – effective periods beginning on or after 1 January 2018

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

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

The financial statements of the Company as an entity continue to be prepared under United Kingdom Generally Accepted Accounting Practice and are presented separately from the consolidated financial statements (pages 74 to 81).

1. Accounting policies and general information continued

Basis of consolidation

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

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

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

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree. 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.

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.

Notes to the Consolidated Financial Statements continued

1. Accounting policies and general information continued

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.

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.

1. Accounting policies and general information continued

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.
- '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 with the right of offset 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.

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.

Notes to the Consolidated Financial Statements continued

1. Accounting policies and general information continued

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'.

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 the 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.

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.

1. Accounting policies and general information continued

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

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

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

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

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

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

Segmental reporting

The Group is a designer, manufacturer and distributor of furnishings, fabrics and wallpaper and manages its operations as 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.

Notes to the Consolidated Financial Statements continued

1. Accounting policies and general information continued

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 2014, the average sterling to US dollar translation rate applied by the Group including the impact of hedging contracts was £1 : US\$1.57. If the rate had been £1 : US\$1.47 with all other variables held constant, profit before tax would have been higher by £204,000. If the rate had been £1 : US\$1.67 with all other variables held constant, profit before tax would have been lower by £179,000.

For the year ended 31 January 2014, the average sterling to euro translation rate applied by the Group including the impact of hedging contracts was £1 : €1.18. If the rate had been £1 : €1.08 with all other variables held constant, profit before tax would have been lower by £225,000. If the rate had been £1 : €1.28 with all other variables held constant, profit before tax would have been higher by £190,000.

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.

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.

On 31 January 2013, the receivables facility was renewed with Barclays Bank PLC 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 2014, 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 £34,000 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.

2. Financial risk management continued

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

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

Liquidity risk

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

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

During the year to 31 January 2014, the Group's strategy, which was unchanged from the previous year, was to reduce the average gearing ratio. The average gearing ratios for 2014 and 2013 were as follows:

| | Year ended 31 January | |
|--|-----------------------|--------------|
| | 2014 £000 | 2013 £000 |
| Average net debt | 4,171 | 4,748 |
| Total equity | 26,852 | 24,182 |
| Less: amounts recognised directly in equity relating to currency contracts | (153) | (63) |
| Adjusted capital | 26,699 | 24,119 |
| Average net debt to adjusted capital ratio | 15.6% | 19.6% |
| Year end net funds/debt to adjusted capital ratio | (5.6)% | (4.8)% |

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.

Notes to the Consolidated Financial Statements continued

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.

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

The Group considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the long-term incentive plan. 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 LTIP 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) Long-term incentive plan 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 34 to 36 and 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 aggregated 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 for the purposes of IFRS 8. Additional revenue-only data is also reported to the CODM and is disclosed on the basis explained below. Other Group-wide activities and expenses, predominantly related to corporate head office costs, defined benefit pension costs, long-term incentive 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 2014

| | Brands £000 | Manufacturing £000 | Eliminations and unallocated £000 | Total £000 |
|-------------------------------|----------------|-----------------------|--|---------------|
| UK revenue | 34,874 | 14,619 | – | 49,493 |
| International revenue | 23,797 | 3,011 | – | 26,808 |
| Licence revenue | 2,133 | – | – | 2,133 |
| Revenue – External | 60,804 | 17,630 | – | 78,434 |
| Revenue – Internal | – | 14,525 | (14,525) | – |
| Total revenue | 60,804 | 32,155 | (14,525) | 78,434 |
| Profit/(loss) from operations | 6,590 | 3,062 | (3,109) | 6,543 |
| Net borrowing costs | – | – | (180) | (180) |
| Net pension charge | – | – | (868) | (868) |
| Profit/(loss) before taxation | 6,590 | 3,062 | (4,157) | 5,495 |
| Tax charge | – | – | (451) | (451) |
| Profit/(loss) for the year | 6,590 | 3,062 | (4,608) | 5,044 |

Year ended 31 January 2013

| | Brands £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 |

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 auditors' remuneration which are incurred on a Group-wide basis are recharged by the head office to segments on a reasonable and consistent basis for all periods presented, and are included within segment results above.

Notes to the Consolidated Financial Statements continued

4. Segmental analysis continued

b) Additional segmental revenue information

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

| Brands revenue by export market: | 2014 £000 | 2013 £000 |
|----------------------------------|--------------|--------------|
| Western Europe | 6,713 | 6,142 |
| Scandinavia | 1,805 | 1,908 |
| Eastern Europe | 2,209 | 2,174 |
| Europe Total | 10,727 | 10,224 |
| Middle East | 858 | 846 |
| Far East | 3,354 | 3,018 |
| USA | 6,993 | 6,442 |
| South America | 342 | 401 |
| Australasia | 948 | 841 |
| Other | 575 | 543 |
| | 23,797 | 22,315 |

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: | 2014 £000 | 2013 £000 |
|---------------------------------------|--------------|--------------|
| Harlequin, incorporating Scion | 26,101 | 25,154 |
| Sanderson, incorporating Morris & Co. | 20,984 | 19,977 |
| Zoffany | 10,742 | 10,952 |
| Other brands | 844 | 901 |
| Licensing | 2,133 | 1,877 |
| | 60,804 | 58,861 |

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

| Manufacturing revenue analysis: | 2014 £000 | 2013 £000 |
|---------------------------------|--------------|--------------|
| Standfast | 15,358 | 14,344 |
| Anstey | 16,797 | 15,720 |
| | 32,155 | 30,064 |

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 2014

| | Brands £000 | Manufacturing £000 | Eliminations and unallocated £000 | Total £000 |
|---|----------------|-----------------------|--|---------------|
| Depreciation | 915 | 839 | 20 | 1,774 |
| Amortisation | 398 | 45 | – | 443 |
| Impairment losses – trade receivables | 182 | 2 | – | 184 |
| Reversal of impairment losses – trade receivables | (11) | (22) | – | (33) |
| Impairment losses – inventory | 1,146 | 54 | – | 1,200 |
| Reversal of impairment of inventory | – | (19) | – | (19) |
| LTIP payment charges | – | – | 970 | 970 |

4. Segmental analysis continued
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 prior period impairment losses – trade receivables | (27) | (10) | – | (37) |
| Impairment losses – inventory | 838 | 71 | – | 909 |
| Reversal of impairment of inventory | – | (7) | – | (7) |
| LTIP payment charges | – | – | 746 | 746 |

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 2014

| | Brands £000 | Manufacturing £000 | Eliminations and unallocated £000 | Total £000 |
|---|----------------|-----------------------|--|---------------|
| Assets | 38,269 | 20,456 | (2,288) | 56,437 |
| Liabilities | (18,442) | (5,860) | (5,283) | (29,585) |
| Total net assets/(liabilities) | 19,827 | 14,596 | (7,571) | 26,852 |
| Capital expenditure – Intangible assets | 1,033 | 16 | – | 1,049 |
| Capital expenditure – Property, plant and equipment | 994 | 2,708 | 2 | 3,704 |

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 |

e) Additional entity-wide disclosures

| Revenue by geographical location of customers: | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| United Kingdom | 50,190 | 48,533 |
| Continental Europe | 11,589 | 11,696 |
| United States of America | 8,854 | 8,499 |
| Rest of the World | 7,801 | 6,997 |
| | 78,434 | 75,725 |

No single customer of the Group accounts for 10% or more of total revenue.

| Non-current assets by geographical territory: | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| United Kingdom | 18,558 | 16,137 |
| Continental Europe | 232 | 247 |
| United States of America | 189 | 107 |
| | 18,979 | 16,491 |

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

Notes to the Consolidated Financial Statements continued

5. Exceptional items

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

In the current year and prior year, there are no exceptional items.

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

| | 2014 £000 | 2013 £000 |
|--------------------------------|--------------|--------------|
| Revenue | 78,434 | 75,725 |
| Cost of sales | (30,347) | (30,193) |
| Gross profit | 48,087 | 45,532 |
| Net operating expenses: | | |
| Distribution and selling costs | (12,747) | (12,939) |
| Administration expenses | (27,677) | (25,926) |
| LTIP accounting charge | (970) | (746) |
| Other operating expense | (150) | (90) |
| Net operating expenses | (41,544) | (39,701) |
| Profit from operations | 6,543 | 5,831 |

(b) Analysis of revenue by category

| | 2014 £000 | 2013 £000 |
|------------------------|--------------|--------------|
| Sale of goods | 76,301 | 73,848 |
| Licence royalty income | 2,133 | 1,877 |
| | 78,434 | 75,725 |

(c) Analysis of expense by nature

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Changes in inventories of finished goods and work in progress | (2,053) | (545) |
| Raw materials and consumables used | 25,689 | 24,704 |
| Employee benefit expense | 22,515 | 21,177 |
| Depreciation and amortisation charges | 2,217 | 2,048 |
| Transportation expenses | 3,244 | 2,976 |
| Advertising costs | 1,220 | 1,559 |
| Other selling costs | 6,765 | 6,958 |
| Establishment costs | 4,253 | 3,399 |
| Operating lease payments | 1,881 | 1,868 |
| Repairs and maintenance | 1,117 | 1,114 |
| Other expenses | 5,043 | 4,546 |
| Total cost of sales, distribution and selling costs, administration expenses and LTIP accounting charge | 71,891 | 69,804 |

7. Group profit from operations

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Group profit from operations is stated after charging/(crediting): | | |
| Depreciation of property, plant and equipment | 1,774 | 1,740 |
| Amortisation of intangibles | 443 | 308 |
| Cost of inventories recognised as expense in cost of sales | 23,978 | 24,159 |
| Impairment of inventories | 1,200 | 909 |
| Reversal of impairment of inventories | (19) | (7) |
| Impairment of trade receivables | 184 | 177 |
| Reversal of impairment of trade receivables | (33) | (37) |
| Net foreign exchange losses | 117 | 90 |
| Operating lease rentals: | | |
| – Hire of motor vehicles and plant and machinery | 434 | 469 |
| – Land and buildings | 1,447 | 1,399 |

7. Group profit from operations continued

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Auditors' remuneration: | | |
| Fees payable to Company's auditors for the audit of parent Company and consolidated financial statements | 55 | 53 |
| Fees payable to the Company's auditors for other services: Audit of Company's subsidiaries pursuant to legislation | 87 | 93 |
| Other accounting services | 46 | 47 |
| | 188 | 193 |

8. Net defined benefit pension charge

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Expected return on pension scheme assets | 2,212 | 2,190 |
| Interest on pension scheme liabilities | (2,545) | (2,439) |
| Scheme expenses met by Group | (535) | (455) |
| Net charge (note 23) | (868) | (704) |

9. Finance costs

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Interest expense: | | |
| Interest payable on bank borrowings | (158) | (159) |
| Amortisation of issue costs of bank loans | (22) | (34) |
| Total finance costs | (180) | (193) |

10. Emoluments of Directors

| | Salary £000 | Bonus £000 | LTIP £000 | Benefits £000 | Sub-total Aggregate emoluments £000 | Pension £000 | 2014 Total £000 | 2013 Total £000 |
|---------------------------------|----------------|---------------|--------------|------------------|--|-----------------|-----------------------|-----------------------|
| Executive Directors: | | | | | | | | |
| John Sach | 245 | 194 | 666 | 1 | 1,106 | 37 | 1,143 | 913 |
| David Smallridge | 176 | 133 | 485 | 1 | 795 | 26 | 821 | 687 |
| Alan Dix | 144 | 58 | 286 | 1 | 489 | 14 | 503 | 386 |
| Non-executive Directors: | | | | | | | | |
| Terry Stannard | 66 | – | – | – | 66 | – | 66 | 64 |
| Fiona Goldsmith | 30 | – | – | – | 30 | – | 30 | 28 |
| | 661 | 385 | 1,437 | 3 | 2,486 | 77 | 2,563 | 2,078 |

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 £13,153 (2013: £12,708). Benefits are accruing under defined contribution schemes for three Directors (2013: three Directors).

Further information on the remuneration of the Directors is included in the Directors' Remuneration Report set out on pages 34 to 36.

11. Employee information

| | 2014 £000 | 2013 £000 |
|------------------------------------|---------------|---------------|
| Wages and salaries | 18,807 | 17,860 |
| Social security costs | 2,007 | 2,067 |
| Other pension costs | 575 | 504 |
| LTIP awards, including NIC thereon | 970 | 746 |
| Employee benefit expense | 22,359 | 21,177 |

Notes to the Consolidated Financial Statements continued

11. Employee information continued

| The average monthly number of employees (including Directors) during the year | 2014 Number | 2013 Number |
|---|----------------|----------------|
| Brands, including warehousing | 231 | 232 |
| Manufacturing | 311 | 308 |
| Overseas | 30 | 29 |
| Corporate and administration | 20 | 20 |
| | 592 | 589 |

Compensation of key management personnel

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Short-term employee benefits (including short-term incentives) | 3,283 | 2,928 |
| Post-employment benefits (including pension costs) | 150 | 154 |
| LTIP awards | 970 | 746 |
| | 4,403 | 3,828 |

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. LTIP awards reflect the charge in the Income Statement and do not reflect the market value of shares expected to vest.

12. Tax expense

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Current tax: | | |
| – overseas, current tax | 21 | 16 |
| Deferred tax: | | |
| – current year | 415 | 821 |
| – adjustment in respect of prior year | (1) | 53 |
| – effect of change in corporation tax rate to 20% (2013: 23%) | 16 | 82 |
| Deferred tax | 430 | 956 |
| Tax charge for the year | 451 | 972 |

Reconciliation of tax charge for the year

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | 5,495 | 4,934 |
| Tax on profit on ordinary activities at standard rate 23% (2013: 24%) | 1,263 | 1,184 |
| Non-deductible expenditure | 48 | 39 |
| Parent and overseas losses and temporary timing differences not recognised | (497) | (353) |
| Future deductions for LTIP payments | (276) | – |
| Adjustments in respect of prior years | (1) | 53 |
| Effect of change in corporation tax rate to 20% (2013: 23%) | (86) | 49 |
| Tax charge for year | 451 | 972 |

Factors affecting current and future tax charges

No UK corporation tax is anticipated to become payable within the immediate future due to the availability of gross tax losses of approximately £6.3 million (2013: £9.1 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 (2013: £1.9 million).

Legislation has now been substantively enacted to reduce the main corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

The deferred tax balance at 31 January 2014 included within these financial statements has been calculated at a rate of 20%, being the rate enacted in the Finance Act (2013), as this is the rate at which the majority of the balances are expected to unwind.

13. Earnings per share

Basic 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. The adjusted basic earnings per share is calculated by dividing the adjusted earnings by the weighted average number of shares. As a consequence of the improved profitability of the Group, PBT performance criteria within LTIPs 5, 6 and 7 are now being met and as a consequence these LTIP awards are now dilutive.

| | 2014 | | | 2013 | | |
|--|------------------|--|------------------------------|------------------|--|------------------------------|
| | 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 earnings per share | 5,044 | 58,466 | 8.63 | 3,962 | 57,501 | 6.89 |
| Effect of dilutive securities | | | | | | |
| Shares under LTIP | | 3,476 | | | | |
| Diluted earnings per share | 5,044 | 61,942 | 8.14 | 3,962 | 57,501 | 6.89 |
| Adjusted basic and diluted earnings per share: | | | | | | |
| Add back LTIP accounting charge | 970 | | | 746 | | |
| Add back net defined benefit pension accounting charge | 868 | | | 704 | | |
| Less deferred tax arising on LTIP | (276) | | | | | |
| Adjusted basic earnings per share | 6,606 | 58,466 | 11.30 | 5,412 | 57,501 | 9.41 |
| Adjusted diluted earnings per share | 6,606 | 61,942 | 10.66 | 5,412 | 57,501 | 9.41 |

On 20 May 2013, 1,003,305 shares vested under the Company's long-term incentive plan and these were issued from the Walker Greenbank PLC Employee Benefit Trust. Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2013: 59,006,162) ordinary shares of which no (2013: nil) ordinary shares are held in treasury and a further 240,611 (2013: 1,243,916) ordinary shares are held by the Walker Greenbank PLC EBT with a cost of £49,427 (2013: £255,528). 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 2014 was £392,196 (2013: £1,001,352). The total number of shares held in the EBT at the year end represented 0.4% (2013: 2.1%) of the issued shares.

14. Intangible assets

| | Goodwill £000 | Arthur Sanderson and William Morris Archive £000 | Collection design £000 | Software £000 | Total £000 |
|---------------------------------|------------------|--|------------------------------|------------------|---------------|
| Cost | | | | | |
| 1 February 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 |
| Additions | – | – | 362 | 687 | 1,049 |
| Disposals | – | – | – | – | – |
| 31 January 2014 | 1,400 | 4,300 | 2,106 | 2,212 | 10,018 |
| Accumulated amortisation | | | | | |
| 1 February 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 |
| Charge | – | – | 261 | 182 | 443 |
| Disposals | – | – | – | – | – |
| 31 January 2014 | 841 | – | 1,343 | 545 | 2,729 |
| Net book amount | | | | | |
| 31 January 2014 | 559 | 4,300 | 763 | 1,667 | 7,289 |
| 31 January 2013 | 559 | 4,300 | 662 | 1,162 | 6,683 |
| 31 January 2012 | 559 | 4,300 | 629 | 623 | 6,111 |

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 £443,000 (2013: £308,000) is included in administration expenses £398,000 (2013: £306,000) and distribution and selling costs £45,000 (2013: £2,000).

Notes to the Consolidated Financial Statements continued

14. Intangible assets continued

Impairment tests for goodwill and Arthur Sanderson and William Morris Archive

The carrying value of goodwill at the year end of £559,000 (2013: £559,000) is attributable to the manufacturing segment. The carrying value of the Archive at the year end of £4,300,000 (2013: £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 (2013: £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% (2013: 6.57%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2013: 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% (2013: 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% (2013: 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 2014.

15. Property, plant and equipment

| | Land and buildings £000 | Plant, equipment and vehicles £000 | Computer hardware £000 | Total £000 |
|---------------------------------|-------------------------------|---|------------------------------|---------------|
| Cost: | | | | |
| 1 February 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 |
| Additions | 14 | 3,664 | 26 | 3,704 |
| Disposals | – | (547) | – | (547) |
| Currency movements | – | (34) | – | (34) |
| 31 January 2014 | 5,434 | 24,017 | 1,654 | 31,105 |
| Accumulated depreciation | | | | |
| 1 February 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 |
| Charge | 93 | 1,546 | 135 | 1,774 |
| Disposals | – | (512) | – | (512) |
| Currency movements | – | (21) | – | (21) |
| 31 January 2014 | 1,600 | 16,347 | 1,468 | 19,415 |
| Net book amount | | | | |
| 31 January 2014 | 3,834 | 7,670 | 186 | 11,690 |
| 31 January 2013 | 3,913 | 5,600 | 295 | 9,808 |
| 31 January 2012 | 4,000 | 4,970 | 343 | 9,313 |

The total depreciation expense of £1,774,000 (2013: £1,740,000) is included in administration expenses £1,768,000 (2013: £1,736,000) and distribution and selling costs £6,000 (2013: £4,000).

15. Property, plant and equipment continued

The net book amount of land and buildings comprises:

| | 2014 £000 | 2013 £000 |
|--------------------|--------------|--------------|
| Freehold land | 450 | 450 |
| Freehold buildings | 3,384 | 3,463 |
| Net book amount | 3,834 | 3,913 |

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 £3,834,000 (2013: £3,913,000).

16. Deferred income tax assets

A deferred tax asset of £2,163,000 (2013: £2,015,000) is recognised in respect of tax losses, future deductions for LTIP payments and other temporary differences.

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Taxable temporary differences on property, plant and equipment | (933) | (875) |
| Taxable temporary differences on intangible assets | (168) | (175) |
| Other temporary differences | 93 | 101 |
| Temporary differences on LTIP payments | 909 | – |
| Unutilised tax losses | 420 | 1,069 |
| | 321 | 120 |
| Retirement benefit obligations | 1,842 | 1,895 |
| | 2,163 | 2,015 |

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

At the Balance Sheet date the Group has gross unused UK tax losses of £6.3 million (2013: £9.1 million) available for offset against future profits. A deferred tax asset of £0.4 million (2013: £1.0 million) is recognised in respect of £2.1 million (2013: £4.6 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.

The March 2013 UK Budget Announcement included further proposals to reduce the main rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015. These changes were substantively enacted on 2 July 2013 and are therefore reflected in the deferred tax balances in these financial statements.

Potential deferred tax assets at 31 January 2014 of £856,000 (2013: £1,969,000) 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 £4.2 million (2013: £4.5 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 £1,908,000 (2013: £1,968,000) 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 LTIP payment reserves.

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Unutilised tax losses – UK | 846 | 1,035 |
| Unutilised tax losses – Overseas | 663 | 683 |
| Other deductible temporary differences – UK | 10 | 251 |
| | 1,519 | 1,969 |

There are also unutilised capital tax losses at 31 January 2014 of £2,485,000 (2013: £2,485,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

Notes to the Consolidated Financial Statements continued

17. Inventories

| | 2014 £000 | 2013 £000 |
|------------------|---------------|---------------|
| Raw materials | 1,982 | 1,909 |
| Work in progress | 1,825 | 1,283 |
| Finished goods | 14,621 | 13,633 |
| | 18,428 | 16,825 |

The cost of inventories recognised as an expense and included in cost of sales amounted to £23,978,000 (2013: £24,159,000).

The value of inventories providing security under the Barclays Bank PLC facility, if it were to be fully drawn, was £4,697,000 (2013: £4,415,000). This facility was not utilised at either year end.

18. Trade and other receivables

| Current | 2014 £000 | 2013 £000 |
|---|---------------|---------------|
| Trade receivables | 9,891 | 9,589 |
| Less: Provision for impairment of trade receivables | (563) | (535) |
| Net trade receivables | 9,328 | 9,054 |
| Other receivables | 611 | 588 |
| Marketing materials | 2,247 | 1,515 |
| Prepayments | 1,698 | 1,653 |
| | 13,884 | 12,810 |

The value of trade receivables providing funding under the Barclays facility was £7,704,000 (2013: £7,149,000).

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 £6,299,000 (2013: £5,675,000) which are neither past due nor impaired at the reporting date. The nature of the Group's business means that it has a long standing relationship with the majority of its customers, who either have no experience of historical default or only temporary late payments with full recovery of balances due.

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

(ii) Past due – not individually impaired

Included in the Group's trade receivable balances are receivables with a carrying value of £3,305,000 (2013: £3,685,000) 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:

| | 2014 £000 | 2013 £000 |
|---------------------|--------------|--------------|
| 1–30 days past due | 2,111 | 2,287 |
| 31–60 days past due | 1,023 | 1,066 |
| 61–90 days past due | 169 | 276 |
| 91+ days past due | 2 | 56 |
| | 3,305 | 3,685 |

The Directors believe however, that in the current economic environment there is objective evidence of credit deterioration and an impairment of £289,000 (2013: £284,000) 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 2014, trade receivables of £287,000 (2013: £292,000) were individually determined to be impaired and provided for. The amount of the provision was £274,000 (2013: £251,000). 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.

18. Trade and other receivables continued

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

| | 2014 £000 | 2013 £000 |
|----------|--------------|--------------|
| Sterling | 8,402 | 7,722 |
| Dollars | 31 | 91 |
| Euros | 1,427 | 1,678 |
| Other | 79 | 151 |
| | 9,939 | 9,642 |

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:

| | 2014 £000 | 2013 £000 |
|--------------------------|--------------|--------------|
| United Kingdom | 6,228 | 6,486 |
| Continental Europe | 1,774 | 1,627 |
| United States of America | 296 | 332 |
| Rest of the World | 1,030 | 609 |
| | 9,328 | 9,054 |

Provisions for impairment

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

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| At 1 February | (535) | (487) |
| Provision for receivables impaired | (184) | (177) |
| Receivables written off in the year as uncollectible | 124 | 92 |
| Unused amounts reversed | 32 | 37 |
| At 31 January | (563) | (535) |

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

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Forward foreign exchange contracts – cash flow hedges – asset | 153 | 63 |
| Swap contract – cash flow hedges – (liability) | – | (15) |

Forward foreign exchange contracts

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

During the year the Company has entered into monthly forward foreign exchange contracts up to February 2015, 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 £153,000 (2013: asset of £63,000).

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

The Brands make more purchases from the 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 12 months. As at the reporting date there were no euro forward foreign currency contracts.

Notes to the Consolidated Financial Statements continued

19. Derivative financial instruments continued

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 28 February 2014 and at the year end had a fair value liability of £Nil (2013: fair value liability of £15,000). The euro swap contract held at the Balance Sheet date was closed on 28 February 2014 and at the year end had a fair value asset of £Nil (2013: fair value asset of £600).

20. Cash and cash equivalents

| | 2014 £000 | 2013 £000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 2,830 | 2,920 |

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.

Of the above balance, £666,000 (\$900,000) was held as security under a letter of credit by Wells Fargo in relation to the New York showroom refit to the benefit of the party undertaking the building work.

21. Trade and other payables

| | 2014 £000 | 2013 £000 |
|-------------------------------------|--------------|--------------|
| Trade payables | 11,881 | 10,174 |
| Other taxes and social security | 1,878 | 1,459 |
| Other payables and deferred revenue | 419 | 367 |
| Accruals | 4,857 | 4,925 |
| | 19,035 | 16,925 |

22. Borrowings

| | 2014 £000 | 2013 £000 |
|---------------------|--------------|--------------|
| Current: | | |
| Term loan | 400 | 400 |
| | 400 | 400 |
| Non-current: | | |
| Term loan | 995 | 1,388 |
| Committed facility | (53) | (24) |
| | 942 | 1,364 |
| Total borrowings | 1,342 | 1,764 |

In January 2013, the Group agreed terms to renew the Receivables facilities from Barclays Bank PLC for a three-year period and to cancel the existing Inventory facility and replace it with a new £2.5 million Committed facility for a three-year period. 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 (2013: £16.5 million); the utilisation of the facilities at the year end was £1,342,000 (2013: £1,764,000). 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 require compliance with a number of operational covenants. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to Barclays Bank PLC that it was in full compliance with its financial and operational covenants throughout each of the periods presented.

22. Borrowings continued

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

| | Carrying amount | | Fair value | |
|------------------------|-----------------|--------------|--------------|--------------|
| | 2014 £000 | 2013 £000 | 2014 £000 | 2013 £000 |
| Term loan | 995 | 1,388 | 1,000 | 1,400 |
| Committed facility | (53) | (24) | – | – |
| Trade receivables loan | – | – | – | – |
| | 942 | 1,364 | 1,000 | 1,400 |

The fair values are based on cash flows discounted using a weighted average rate based on the borrowing rate of 1.75% (2013: 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 2014 | | | | |
| Borrowings | 400 | 821 | 211 | – |
| Trade and other payables | 17,158 | – | – | – |
| | 17,558 | 821 | 211 | – |
| | | | | |
| | 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 | – |

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

| | 2014 £000 | 2013 £000 |
|----------|--------------|--------------|
| Sterling | 1,342 | 1,764 |

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 £454,000 (2013: £458,000). Active members of the schemes are also able to make contributions.

Defined benefit schemes

Walker Greenbank PLC operates two defined benefit schemes in the UK which both offer pensions in retirement and death benefits to members: the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. Pension benefits are related to the members' final salary at retirement and their length of service. The schemes are closed to new members and to future accrual of benefits. This disclosure excludes any defined contribution assets and liabilities.

The Group's contributions to the schemes for the year beginning 1 February 2014 are expected to be £1,672,000.

Walker Greenbank PLC has adopted the amendments to IAS 19 published in June 2011. The disclosures shown below adopt this standard for the current period. The prior period has not been restated as the impact of the changes were not material.

Full actuarial valuations of the schemes were carried out as at 5 April 2012 and have been updated to 31 January 2014 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

| | 2014 | 2013 |
|---|-------|-------|
| Discount rate | 4.45% | 4.50% |
| Inflation assumption (RPI) | 3.30% | 3.30% |
| Inflation assumption (CPI) | 2.40% | 2.40% |
| Rate of increase in salaries | 3.30% | 3.30% |
| Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a. | 3.10% | 3.10% |
| Rate of increase to pensions (in excess of GMP) in deferment | 2.40% | 2.40% |

Notes to the Consolidated Financial Statements continued

23. Retirement benefit obligations continued

The mortality assumptions imply the expected future lifetime from age 65 as follows:

| | 2014 | 2013 |
|-----------------------------------|------|------|
| Non-pensioner male currently 45 | 23.7 | 23.5 |
| Pensioner male currently 65 | 22.3 | 21.6 |
| Non-pensioner female currently 45 | 26.3 | 26.3 |
| Pensioner female currently 65 | 24.8 | 24.4 |

The fair value of the assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Equities, absolute return and property | 22,117 | 25,009 |
| Fixed interest gilts | 1,637 | 1,626 |
| Fixed interest bonds | 5,387 | 3,739 |
| Index-linked gilts | 17,138 | 17,412 |
| Insured annuities | 1,227 | 1,249 |
| Cash and other | 1,629 | 220 |
| Fair value of scheme assets | 49,135 | 49,255 |

The actual return on assets over the period was a gain of £632,000 (2013: gain of £3,203,000).

| | | |
|-------------------------------------|---------|---------|
| Present value of funded obligations | 58,343 | 57,493 |
| Fair value of scheme assets | 49,135 | 49,255 |
| Surplus/(deficit) in funded scheme | (9,208) | (8,238) |
| Net liability in balance sheet | 9,208 | 8,238 |

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

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Benefit obligation at beginning of year | 57,493 | 54,433 |
| Service cost | – | 455 |
| Interest cost | 2,545 | 2,439 |
| Net re-measurement (gains)/losses – financial | 547 | 2,303 |
| Net re-measurement (gains)/losses – demographic | (352) | – |
| Net re-measurement (gains)/losses – experience | – | 733 |
| Benefits paid | (1,890) | (2,870) |
| Benefit obligation at end of year | 58,343 | 57,493 |

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

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Fair value of plan assets at beginning of year | 49,255 | 47,338 |
| Interest income on scheme assets | 2,212 | 2,190 |
| Return on assets, excluding interest income | (1,580) | 1,013 |
| Contributions by employers | 1,673 | 1,584 |
| Benefits paid | (1,890) | (2,870) |
| Scheme administrative cost | (535) | – |
| Fair value of scheme assets at end of year | 49,135 | 49,255 |

Re-measurements of the net defined benefit liability/(asset) to be shown in the Statement of Comprehensive Income:

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Net re-measurement – financial | 547 | 2,303 |
| Net re-measurement – demographic | (352) | – |
| Net re-measurement – experience | – | 733 |
| Return on assets, excluding interest income | 1,580 | (1,055) |
| Total re-measurement of the net defined benefit liability | 1,775 | 1,981 |

The impact of IAS 19 Revised on the 2013 return on assets, excluding interest income has been an increase in the gain from £1,013,000 to £1,055,000.

23. Retirement benefit obligations continued

Sensitivity analysis

The table below shows the impact on the defined benefit obligation of changing each of the most significant assumptions in isolation. The figures in the table as at 31 January 2014 have been calculated using the same valuation method that was used to calculate the defined benefit obligation above. The figures in the table as at 31 January 2013 have been calculated by applying the same percentage increase or decrease as at 31 January 2014.

| | Change in assumption £m | Impact on scheme liabilities 2014 | | Impact on scheme liabilities 2013 | |
|--------------------------|-------------------------|--------------------------------------|----------|--------------------------------------|----------|
| | | Increase | Decrease | Increase | Decrease |
| Discount rate | 0.25% movement | (2.3) | 2.5 | (2.3) | 2.4 |
| Rate of inflation (RPI)* | 0.25% movement | 1.2 | (1.2) | 1.2 | (1.2) |
| Rate of inflation (CPI)* | 0.25% movement | 0.5 | (0.5) | 0.5 | (0.5) |
| Assumed life expectancy | 1 year movement | 1.8 | (1.9) | 1.8 | (1.8) |

Extrapolation of the sensitivity analysis beyond the ranges shown may not be appropriate.

* With corresponding changes to the salary and pension increase assumptions.

History of schemes' assets, obligations and experience adjustments

| | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 | 2010 £000 |
|--|--------------|--------------|--------------|--------------|--------------|
| Present value of defined benefit obligation | (58,343) | (57,493) | (54,433) | (47,044) | (46,530) |
| Fair value of scheme's assets | 49,135 | 49,255 | 47,338 | 40,302 | 38,587 |
| Deficit in the schemes | (9,208) | (8,238) | (7,095) | (6,742) | (7,943) |
| Experience adjustments arising on scheme liabilities | (195) | (3,036) | (6,864) | (1,559) | (7,694) |
| Experience adjustments arising on scheme assets | (1,580) | 1,013 | 5,460 | 1,718 | 2,665 |

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 2014 | | | | |
| Assets as per Balance Sheet | | | | |
| Derivative financial instruments | – | – | 153 | 153 |
| Trade and other receivables | 9,939 | – | – | 9,939 |
| Cash and cash equivalents | 2,830 | – | – | 2,830 |
| Total | 12,769 | – | 153 | 12,922 |

| | Liabilities at fair value £000 | Other financial liabilities £000 | Derivatives used for hedging £000 | Total £000 |
|---|--------------------------------------|---|--|---------------|
| 31 January 2014 | | | | |
| Liabilities as per Balance Sheet | | | | |
| Borrowings | – | 1,342 | – | 1,342 |
| Trade and other payables | – | 17,157 | – | 17,157 |
| Total | – | 18,499 | – | 18,499 |

| | 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 |

Notes to the Consolidated Financial Statements continued

24. Financial instruments by category continued

| 31 January 2013 | Liabilities at fair value £000 | Other financial liabilities £000 | Derivatives used for hedging £000 | Total £000 |
|---|--------------------------------------|--|--|---------------|
| 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 |

25. Share capital

| Ordinary shares of 1p each: | Number of shares | £ |
|--|---------------------|---------|
| Authorised share capital: | | |
| 1 February 2012, 31 January 2013 and 31 January 2014 | 85,000,000 | 850,000 |
| Allotted and fully paid: | | |
| 1 February 2012, 31 January 2013 and 31 January 2014 | 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 20 May 2013, 1,003,305 shares vested under the Company's long-term incentive plan and these were issued from the Walker Greenbank PLC Employee Benefit Trust.

Following this transaction Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2013: 59,006,162) ordinary shares of which no (2013: nil) ordinary shares are held in treasury. 260,114 (2013: 1,243,916) ordinary shares are held by the Walker Greenbank PLC EBT with a cost of £49,427 (2013: £255,528).

The market value of shares held by the EBT at 31 January 2014 was £392,196 (2013: £1,000,352). The total number of shares held in the EBT at the year end represented 0.4% (2013: 2.1%) of the issued shares.

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

The Group operates a long-term incentive plan. There have been seven 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, the third, fourth and fifth vesting in subsequent years. 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 Five | Award Six | Award Seven | Award Seven |
|---|---|---|---|--|
| Grant date of awards | 19 May 2011 | 18 May 2012 | 16 May 2013 | 16 May 2013 |
| Grant date fair value of award (pence per award) | 25.22 | 36.76 | 77.73 | 107.14 |
| Vesting date of awards | 19 May 2014 | 18 May 2015 | 16 May 2016 | 16 May 2016 |
| Maximum number of awards | 1,864,663 | 1,500,842 | 514,915 | 514,915 |
| Vesting condition based on | TSR with PBT floor | TSR with PBT floor | TSR with PBT floor | EPS growth |
| Relevant date for determination of vesting conditions | 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 | TSR as at 13 May 2016 PBT for year ending 31 January 2016 | EPS for year ending 31 January 2016 |

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 34 to 36.

25. Share Capital continued

The fair value at grant date of Award Four was estimated based on the share price of the Group at grant date. Awards Five and Six include vesting conditions that are market based, and allowance for these are included within the fair value at grant date. Award Seven has half the award based on vesting conditions that are market based and half based on the growth in adjusted EPS. The weighted average fair value of options granted during the period (Award Seven) that related to market based vesting conditions was determined using the Monte-Carlo valuation model was 77.73p per option. The significant inputs into the model were weighted average share price of 111.5p at the grant date, exercise price shown above, dividend yield of 1.33%, an expected option life of three years, and an annual risk-free interest rate of 0.41%. 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. The fair value of the options granted based on vesting conditions of growth in EPS was determined using the Black-Scholes valuation model was 107.14p. 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:

| | 2014 Number | 2013 Number |
|---------------|----------------|----------------|
| At 1 February | 5,467,505 | 6,116,663 |
| Granted | 1,029,831 | 1,500,842 |
| Exercised | (1,839,250) | (1,881,250) |
| Lapsed | (287,750) | (268,750) |
| At 31 January | 4,370,336 | 5,467,505 |

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 2014 and 2013 | 43,457 |

27. Dividends

During the year, the Group has paid a final dividend for the year to 31 January 2013 of 1.25p and an interim dividend of 0.28p for the year to 31 January 2014 (2013: 0.23p).

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 1.57p per share (2013: 1.25p per share) which will be payable on 8 August 2014 to shareholders on the register at 18 July 2014. This brings the total dividend for the year to 1.85p (2013: 1.48p) giving a cost of £923,000 (2013: £855,000). This brings the total dividend for the year to 1.85p (2013: 1.48p).

28. Cash generated from operations

| | 2014 £000 | 2014 £000 | 2013 £000 | 2013 £000 |
|---|--------------|--------------|--------------|--------------|
| Profit before tax: | | 5,495 | | 4,934 |
| Defined benefit pension charge | 868 | | 704 | |
| Net borrowing costs | 180 | | 193 | |
| Depreciation | 1,774 | | 1,740 | |
| Amortisation | 443 | | 308 | |
| Loss on disposal of fixed assets | 15 | | – | |
| Charge for long-term incentive plan recognised in equity | 467 | | 430 | |
| Long-term incentive plan vesting | (936) | | (640) | |
| Unrealised foreign exchange losses included in operating profit | 114 | | 18 | |
| Defined benefit pension cash contributions | (1,673) | | (1,584) | |
| Changes in working capital | | | | |
| (Increase)/decrease in inventories | (1,603) | | 175 | |
| (Increase)/decrease in trade and other receivables | (1,074) | | 172 | |
| Increase/(decrease) in trade and other payables | 2,095 | | (427) | |
| | | 670 | | 1,089 |
| Cash generated from operations | | 6,165 | | 6,023 |

Notes to the Consolidated Financial Statements continued

29. Analysis of net funds

| | 1 February 2013 £000 | Cash flow £000 | Current portion of term facilities £000 | Other non- cash changes £000 | 31 January 2014 £000 |
|---------------------------------|----------------------------|-------------------|--|------------------------------------|----------------------------|
| Cash and cash equivalent | 2,920 | (90) | – | – | 2,830 |
| Borrowings due within one year | (400) | 400 | (400) | – | (400) |
| Borrowings due after one year | (1,364) | 44 | 400 | (22) | (942) |
| | (1,764) | 444 | – | (22) | (1,342) |
| Net (debt)/funds | 1,156 | 354 | – | (22) | 1,488 |

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:

| | 2014 £000 | 2013 £000 |
|-------------------------------|--------------|--------------|
| Property, plant and equipment | 700 | 1,797 |

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 5 years. Other leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

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

| | Land and buildings 2014 £000 | Other 2014 £000 | Land and buildings 2013 £000 | Other 2013 £000 |
|----------------------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
| Within one year | 1,490 | 318 | 1,450 | 364 |
| Between one and five years | 5,942 | 364 | 3,858 | 413 |
| Over five years | 7,213 | – | 5,635 | – |
| | 14,645 | 682 | 10,943 | 777 |

Other leases include hire of plant, machinery and motor vehicles.

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 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 wallcoverings, furnishing fabrics and associated products for the consumer market.

Independent Auditors' Report to the Members of Walker Greenbank PLC

Report on the parent company financial statements Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the parent company's affairs as at 31 January 2014;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The parent company financial statements (the "financial statements"), which are prepared by Walker Greenbank plc, comprise:

- Company balance sheet as at 31 January 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and Accounts (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit Our responsibilities and those of the directors

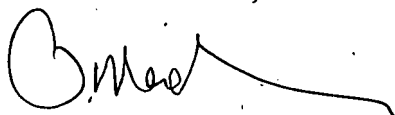
As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

Other matter

We have reported separately on the group financial statements of Walker Greenbank PLC for the year ended 31 January 2014.



Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
6 May 2014

Company Balance Sheet

At 31 January 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 4 | 23 | 34 |
| Investments | 5 | 44,061 | 43,888 |
| | | 44,084 | 43,922 |
| Current assets and liabilities | | | |
| Debtors | 6 | 13,771 | 11,774 |
| Cash at bank and in hand | | – | 247 |
| | | 13,771 | 12,021 |
| Creditors: amounts falling due within one year | 8 | (6,318) | (5,438) |
| Net current assets | | 7,453 | 6,583 |
| Total assets less current liabilities | | 51,537 | 50,505 |
| Creditors: amounts falling due after more than one year | 9 | (942) | (1,364) |
| Net assets | | 50,595 | 49,141 |
| Capital and reserves | | | |
| Called up Share capital | 11 | 590 | 590 |
| Share premium account | 12 | 457 | 457 |
| Profit and loss account | 12 | 7,660 | 6,206 |
| Capital reserves | 12 | 41,888 | 41,888 |
| Total shareholders' funds | | 50,595 | 49,141 |

The financial statements on pages 74 to 81 were approved by the Board of Directors on 6 May 2014 and were signed on its behalf by:



John Sach
Director



Mike Gant
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 £2,188,000 (2013: £1,055,000) 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.

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.

Notes to the Financial Statements continued

1. Accounting policies continued

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 IUTF 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

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Audit fee – fees payable to the Company auditor for the audit of the parent Company and the consolidation of the Group financial statements | 55 | 53 |

3. Emoluments of Directors

| | Salary £000 | Bonus £000 | LTIP £000 | Benefits £000 | Sub-total Aggregate emoluments £000 | Pension £000 | 2014 Total £000 | 2013 Total £000 |
|---------------------------------|----------------|---------------|--------------|------------------|--|-----------------|-----------------------|-----------------------|
| Executive Directors: | | | | | | | | |
| John Sach | 245 | 194 | 666 | 1 | 1,106 | 37 | 1,143 | 913 |
| David Smallridge | 176 | 133 | 485 | 1 | 795 | 26 | 821 | 687 |
| Alan Dix | 144 | 58 | 286 | 1 | 489 | 14 | 503 | 386 |
| Non-executive Directors: | | | | | | | | |
| Terry Stannard | 66 | – | – | – | 66 | – | 66 | 64 |
| Fiona Goldsmith | 30 | – | – | – | 30 | – | 30 | 28 |
| | 661 | 385 | 1,437 | 3 | 2,486 | 77 | 2,563 | 2,078 |

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 £13,153 (2013: £12,708).

Benefits are accruing under defined contribution schemes for three Directors (2013: three Directors).

Further information on the remuneration of the Directors is included in the Directors' Remuneration Report which is included on pages 34 to 36 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 2013 | 90 | 29 | 119 |
| Additions | – | 2 | 2 |
| 31 January 2014 | 90 | 31 | 121 |
| Depreciation | | | |
| 31 January 2013 | 62 | 23 | 85 |
| Charge | 11 | 2 | 12 |
| 31 January 2014 | 73 | 25 | 97 |
| Net book amount | | | |
| 31 January 2014 | 17 | 6 | 23 |
| 31 January 2013 | 28 | 6 | 34 |

5. Investments

| | 2014 £000 | 2013 £000 |
|--|---------------|---------------|
| Shares in subsidiary undertakings | | |
| Cost: | | |
| As at 1 February 2013 | 44,926 | 44,800 |
| Additions | 173 | 126 |
| As at 31 January 2014 | 45,099 | 44,926 |
| Provision for impairment: | | |
| Beginning of year and end of year | (1,038) | (1,038) |
| Net book amount at 31 January 2014 and 2013 | 44,061 | 43,888 |

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 SARL* | – incorporated in France |

A* 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% (2013: 6.57%) on a pre tax basis, and is not intended to reflect a realisable value on disposal. The directors believe that the value of the investment 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

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Amounts owed by subsidiary undertakings | 12,605 | 11,533 |
| Other debtors | 1,166 | 241 |
| | 13,771 | 11,774 |

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

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Forward foreign exchange contracts – cash flow hedges – asset/(liability) | 153 | 63 |
| Swap contract – cash flow hedges – (liability)/asset | – | (15) |

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 February 2015, 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 £153,000 (2013: asset of £63,000).

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 12 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 2014 and at the year end had a liability of £Nil (2013: liability of £15,000). The Euro swap contract held at the Balance Sheet date was closed on 22 February 2014 and at the year end had an asset of £Nil (2013: asset of £600).

8. Creditors: due within one year

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Bank term loans (note 9) | 400 | 400 |
| Bank overdrafts | 792 | – |
| Trade creditors | 187 | 169 |
| Amounts owed to subsidiary undertakings | 4,410 | 4,410 |
| Other taxes and social security | (47) | (267) |
| Other creditors | 68 | 48 |
| Accruals | 508 | 678 |
| | 6,318 | 5,438 |

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

| | 2014 £000 | 2013 £000 |
|----------------|--------------|--------------|
| Bank term loan | 942 | 1,364 |

Interest is charged at 1.25% (2013: 1.25%) over base rate.

| | 2014 £000 | 2013 £000 |
|-------------------------------|--------------|--------------|
| Repayment of total borrowings | | |
| Over five years | – | – |
| Between two and five years | 542 | 964 |
| Between one and two years | 400 | 400 |
| After more than one year | 942 | 1,364 |
| Within one year (note 8) | 400 | 400 |
| | 1,342 | 1,764 |

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 ten 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 2014 of £857,000 (2013: £1,285,000) relating to tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery will arise.

| | 2014 £000 | 2013 £000 |
|--------------------------|--------------|--------------|
| Tax losses | 846 | 1,035 |
| Other timing differences | 11 | 250 |
| | 857 | 1,285 |

There are also unutilised capital tax losses of £4,885,000 (2013: £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 2013 and 31 January 2014 | 85,000,000 | 850,000 |
| Allotted and fully paid: | | |
| 1 February 2013 and 31 January 2014 | 59,006,162 | 590,062 |

On 20 May 2013, 1,003,305 shares vested under the Company's Long-Term Incentive Plan and these were issued from the Walker Greenbank PLC Employee Benefit Trust.

Following this transaction Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2013: 59,006,162) ordinary shares of which no (2013: nil) ordinary shares are held in treasury. 260,114 (2013: 1,243,916) ordinary shares are held by the Walker Greenbank PLC EBT with a cost of £49,427 (2013: £255,364).

The market value of shares held by the EBT at 31 January 2014 was £392,196 (2013: £1,001,707).

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

12. Shareholders' funds and reserve movements

| | Share capital £000 | Share premium account £000 | Profit and loss account £000 | Capital reserve £000 | Total £000 |
|---|-----------------------|----------------------------------|------------------------------------|-------------------------|---------------|
| 1 February 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 |
| Reserve for long term incentive plans | – | – | 166 | – | 166 |
| Profit for the year | – | – | 2,188 | – | 2,188 |
| Dividends paid | – | – | (900) | – | (900) |
| 31 January 2014 | 590 | 467 | 7,660 | 41,888 | 50,595 |
| 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 2014 £000 | Other 2014 £000 | Land and Buildings 2013 £000 | Other 2013 £000 |
|--------------------------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
| Operating leases which expire: | | | | |
| Within one year | – | – | – | – |
| Between one and five years | 61 | – | 87 | – |
| Over five years | 420 | – | 420 | – |
| | 481 | – | 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 1.57p per share (2013: 1.25p per share), a total of £922,000 (2013: £722,000). 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 £89,000 for the year ended 31 January 2014 (2013: £111,000).

Five Year Record

| | 2010 £000 | 2011 £000 | 2012 £000 | 2013 £000 | 2014 £000 |
|---|--------------|--------------|--------------|--------------|---------------|
| Revenue | 60,378 | 68,778 | 74,014 | 75,725 | 78,434 |
| Overseas revenue by location of customer | 20,409 | 22,456 | 25,441 | 27,192 | 28,244 |
| Profit from operations | 2,415 | 4,972 | 5,555 | 5,831 | 6,543 |
| Profit from operations before exceptional items and discontinued operations | 2,522 | 4,472 | 5,555 | 5,831 | 6,543 |
| EBITDA | 4,308 | 6,210 | 7,001 | 7,175 | 8,903 |
| Profit before income tax | 1,552 | 4,462 | 4,894 | 4,934 | 5,495 |
| Capital expenditure | 1,067 | 2,636 | 2,538 | 3,119 | 4,735 |
| Earnings per ordinary share | 2.10p | 5.36p | 6.76p | 6.89p | 8.63 |
| Average number of employees | 529 | 550 | 582 | 587 | 592 |
| Dividends paid in year | – | 368 | 570 | 711 | 900 |
| Shareholders' funds | 18,770 | 21,393 | 23,052 | 24,182 | 26,852 |
| Dividend per share | | | | | |
| – Final (prior year end) – paid | – | 0.50p | 0.80p | 1.00p | 1.25p |
| – Interim (current year end) – paid | – | 0.15p | 0.20p | 0.23p | 0.28p |
| – Final (current year end) – proposed | – | – | – | – | 1.57p |

EBITDA is based on profit from operations before exceptional items.

Shareholder Information

Financial Calendar

Annual General Meeting
Announcement of half-year results

16 July 2014
October 2014

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