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Walker Greenbank PLC

ANNUAL REPORT AND ACCOUNTS
YEAR ENDED 31 JANUARY 2001

Walker Greenbank PLC is an international group of companies which design, manufacture, market and distribute wallcoverings, furnishing fabrics and luxury carpets for the consumer market

Our future success is based on high standards and a clear strategy to create centres of excellence in design, manufacturing and distribution

The board believes we now have in place a platform on which to build a stronger business for the future

Chairman's Statement

Overview

This has been an unsatisfactory year for the group with a below par performance in many of our operations. We have faced difficult market conditions and the final restructuring and consolidation of our main wallpaper manufacturing activities on a single site disrupted the business more than we expected. However, the operational changes now finally complete put us in a strong position to return the business to profitability.

Similarly, as we reported last year the introduction of the new IT system initially caused severe problems to customer service levels. This caused the anticipated efficiencies to be delayed but we can report that this period of disruption is over and the benefits of the new IT system are now coming through.

As we reported during the year, the board received an approach from a management buy-in team prior to a potential offer being made for the group. The initial indication of price suggested the board should encourage continued discussions and a considerable amount of management time and effort went into completing this process, partly at the expense of the day-to-day management of the operations. Market conditions moved against the management buy-in team during their thorough investigation of the operation and their final proposal was not one the board felt fairly reflected the underlying value of the business.

Nevertheless, the board was impressed by the buy-in team and their view of the potential of the group. Accordingly, David Medcalf was invited to join the board as Chief Executive, replacing Aidan Connolly who was not part of the buy-in/buy-out team and who had agreed to remain with the group until the discussions reached a conclusion. I would like to take this opportunity to thank Aidan Connolly for all his hard work at Walker Greenbank over the last four years. Peter Harkness from the buy-in team was also invited to join the board as non-executive director. Phillip Billington and Philip Cadle felt that their board roles did not leave them with sufficient time to concentrate on their operational responsibilities and in the best interests of the group they proposed that they should step down from the board.

Results

Sales of the continuing businesses were in line with last year at £49.7 million (2000: £49.9 million). The operating loss before exceptional items for the year on continuing businesses was £2.98 million (2000: £1.72 million profit) but the new fabrics manufacturing acquisitions produced a good performance with operating profits of £1.05 million. Therefore, the overall operating loss before exceptional items was £1.94 million as foreshadowed in the December trading statement.

Exceptional operating costs amounted to £3.33 million and arose principally from the consolidation of wallpaper manufacturing onto one site in Leicestershire, exceptional costs incurred following the installation of the new IT system and redundancy costs, as a result of the reduction in the UK workforce as part of the group's efficiency drive.

The loss before tax after interest and other items amounted to £5.49 million compared to a profit of £386,000 in 2000. The loss per share was 9.60p (2000: earnings 0.25p) but the underlying loss per share adjusting for exceptional and other items was 3.74p (2000: earnings 3.33p). The balance sheet remained strong with net assets of 67p per share at the year end and the net gearing level was just 13 per cent. A final dividend of 1p per share is proposed making a total dividend for the year of 1p per share (2000: 2p) payable on 6 July 2001 to shareholders registered at the close of business on 15 June 2001. The dividend proposal has been made in view of these latest results but also bearing in mind that the group is now in a stronger position to exploit any improvement in market conditions.

Chairman's Statement continued

Operating Review

Restructuring

The restructuring of our operations has been at a considerable expense to the business this year but the board believes we now have in place a platform on which to build a stronger business for the future. The consolidation of the wallpaper factories onto one site is now complete giving us a fully integrated modern manufacturing facility. The process proved more difficult than we expected necessitating large scale renovations to the building. Short term efficiency was affected but is now returning and we expect value to be created by the move in the forthcoming year.

During the last quarter of the financial year a programme of redundancy and natural wastage led to a fall in the headcount of over 100, approximately 15 per cent of the UK workforce. The cost of this programme was higher than anticipated in our December trading statement but the firm action taken means the business is now much better placed to return to profitability from a lower cost base.

The closure of the German and French distribution businesses has been successfully completed and whilst sales have been lost during this transition period, there have been significant cost savings and improved profitability from these markets. We believe Continental Europe, which now can be served directly from the UK, offers us good opportunities for growth in the future.

Information Technology

The group introduced its new IT system in December 1999. As we have reported previously, the introduction of the system caused unexpected disruptions to customer service initially. We incurred additional costs in the carriage of goods, the use of temporary staff and overtime and less definable costs resulting from the damage to customer relations and the consequential loss of sales.

The system is now fully operational. It has allowed us to close the European distribution operations, create more efficient practices and achieve considerable cost savings. We expect to achieve further operating efficiencies this year.

Brands and Distribution

The Zoffany brand continues to be our largest selling brand worldwide. Overall, sales held steady. There was strong growth in the US with sales up 32 per cent but sales were down 7 per cent in the UK. Second half sales in the UK, normally our strongest selling period, were significantly affected by fuel shortages, transport disruption and flooding.

The Warner brand had another difficult year. As reported at the half year, the sale of Cole & Son and its associated business, John Perry, was successfully completed in September for a total consideration of £3 million and a profit on the sale of £555,000.

Second half trading at Harlequin was affected by the same factors that impacted Zoffany and sales declined 6 per cent over the year. Results were affected by higher than expected patterning costs and some stock write-offs due partly to the sales slowdown. We have appointed new senior sales and marketing directors to the business to initiate a new sales drive.

The continuing success of the new Cirka brand was demonstrated by a threefold increase in turnover to £3 million. Cirka combines experienced design capability, an innovative and fresh product with a clear market focus.

The Norwegian business, Borge, produced another improvement in operating profits despite a 3 per cent reduction in sales. The company maintains a dominant position in its markets and further initiatives will be launched later this year.

The operational changes now finally complete put us in a strong position to return the business to profitability

WG Inc, our American business, has had another highly successful year with sales growing 17 per cent and operating profits increasing by 9 per cent. We abandoned the Whittaker & Woods marketing concept and the main business is now trading as Zoffany. The New York showroom has been rebranded and a new head of this business appointed.

Wallpaper Manufacturing
The downturn in business in the second half experienced by Harlequin and Zoffany fed through to the Anstey factory resulting in a 19 per cent reduction in sales to these companies. In addition, the factory move during this period created short term inefficiencies. All heavy plant has now been moved and recommissioned and all manufacturing has been operating from one site since January 2001. This will allow us to improve operating efficiencies.

Fabric Manufacturing
Weavestyle has had an excellent first year in the group delivering profits ahead of our expectations at the time of the acquisition and well ahead of the same period last year. All key customers have been retained and the business grown further. The existing Contract Fabrics business, which also performed well with sales up 12 per cent on the previous year, was amalgamated with Weavestyle on one site at Silsden in Yorkshire. This allowed us to reduce the cost base of the combined business.

Standfast also had a very encouraging first year with profits in line with expectations at the time of acquisition. Again, no key customers were lost and important new accounts have been won. Market conditions remain tough but the strong management team is focused on maintaining profitability.

Outlook
Creating shareholder value remains our prime objective. It is the board's belief that a great deal of the groundwork for achieving that has been carried out in the last 18 months and we are very conscious that as far as the results are concerned, we have had little to show for it so far. We believe this will change, though how quickly is difficult to predict. Despite market conditions that remain very testing, we believe we are in a strong position to return the business to profitability.

The Viscount Thurso
Chairman

Financial Review

Profit And Loss Format

The profit and loss account has been set out in a columnar format this year. This presentation has been adopted in order to reflect more clearly the impact of a number of exceptional non-recurring operating costs that the business has incurred this year. Full details of these items are disclosed in note 3 of the accounts on page 26.

Shareholder Return and Dividend

The basic loss per share is 9.60p compared to last year's earnings per share of 0.25p. In line with previous years the underlying EPS has been included as we believe this provides additional information to the shareholders. This has been calculated by reference to the continuing operations' pre-exceptional (loss)/profit after tax and has fallen from an underlying earnings per share last year of 3.33p to a loss per share of 3.74p.

The pre-exceptional EBITDA fell from £3.6 million to £1.5 million. Despite this fall the group continues to benefit from the cash flows generated by both its own past significant capital investment and also that of the acquisitions.

In light of the difficult trading year the board proposes to reduce the final dividend from 2.00p per ordinary share to 1.00p.

Interest

Interest received last year of £0.7million has reversed to interest payable this year of £0.2 million, due principally to the acquisitions in the early part of the year, the continued investment in the group's consolidation of its wallpaper manufacturing onto one site in Loughborough and the new IT system.

Taxation

The taxation credit represents unrelieved overseas tax offset by UK corporation tax refunds from previous years. We continue to prudently provide for all our actual and potential tax liabilities.

Cash Flow and Borrowings

Net funds fell during the year from £11.8 million to a net debt at the year end of £4.7million. Gross capital expenditure for the year fell from £6.3 million to £6.1million and included significant investment in the group's consolidation of its wallpaper manufacturing of £1.3 million together with expenditure of £1.6 million to complete the installation of the group's IT system. During the year there was a net inflow of funds of £2.7million from the sale of the Cole and Son and John Perry businesses.

The full cash flow statement is set out on page 21 and is summarised below:

Cash flow and Borrowings	2001 £m	2000 £m
Net cash (outflow)/inflow from operating activities	(0.9)	1.5
Net interest (paid)/received	(0.2)	0.7
Net capital expenditure	(6.1)	(4.1)
Dividends paid	(1.1)	(1.1)
Tax received/(paid)	0.2	(0.7)
Acquisitions, disposals and fundamental restructuring	(8.4)	(0.9)
	(16.5)	(4.6)
Net funds at 31 January 2000	11.8	16.4
Net (debt)/funds at 31 January 2001	(4.7)	11.8

Treasury Policy

The group's treasury policy is controlled centrally in accordance with procedures approved by the board. It is run prudently as a central group function, providing services to the other group companies and adopts a risk adverse strategy.

The main risks covered by this policy are interest rate risk, liquidity risk and foreign currency risk.

As highlighted above the group is now in a position of net debt. The group manages its funding requirements through a combination of fixed and variable rate borrowings. At the end of the year the group had fixed rate borrowings of £3.5 million and floating rate borrowings of £3.6 million. The fixed rate borrowings represent finance leases and the weighted average time for which the rates remain fixed is 1.94 years at an average rate of 7.90%.

The group ensures that it has adequate facilities available to cover both its short term and medium term commitments. At the year end the group had committed overdraft facilities of £7.0million in the UK and $1.0million in the USA, which were maintained at a reasonable cost.

The group's medium term borrowings were increased during the year by entering into a three year loan of US $2.2 million used to hedge its operations in the US and two further finance leases were entered into funding specific assets with similar lives. The finance leases were for £2 million and £1.4 million and have five and three year terms respectively.

Following the decision in the previous year to close the group's operations in France, Germany and Holland the exposure to currency fluctuations has been reduced. The new IT system however has facilitated selling in Euros and this approach has been adopted for a large number of customers in Europe that are now serviced direct from the UK. The currency risk associated with this business is mitigated by a natural hedge that exists within the group as a result of approximately equal amounts of Euro purchases by the UK and the group's Norwegian operations.

The group's most significant overseas market is the US and exposure to movements between the dollar and sterling can have a significant impact. To cover this risk the group has entered into forward currency contracts during the year and has taken the benefit of recent favourable rates to secure contracts for a further two years.

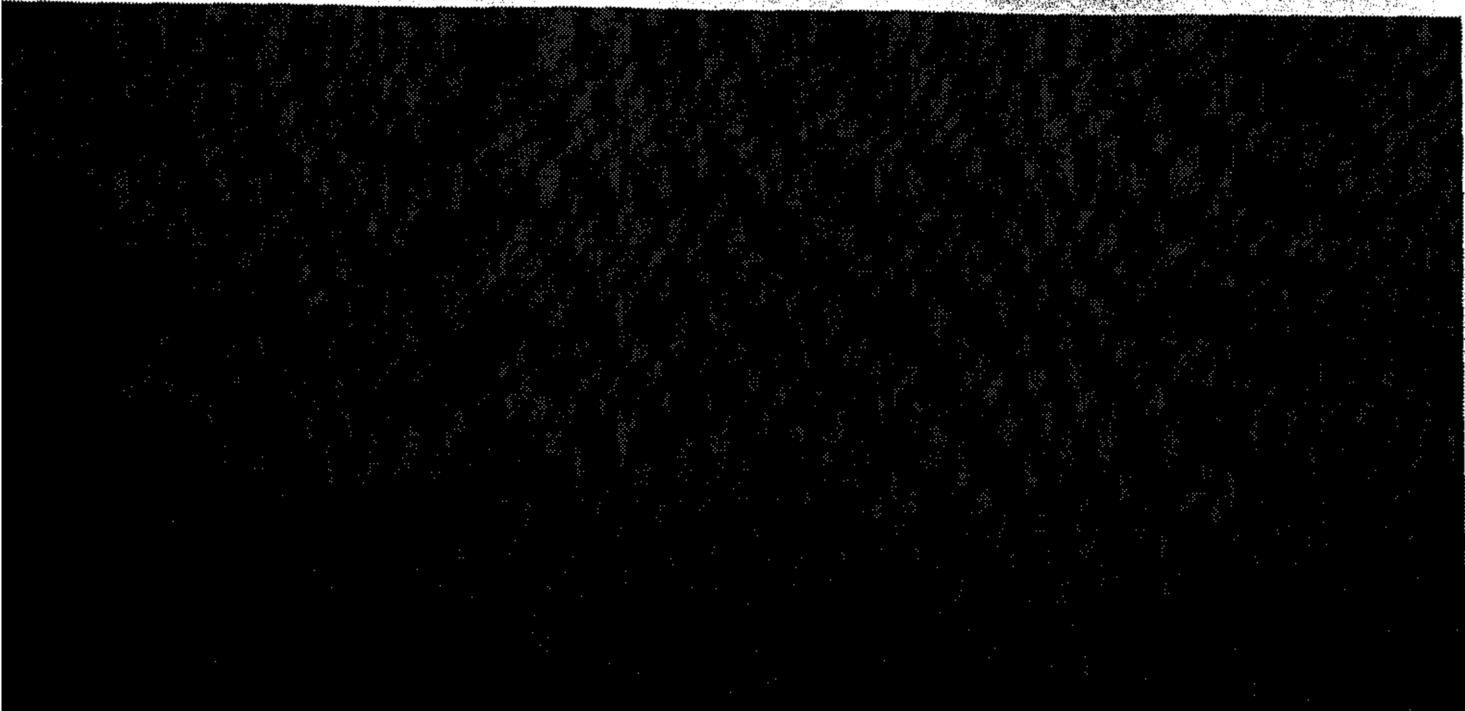
As highlighted on page 5, the group's investment in the US which became unprotected at the end of last year has now been fully covered with the US dollar loan entered into during the year. As a result, at the end of this year there were insignificant US dollar balances that remain unhedged.

All foreign currencies are bought and sold centrally on behalf of the group. Regular reviews take place of foreign currency cash flows and any unmatched exposures are covered by forward contracts wherever economically practical.

The group does not trade in financial instruments and hedges are only used for known cash flows resulting in there being no significant gains or losses.

The directors are confident, after having made appropriate enquiries, that the group and the company have adequate resources to continue in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

John Sach
Group Finance Director



Non-executive Chairman (A,R,N)

Viscount Thurso joined the board in September 1997 and became Chairman in May 1999. He has worked in the hotel industry for 25 years, with such hotels as Cliveden and the Savoy Group. He has been managing director of Champneys, the luxury group, since 1995.

Non-executive Director (A,R,N)

Chairman of Audit and Remuneration Committees

Sir Malcolm joined the board in June 1997. He has been Chairman of the CAA since 1996 and has had a distinguished career serving on the boards of a number of major public companies.

Non-executive Director (A,R)

Peter joined the Board as a non-executive director in March 2001. He is Chairman of IT analysts, the Butler Group Ltd and of Professional, Managerial & Healthcare Publications Ltd. Since 1987 he has been instrumental in a series of management buy-out transactions in the media sector.

Chief Executive Officer

David joined the board in March 2001. He has been the Chief Executive of a number of companies, managing them through periods of change, most recently A G Stanley Ltd which was returned to profitability and successfully sold in 1999.

Group Finance Director

John was appointed to the board in September 1999 as Group Finance Director. He joined the group in 1991 as Group Financial Controller. Prior to this he held a number of senior financial roles in private companies.

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

KPMG Corporate Finance
8 Salisbury Square
London EC4Y 8BB

Brewin Dolphin Securities
Commercial Union House
39 Pilgrim Street
Newcastle upon Tyne
NE1 6RQ

PricewaterhouseCoopers
10 Bricket Road
St Albans
Hertfordshire AL1 3JX

WJB Chiltern Group plc
Sceptre House
169–173 Regent Street
London W1R 7FB

Holsen Communications
Bank Chambers
2 The High Street
Thames Ditton
Surrey KT7 0RY

CMS Cameron McKenna
Mitre House
160 Aldersgate Street
London EC1A 4DD

Shoosmiths
Lock House
Castle Meadow Road
Nottingham NG2 1AG

Capita IRG Plc
Balfour House
390-398 High Road
Ilford
Essex IG1 1BN

Barclays Bank plc
54 Lombard Street
London EC3V 9EX

Wachovia Bank, NA
3350 Riverwood Parkway
Suite 200
Atlanta
Georgia 30339
USA

Report of the Directors

The directors submit their annual report, together with the audited financial statements of the group for the year ended 31 January 2001.

Group Results

The loss before taxation amounted to £5,487,000 (2000: profit of £386,000). The directors recommend payment of a final ordinary dividend of 1.00p (2000: 2.00p) per share, amounting to £590,000 (2000: £1,180,000), which leaves a deficit of £5,953,000 transferred from reserves (2000: £984,000). Subject to shareholders' approval, the final ordinary dividend will be paid on 6 July 2001 to shareholders appearing on the register at the close of business on 15 June 2001.

Review of the Business

Further information on the business and future of the group is included in the Chairman's Statement on pages 3 to 5 and Financial Review on pages 6 and 7.

Directors

The board of directors as at the date of this report is set out on page 8, together with biographical details. Details of directors' service contracts and those retiring at the forthcoming Annual General Meeting ("AGM") are set out in the Report on Directors' Remuneration on page 14. Details of directors who held office during the year are included in the report on Corporate Governance on page 12.

Research and Development

Development of new and improved products is a continuing feature of the group's operations. The group's businesses are encouraged to explore methods of improving and extending their range of products and services.

Directors' Share Interests

The interests of the directors in office at 31 January 2001 in the share capital of the company were:

	1p Ord Shares 31 January 2001 Number	1p Ord Shares 31 January 2000 Number
P Billington	**100,000**	100,000
AJ Connolly	**753,986**	753,986
JD Sach	**50,000**	50,000
The Viscount Thurso	**1,282,026**	57,026

The movement in share options held by the directors during the year is shown as part of the Report on Directors' Remuneration on page 16.

None of the directors' share interests changed between 31 January 2001 and 11 April 2001.

Report of the Directors continued

Executive Share Option Schemes

During the year, no options over ordinary shares were exercised or granted and options over 1,514,300 ordinary shares have lapsed. Options over ordinary shares outstanding at 31 January 2001 are shown below:

Date granted	Number of shares	Subscription price	Exercisable
14 May 1991	148,770	63.4p	14.05.94 to 13.05.01
26 May 1993	92,340	80.0p	26.05.96 to 25.05.03
10 January 1994	41,040	92.6p	10.01.97 to 09.01.04
9 February 1994	51,300	110.2p	09.02.97 to 08.02.04
4 May 1994	148,770	98.5p	04.05.97 to 03.05.04
20 June 1994	256,500	105.0p	20.06.97 to 19.06.04
13 April 1995	100,000	96.0p	13.04.98 to 12.04.05
1 May 1996	30,000	98.0p	01.05.99 to 30.04.06
6 November 1996	100,000	69.5p	06.11.99 to 05.11.06
23 April 1997	305,000	66.0p	23.04.00 to 22.04.07
1 May 1997	200,000	66.0p	01.05.00 to 30.04.07
7 May 1997	30,000	66.0p	07.05.00 to 06.05.07
1 December 1998	700,000	66.0p	01.12.01 to 30.11.08
	2,203,720		

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.

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 36 to the accounts.

Employees

The group keeps its employees informed on matters affecting them and on the progress of the group by way of a newsletter, informal meetings and consultation with employees' representatives. 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.

Substantial Shareholdings

At 11 April 2001, the company had been notified of the following substantial shareholdings in its ordinary share capital: Merrill Lynch Investment Managers 12.00%, Edinburgh Fund Managers 8.77%, Schroders Investment Managers 5.36%, British Airways Pension Trustees Ltd 4.17%, Prudential Portfolio Managers 3.75%, Framlington One Thousand Smallest Companies Trust PLC 3.39% and Barnard Nominees Limited 3.08%.

Special Business

At the AGM on 13 June 2001 resolution 7 will be proposed as special business. Details of the business can be found in the notice of the AGM.

Payments to Suppliers

The group agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms subject to the terms and conditions being met by the supplier. The amount of trade creditors shown in the consolidated balance sheet at 31 January 2001 represents 76 days (2000: 60 days) of average purchases during the year for the group.

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

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office as auditors and a resolution to re-appoint them and to authorise the directors to agree their remuneration will be proposed at the next AGM of the company.

By order of the board
Julian Wilson
Secretary
11 April 2001

Registered Office
4 Brunel Court, Corner hall
Hemel Hempstead
Hertfordshire HP3 9XX
Registered number 61880

Corporate Governance

The board is accountable to the company's shareholders for good corporate governance. The following statement refers to the four main areas highlighted in the Combined Code ("the Code") annexed to the Financial Services Authority ("FSA") Listing Rules and how the principles and provisions are applied by the company.

The board believes that the company has complied with the provisions of the Code throughout the accounting period, apart from the limited exceptions outlined below.

- The provisions of the Code require that the board and Audit Committee should include three non-executive directors. Until 28 March 2001 the board only had two non-executive directors, both of whom served on the Audit Committee. Since 28 March 2001 the board and Audit Committee has comprised of three non-executive directors.

- The provisions of the Code require the board to report on internal control. The company did not have the procedures in place to comply with the Code on internal control until January 2001.

1. Directors

Board Composition and Appointment

At the end of the year the board of directors comprised four executive directors and two non-executive directors. Mr A J Connolly resigned as a director on 27 March 2001. Mr P L Cadle and Mr P Billington resigned as directors on 28 March 2001. Mr D Medcalf and Mr P M Harkness were appointed as directors to fill vacancies on 28 March 2001. Biographies of the board members can be found on page 8.

The group has always recognised the important role played by non-executive directors in maintaining its high standards of corporate governance and wealth of experience which they bring to the group. The non-executive directors are considered to be independent of the management of the group and do not have any business or other relationship with them.

The board includes a balance of executive and non-executive directors such that no individual or small group of individuals can dominate the board's decision taking.

Directors are appointed to the board following careful consideration by a Nominations Committee comprising The Viscount Thurso and Sir Malcolm Field. This committee makes recommendations to the board for approval by a majority vote. Independent training is provided for all directors newly appointed to the board.

All non-executive directors hold office for specified terms and stand for re-election on retirement by rotation at least every three years.

Directors appointed to fill vacancies submit themselves for re-election at the next opportunity after their appointment.

Board Process

The board meets ten times a year and follows a strict agenda covering matters reserved to it including policy and strategic issues. The management of the group supplies the directors in advance of these meetings with the relevant information to allow them to meet their responsibilities. The meetings are also attended by the Company Secretary and procedures are in place for board members to seek independent professional advice where appropriate.

2. Directors' Remuneration

The details of compliance with the principles on directors' remuneration are contained in the Report on Directors' Remuneration on pages 14 to 16.

3. Relationship with Shareholders

One of the board's primary objectives is to ensure that shareholders are provided with sufficient and reliable information. The board is committed to maintaining good relations with its shareholders, whether large or small, and understanding their needs. An independent agency is used to monitor shareholder sentiment for this purpose.

3. Relationship with Shareholders continued

The group communicates formally at the AGM and through the half-yearly and annual report and accounts. All directors attend the AGM and are available to answer questions from shareholders. On a more informal basis, presentations are performed at the request of institutional investors following the interim and preliminary announcements and the directors and Company Secretary answer ad hoc questions from current and potential investors throughout the year.

4. Accountability and Audit

Financial Reporting

The directors' responsibilities for preparing the accounts are explained on page 17 and the group's report on going concern is on page 7.

Internal Control

In the Annual Report for the year ended 31 January 2000 the board stated that the group had adopted the transitional approach for the Code set out in the letter from the FSA to listed companies at the end of September 1999 and that the board expected to have the procedures in place by December 2000 necessary to implement the guidance within "Internal Controls: guidance for directors on the Combined Code".

The directors acknowledge their responsibility for the group's system of internal financial controls and consider that it is appropriately designed to provide reasonable but not absolute assurance that assets are safeguarded against material loss and unauthorised use and that transactions are properly authorised and recorded.

The group has a comprehensive system for reporting results to the board. Each operating unit reports monthly results, with comparisons against quarterly forecasts, budget and prior year. These are reviewed by the board and variances analysed. Towards the end of each financial year, the operating units prepare detailed budgets for the following year which are reviewed by the board before formal adoption. The operating units are required to report in accordance with group financial controls and procedures, including risk assesment. Regular reviews of the operating units are carried out by head office employees, who fulfil an internal audit function. Key business risks are identified, monitored and reported to the board.

An ongoing process for identifying, evaluating and managing the significant risks faced by the group was in place by January 2001 prior to the date of approval of the annual report and accounts. That process was reviewed by the board and accords with the Internal Control Guidance for directors on the Combined Code produced by the Turnbull working party. During the preceding part of the financial year procedures determined by the board were being established to enable the system of internal control to meet the requirements of the Turnbull guidance.

The group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures. Where businesses are being acquired, the group's procedures include detailed "due diligence" reviews by the group's own employees with the assistance of external advisors.

The board has reviewed the effectiveness of the system of internal financial control in operation during the financial year through the monitoring process set out in the above paragraphs.

Audit Committee and Auditors

The Audit Committee comprises the three non-executive directors and is chaired by Sir Malcolm Field. It meets formally three times a year and whenever it is appropriate. It monitors the application of the group's accounting policies and financial reporting, and provides a forum through which the group's auditors report directly to the non-executive directors without management being present.

By order of the board
Julian Wilson
Secretary
11 April 2001

Report on Directors' Remuneration

Statement of Compliance

The group has a remuneration committee, the constitution and operation of which, complies with the principles of the Code as now incorporated in Section B of the Code of Best Practice Provisions annexed to the FSA Listing Rules. The committee has given full consideration to these provisions in determining the remuneration packages for directors.

Remuneration Committee

The remuneration committee comprises the three non-executive directors and is chaired by Sir Malcolm Field. The committee, which meets three times a year, is responsible for appraising the performance of the executive directors and setting the level of their remuneration. In carrying out this function, the committee takes into consideration the remuneration of others performing similar duties in other organisations. The remuneration committee is advised periodically by external consultants.

Policy on Executive Directors' Remuneration

The remuneration committee sets the remuneration and other terms of employment of executive directors and the company's policy on remuneration of the senior executives within the terms of reference set by the board. Remuneration levels are set by reference to individual performance, experience and market conditions with a view to providing competitive packages which attract, retain and motivate executive directors and management.

The main components of each executive director's remuneration are basic salary, performance related bonus and a Long Term Incentive Plan ("LTIP").

1) Basic salary is determined by the remuneration committee taking into account the performance of the individual and information from external consultants.

2) Performance related bonuses are payable to the executive directors in office during the year and are not pensionable.

3) The LTIP for the executive directors was approved by the members on 26 May 1999. For the years ending 31 January 2000, 2001 and 2002 cash sums will be transferred by the company to the Walker Greenbank PLC Employee Benefit Trust to purchase a pool of shares for the LTIP, with the value in each year representing 10% of any increase in the company's market capitalisation in excess of the FT-SE Small Cap (excluding investment trusts) index over the award year. The shares held under the LTIP will be divided into awards in equal proportions among all participants remaining in employment at the end of the award year. The shares in each award will normally only vest unconditionally in the participant if, at the end of two further financial years, the company's market capitalisation is greater than it was at the end of the relevant award year and the employee is still employed by the company.

No awards have been made for the year ended 31 January 2001.

Directors' Pension Arrangements

The executive directors in the year ended 31 January 2001 were members of the group's defined benefit schemes. Retirement benefits are based on final remuneration and length of service, subject as appropriate, to statutory limits. Each scheme is administered by separate trusts. The company pays contributions to the schemes on behalf of the executive based on the recommendations of an independent actuary who carries out valuations of the schemes every three years.

Directors' Service Contracts

All of the executive directors have a one year rolling contract with the company. The Viscount Thurso will retire by rotation at the forthcoming AGM and being eligible offer himself for re-election. Mr D Medcalf and Mr P M Harkness who joined the board to fill vacancies on 28 March 2001 will retire at the AGM and being eligible offer themselves for re-election.

The following tables bring together in one place all the details of directors' remuneration as required by the Companies Act 1985 and the FSA Listing Rules.

Remuneration Excluding Share Options and Pension Contributions	Salary/ Fees £000	Benefits £000	Total Excluding Pensions 2001 £000	Total Excluding Pensions 2000 £000
Executive directors				
P Billington (resigned 28 March 2001)	106	1	107	107
PL Cadie (resigned 28 March 2001)	112	1	113	113
AJ Connolly (i) (resigned 27 March 2001)	158	3	161	161
JD Sach	106	2	108	48
Non-executive directors				
The Viscount Thurso	50	–	50	40
Sir Malcolm Field	20	–	20	20
DG Richards (resigned 26 May 1999)	–	–	–	17
	552	7	559	506

(i) Mr AJ Connolly was the highest paid director.

(ii) Benefits include the value attributed to the provision of medical insurance and other taxable benefits in kind.

(iii) Contributions payable in respect of directors' pensions were £86,000 (2000: £78,000)

(iv) Compensation for loss of office for Mr AJ Connolly will be determined in accordance with his contract and will comprise an amount equivalent to compensation for 12 months notice.

Directors' Pension Benefits	Accrued pension benefit at 1 February 2000 £000	Increase in accrued pension benefit £000	Accrued pension benefit at 31 January 2001 £000	Transfer value of increase in accrued benefit £000
P Billington	37	12	49	124
PL Cadie	25	6	31	34
AJ Connolly	8	3	11	33
JD Sach	7	3	10	18
	77	24	101	209

Pension contributions do not form part of the non-executive directors' remuneration.

Report on Directors' Remuneration continued

Movements in Share Options Held by Directors

	At start & end of the year Number	Option Price Pence	Exercise dates Earliest	Latest
P Billington	51,300	63.375	14.05.1994	13.05.2001
	51,300	79.950	26.05.1996	25.05.2003
	76,950	105.000	20.06.1997	19.06.2004
	30,000	66.000	23.04.2000	22.04.2007
PL Cadie	41,040	63.375	14.05.1994	13.05.2001
	30,780	98.475	04.05.1997	03.05.2004
	51,300	105.000	20.06.1997	19.06.2004
	25,000	96.000	13.04.1998	12.04.2005
	50,000	69.500	06.11.1999	05.11.2006
	30,000	66.000	23.04.2000	22.04.2007
AJ Connolly	200,000	66.000	01.05.2000	30.04.2007
	700,000	66.000	01.12.2001	30.11.2008
JD Sach	51,300	110.175	09.02.1997	08.02.2004
	25,000	96.000	13.04.1998	12.04.2005
	50,000	69.500	06.11.1999	05.11.2006
	40,000	66.000	23.04.2000	22.04.2007
Total	**1,503,970**			

None of the non-executive directors held any interests in the share options of the company throughout the year.

The mid-market price of the ordinary shares at 31 January 2001 was 28.5p and the range during the year was 26.0p to 47.5p.

Sir Malcolm Field
Chairman
Remuneration Committee
11 April 2001

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year 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 applicable accounting standards have been followed;

(iv) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have prepared these financial statements under the above requirements.

Auditors' Report

To the Members of Walker Greenbank PLC
We have audited the financial statements on pages 19 to 43 and the directors' remuneration information on pages 15 and 16 which have been prepared under the accounting policies set out on pages 23 and 24.

Respective Responsibilities of Directors and Auditors
The directors are responsible for preparing the Annual Report including, as described on page 17, the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statements on pages 12 and 13 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority and we report if it does not. We are not required to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 January 2001 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
10 Bricket Road
St Albans
Herts AL1 3JX
11 April 2001

Group Profit and Loss Account

Year ended 31 January 2001

	note	Before exceptional items £000	Exceptional items £000	Total 2001 £000	Total 2000 £000
Turnover					
– Continuing operations	2,3	49,721	–	49,721	49,937
– Acquisitions	2,3	14,346	–	14,346	–
		64,067	–	64,067	49,937
Group operating (loss)/profit					
– Continuing operations	2,3	(2,982)	(3,242)	(6,224)	1,719
– Acquisitions	2,3,15	1,047	(92)	955	–
		(1,935)	(3,334)	(5,269)	1,719
Share of associated undertaking's operating loss		–	–	–	(56)
Operating (loss)/profit	2,3,8	(1,935)	(3,334)	(5,269)	1,663
Profit on sale of property	4	–	–	–	1,036
Profit on disposal of operations (including goodwill previously written off of £1,390,000)	5	–	680	680	–
Fundamental restructuring of overseas operations	6	–	(123)	(123)	(2,533)
Amounts written off investments	7	–	(527)	(527)	(450)
Loss on ordinary activities before interest		(1,935)	(3,304)	(5,239)	(284)
Net interest (payable)/receivable	11	(248)	–	(248)	670
(Loss)/profit on ordinary activities before taxation		(2,183)	(3,304)	(5,487)	386
Taxation on (loss)/profit on ordinary activities	12	67	–	67	(247)
(Loss)/profit after taxation		(2,116)	(3,304)	(5,420)	139
Dividends	24	(533)	–	(533)	(1,123)
Deficit for the year		(2,649)	(3,304)	(5,953)	(984)
(Loss)/earnings per share					
– Basic and diluted	13			(9.60p)	0.25p
– Underlying	13			(3.74p)	3.33p
Dividend per ordinary share	24			1.00p	2.00p

Balance Sheets

At 31 January 2001

	note	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Fixed assets					
Goodwill	16	**1,201**	169	–	–
Tangible assets	17	**24,036**	15,381	**7,525**	7,122
Investment in – own shares	18	**1,046**	1,573	**1,046**	1,573
– in subsidiaries	19	–	–	**32,963**	16,963
		26,283	17,123	**41,534**	25,658
Current assets					
Asset held for resale	20	**292**	–	**514**	–
Stocks	21	**15,245**	12,605	–	–
Debtors	22	**16,935**	14,351	**30,699**	25,205
Cash at bank and in hand		**2,402**	12,818	**2,721**	12,823
		34,874	39,774	**33,934**	38,028
Creditors: due within one year	23	**(19,234)**	(12,872)	**(20,265)**	(10,590)
Net current assets		**15,640**	26,902	**13,669**	27,438
Total assets less current liabilities		**41,923**	44,025	**55,203**	53,096
Creditors: due after more than one year	25	**(3,840)**	(799)	**(1,233)**	–
Provisions for liabilities and charges	28	**(352)**	(784)	**(245)**	(267)
Net assets		**37,731**	42,442	**53,725**	52,829
Capital and reserves					
Share capital	29	**590**	590	**590**	590
Share premium account	30	**457**	457	**457**	457
Profit and loss account	30	**(3,823)**	662	**10,790**	9,894
Other reserves	30	**40,507**	40,733	**41,888**	41,888
Equity shareholders' funds		**37,731**	42,442	**53,725**	52,829

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JD Sach
Directors

These accounts were approved by the directors on 11 April 2001

Group Cash Flow Statement

Year ended 31 January 2001

	note	2001 £000	2001 £000	2000 £000	2000 £000
Net cash (outflow)/inflow from operating activities	33		(931)		1,517
Returns on investment and servicing of finance					
Interest received		216		1,005	
Interest paid		(251)		(256)	
Interest element of finance lease payments		(196)		(66)	
Dividend income (Employee Share Option Plan)		57		57	
			(174)		740
Taxation			164		(658)
Capital expenditure					
Purchase of tangible fixed assets		(6,113)		(6,283)	
Proceeds from disposal of property		–		2,104	
Proceeds from disposal of tangible fixed assets		9		73	
			(6,104)		(4,106)
Acquisition, disposals and fundamental restructuring					
Acquisition	15	(10,522)		(302)	
Net proceeds from disposal of operations		2,689		–	
Fundamental restructuring costs		(523)		(454)	
Loan guarantee payment on liquidation of associated undertaking		–		(118)	
			(8,356)		(874)
Equity dividends paid			(1,180)		(1,180)
Cash outflow before use of liquid resources and financing			(16,581)		(4,561)
Management of liquid resources					
Bills of exchange receivable			–		343
Financing					
Proceeds from finance leases		3,400		–	
Principal repayments of finance lease obligations		(819)		(214)	
Proceeds of medium term loans		1,507		–	
Repayment of borrowings		(31)		(1,495)	
			4,057		(1,709)
Decrease in cash	34		(12,524)		(5,927)

Statement of Total Recognised Gains and Losses
Year ended 31 January 2001

	2001 £000	2000 £000
(Loss)/profit for the financial year	(5,420)	139
Reversal of surplus on revaluation of properties reclassified as asset held for resale	(222)	-
Currency translation differences	74	(336)
Total recognised gains and losses relating to the year	(5,568)	(197)

Note of Historical Cost Profit and Losses
Year ended 31 January 2001

	2001 £000	2000 £000
(Loss)/profit on ordinary activities before taxation	(5,487)	386
Realisation of property revaluations	–	606
Difference between historical cost depreciation charge and actual depreciation charge	4	13
Historical cost (loss)/profit on ordinary activities before taxation	(5,483)	1,005
Historical cost loss for the year after taxation and dividends	(5,949)	(365)

Reconciliation of Movements in Shareholders' Funds
Year ended 31 January 2001

	2001 £000	2000 £000
(Loss)/profit for the financial year	(5,420)	139
Dividends	(533)	(1,123)
Deficit for the year	(5,953)	(984)
Currency translation differences	74	(336)
Revaluation reserve reversed on transfer of property for resale to current assets	(222)	–
Goodwill transferred to profit and loss account	1,390	975
Net reduction to shareholders' funds	(4,711)	(345)
Opening shareholders' funds	42,442	42,787
Closing shareholders' funds	37,731	42,442

Notes to the Accounts

1 ACCOUNTING POLICIES

Accounting Convention

The accounts are prepared under the historical cost convention modified for the revaluation of certain properties and in accordance with applicable accounting standards.

Basis of Consolidation

The group accounts consolidate the financial statements of the parent and its subsidiary undertakings for the year ended 31 January 2001. Sales, purchases and profits arising on trading between group undertakings are excluded.

No profit or loss account is presented for Walker Greenbank PLC as provided by Section 230 of the Companies Act 1985. £1,429,000 (2000: £1,398,000 profit) of the profit attributable to shareholders has been dealt with in the accounts of the parent company.

Associated Undertakings

An associated undertaking is an entity in which the group does not have control but does have a significant influence. The consolidated financial statement include the group's share of the operating loss and interest payable

Goodwill

For acquisitions made before 1 February 1998, goodwill representing the excess of the cost of acquisition of a business over the fair value of the net assets at the date of acquisition was written off to reserves. On subsequent disposal of all or part of these businesses, the appropriate proportion of goodwill is charged to the profit and loss account on disposal.

For acquisitions since 1 February 1998, goodwill representing the excess of the cost of acquisition of a business over the fair value of the net assets at the date of acquisition is capitalised and amortised over a period not exceeding 20 years.

Financial Instruments

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 or, if hedged, at the forward contract rate. All differences are taken to the profit and loss account.

Foreign Currency

The balance sheets of overseas subsidiary undertakings are translated at the rates of exchange ruling at the balance sheet date. The profit and loss accounts are translated at the average rates of exchange applicable to the accounting period. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are dealt with through reserves.

Employee Share Option Plan

The net income of the Employee Share Option Plan ("ESOP") has been consolidated in the group profit and loss account. Dividend income earned, net interest receivable and taxation on a cash receipts basis are shown within the respective headings on the profit and loss account.

The shares held in the consolidated balance sheet are recorded at cost less any provision for permanent diminution in value.

Turnover

The group turnover represents the invoiced value of sales to external customers excluding VAT.

Stocks

Stocks and work in progress 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.

Notes to the Accounts continued

Pensions

The group operates both defined benefit and defined contribution schemes. The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods during which members are employed. Any surplus of assets over liabilities is apportioned over the expected remaining service lives of current employees in the schemes.

Research and Development

Research and development expenditure is written off as incurred.

Fixed Assets

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

Freehold Buildings	2%
Short and Long Leaseholds	Over the unexpired period of lease
Plant, Equipment and Vehicles	Between 5% and 33%
Computer Assets	Between 20% and 33%

Land and buildings are stated at cost plus any revaluation reserve less provision for permanent diminution in value.

Leasing and Hire Purchase Commitments

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their estimated useful lives. 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 as they are incurred.

Deferred Taxation

Deferred taxation is provided on all timing differences, calculated at the rate at which it is estimated that tax will be payable.

2 SEGMENTAL ANALYSIS

(a) Classes of business	Turnover 2001 £000	Turnover 2000 £000
Continuing operations:		
Fabrics	21,332	21,090
Wallcoverings	26,819	27,012
Other	1,570	1,835
	49,721	49,937
Acquisitions:		
Fabrics	14,346	–
Group	64,067	49,937

(b) Geographical segments	Turnover 2001 £000	Turnover 2000 £000	Operating (loss)/profit 2001 £000	Operating (loss)/profit 2000 £000	Non-interest bearing operating net assets 2001 £000	Non-interest bearing operating net assets 2000 £000
By origin on continuing operations:						
United Kingdom	36,602	34,772	(6,976)	1,833	32,876	29,214
Continental Europe	6,472	9,496	295	(533)	1,019	2,110
North America	6,647	5,669	457	419	1,148	1,184
	49,721	49,937	(6,224)	1,719	35,043	32,508
By origin on acquisitions:						
United Kingdom	14,346	–	955	–	8,957	–
Group	64,067	49,937	(5,269)	1,719	44,000	32,508

	Turnover 2001 £000	Turnover 2000 £000
By destination on continuing operations:		
United Kingdom	29,686	28,947
Continental Europe	11,199	12,809
North America	7,455	6,683
Rest of the World	1,381	1,498
	49,721	49,937
By destination on acquisitions:		
United Kingdom	14,316	–
Continental Europe	4	–
North America	14	–
Rest of the World	12	–
	14,346	–
Group	64,067	49,937

Non-interest bearing operating net assets are defined as tangible assets plus net current assets, but excluding cash, borrowings, tax and dividends.

3 ANALYSIS OF CONTINUING AND ACQUIRED OPERATIONS

	Continuing operations 2001 £000	Acquisitions 2001 £000	Total 2001 £000	Total 2000 £000
Turnover	49,721	14,346	64,067	49,937
Cost of sales	(25,389)	(9,249)	(34,638)	(23,073)
Gross profit	24,332	5,097	29,429	26,864
Net operating expenses				
Distribution costs	(11,136)	(616)	(11,752)	(10,591)
Administrative expenses	(19,483)	(3,527)	(23,010)	(15,181)
Other operating income	63	1	64	627
Group operating (loss)/profit	(6,224)	955	(5,269)	1,719

The continuing operations' operating loss included £3,242,000 of exceptional items. This comprised £1,101,000 of redundancies, £711,000 relating to inefficiencies arising from the consolidation of the Anstey and Sileby manufacturing operations onto one site, £541,000 of costs incurred as a result of problems with the group's new I.T. system, £589,000 of costs incurred directly as a result of the move of the Anstey and Sileby operations and £300,000 of legal and professional fees incurred defending an action brought by a telecoms provider and professional advice received in respect of the proposed offer for the company.

The acquisitions' operating profit included £92,000 of exceptional items which related to redundancy costs in the year.

Other operating income in 2000 included an exceptional credit of £600,000 representing compensation for the problems caused by the group's new I.T. system.

The results for the acquisitions are shown before central management charges. This differs from the presentation at the half year and would have increased the previously reported profit in these businesses for the six months by £126,000.

4 PROFIT ON SALE OF PROPERTY

On 31 January 2000, the sale of the group's property in Sileby, Leicestershire was completed for a cash consideration of £2,104,000. The net profit on disposal of £1,036,000 is after writing off the net book value of the property and associated costs of the sale.

5 PROFIT ON DISPOSAL OF OPERATIONS

On 29 September 2000, the trade and certain of the assets of the businesses trading as Cole & Son and John Perry were sold, along with the dormant legal entities bearing these names.

The proceeds were agreed at £3,000,000, of which £2,800,000 had been received in cash at 31 January 2001. After accounting for related costs and goodwill the exceptional profit on disposal was £555,000.

There is no tax effect on this disposal due to capital losses brought forward from previous periods.

The businesses disposed of have not been classed as discontinued operations on the grounds of materiality.

A further £125,000 has been recognised relating to deferred consideration for a previous disposal where the recoverability was originally considered uncertain.

6 FUNDAMENTAL RESTRUCTURING

In 2000, a fundamental restructuring of the group's overseas distribution businesses trading as Whittaker & Woods was undertaken, resulting in the decision to close the remaining parts of the group's operations in Holland, Germany and France and some restructuring in the USA. The exceptional costs relating to this closure comprised redundancy costs, write off of unrealisable net assets, professional fees and other related costs totalling £1,558,000. An additional charge of £975,000 in respect of goodwill previously written off to reserves was also made to the profit and loss account.

Further costs of £123,000 were incurred in the year over and above those amounts provided at 31 January 2000.

The tax effect of this restructuring was to reduce the tax charge by £nil (2000: £204,000).

7 AMOUNTS WRITTEN OFF INVESTMENTS

The directors believe there is likely to be a shortfall between the cost of the shares held by the ESOP and anticipated future proceeds and have decided to recognise this shortfall with an amount of £527,000 written off in the year (2000: £450,000).

8 OPERATING (LOSS)/PROFIT

	2001 £000	2000 £000
Operating (loss)/profit is stated after charging:		
Auditors' remuneration:		
Audit fee – group auditors	**107**	98
– other auditors	**15**	24
Other services – group auditors	**48**	17
Depreciation of owned assets	**2,929**	1,900
Depreciation of assets held under finance leases and hire purchase contracts	**450**	30
Hire of motor vehicles and plant and machinery	**481**	483
Other operating leases	**495**	549

Auditors' remuneration for audit services to the group includes £33,000 (2000: £30,000) in respect of the company. An amount of £380,000 has also been included in the cost of investment in the year, relating to the advisory work in connection with the acquisition of Standfast Dyers and Printers and Weavestyle.

9 EMOLUMENTS OF DIRECTORS

The emoluments, including share options, of the directors who held office during the year are shown in the Report on Directors' Remuneration on pages 15 and 16.

Notes to the Accounts continued

10 EMPLOYEE INFORMATION, EXCLUDING DIRECTORS

	2001 £000	2000 £000
Wages and salaries	**16,451**	11,618
Social security costs	**1,434**	1,107
Other pension costs	**990**	671
	18,875	13,396

The average weekly numbers of employees during the year	Number	Number
Sales, warehousing and administration	**415**	404
Manufacturing	**342**	164
	757	568

The average number of employees in the acquisitions in the year was 235, employed at a total cost of £4,758,000.

11 NET INTEREST (PAYABLE)/RECEIVABLE

	2001 £000	2000 £000
Interest receivable:		
Bank and other short term deposit interest receivable	**214**	1,020
Interest payable:		
Bank and other short term interest on loans and overdrafts wholly repayable within 5 years	**(266)**	(275)
Finance charges payable under finance leases and hire purchase contracts	**(196)**	(66)
	(462)	(341)
Associated undertaking	**–**	(9)
Net interest (payable)/receivable	**(248)**	670

12 TAXATION

	2001 £000	2000 £000
UK corporation tax at 30% (2000: 30%)	**–**	–
Deferred taxation (note 28)	**37**	55
Overseas taxation	**284**	152
	321	207
Adjustments with respect to prior years:		
UK Corporation tax	**(319)**	–
Deferred tax	**(69)**	31
Overseas tax	**–**	9
	(388)	40
	(67)	247

13 (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share and diluted (loss)/earnings per share are based on the loss on ordinary activities after taxation, amounting to £5,420,000 (2000: £139,000 profit) and the weighted average of 56,457,016 (2000: 56,457,016) ordinary shares in issue during the year.

The underlying (loss)/earnings per share has been disclosed as in the opinion of the directors this provides additional information to shareholders on the results of the group's activities.

The underlying (loss)/earnings per share can be reconciled to the basic (loss)/earnings per share as follows:

	2001 Pence Per share	2001 £000	2000 Pence Per share	2000 £000
(Loss)/profit attributable to ordinary shareholders	(9.60)	(5,420)	0.25	139
Operating exceptional items	5.91	3,334	–	–
Profit on sale of property after taxation	–	–	(1.84)	(1,036)
Profit on disposal of operations	(1.20)	(680)	–	–
Fundamental restructuring cost after taxation	0.22	123	4.12	2,329
Amounts written off investments	0.93	527	0.80	450
	(3.74)	(2,116)	3.33	1,882

14 DISPOSAL OF COLE & SON AND JOHN PERRY

	£000
Proceeds from sale	3,000
Deferred proceeds	(200)
Professional fees and other related costs	(111)
Net cash inflow	2,689
The disposal comprised the following:	
Tangible fixed assets	478
Stock	466
	944
Goodwill	1,390
Profit on disposal	555
Deferred proceeds	(200)
Net cash inflow	2,689

Notes to the Accounts continued

15 ACQUISITION OF STANDFAST DYERS AND PRINTERS AND WEAVESTYLE

On 31 March 2000 the group completed its purchase of the trade and certain of the assets of two businesses trading as Standfast Dyers and Printers and Weavestyle.

In their last financial year to 31 December 1999, the two businesses made a profit before tax of £148,000. For the 3 month period to the date of acquisition, the accounts show turnover of £4,934,000 and a profit before and after tax of £159,000.

	Book value £000	Fair value adjustment £000	Provisional fair value £000
Assets acquired comprised:			
Tangible fixed assets	6,499	–	6,499
Current assets	6,363	–	6,363
Creditors: due within one year	(3,021)	(125)	(3,146)
	9,841	(125)	9,716
Goodwill			1,108
Cash cost of acquisition including professional fees			10,824

The fair value adjustment was in respect of building repairs required at the time of acquisition.

16 GOODWILL

	£000
Cost:	
At 1 February 2000	210
Goodwill on acquisitions (see note 15)	1,108
Currency movements	5
At 31 January 2001	1,323
Amortisation:	
At 1 February 2000	41
Amortisation for the period	79
Currency movements	2
At 31 January 2001	122
Net book amount at 31 January 2001	1,201
Net book amount at 31 January 2000	169

The goodwill on the acquisition of Standfast Dyers and Printers and Weavestyle is being written off over 20 years.

17 FIXED ASSETS

	Land and buildings £000	Plant, equipment and vehicles £000	Computer assets £000	Total £000
Group				
Cost or valuation:				
1 February 2000	10,041	11,755	5,113	26,909
Additions	1,629	2,866	2,028	6,523
Acquisition	2,076	4,357	66	6,499
Disposals	(469)	(726)	(62)	(1,257)
Transferred to current assets	(640)	-	-	(640)
Currency movements	120	61	12	193
31 January 2001	**12,757**	**18,313**	**7,157**	**38,227**
Depreciation:				
1 February 2000	2,321	7,506	1,701	11,528
Charge	277	1,887	1,215	3,379
Disposals	(62)	(603)	(53)	(718)
Transferred to current assets	(126)	-	-	(126)
Currency movements	68	60	-	128
31 January 2001	**2,478**	**8,850**	**2,863**	**14,191**
Net book amount:				
31 January 2001	**10,279**	**9,463**	**4,294**	**24,036**
1 February 2000	7,720	4,249	3,412	15,381

	£000
The net book amount of land and buildings comprises:	
Freehold land	1,751
Freehold buildings	8,421
Short leaseholds	107
Net book amount at 31 January 2001	**10,279**

All assets at 31 January 2001 are recorded at cost.

17 FIXED ASSETS CONTINUED

	Land and buildings £000	Plant, equipment and vehicles £000	Computer assets £000	Total £000
Company				
Cost:				
1 February 2000	7,821	187	403	8,411
Additions	1,459	71	5	1,535
Disposals	(469)	–	–	(469)
Transferred to current assets	(640)	–	–	(640)
31 January 2001	**8,171**	**258**	**408**	**8,837**
Depreciation:				
1 February 2000	811	147	331	1,289
Charge	141	16	54	211
Disposals	(62)	–	–	(62)
Transferred to current assets	(126)	–	–	(126)
31 January 2001	**764**	**163**	**385**	**1,312**
Net book amount:				
31 January 2001	**7,407**	**95**	**23**	**7,525**
1 February 2000	7,010	40	72	7,122

	£000
The net book amount of land and buildings comprises:	
Freehold land	979
Freehold buildings	6,428
Net book amount at 31 January 2001	**7,407**

Included in the amounts above are the following amounts relating to assets held under finance leases:

	Group Plant, equipment and vehicles £000	Group Computer assets £000	Company Plant, equipment and vehicles £000	Company Computer assets £000
Net book amount:				
31 January 2001	**2,000**	**2,125**	**–**	**–**
31 January 2000	–	1,175	–	–

18 WALKER GREENBANK PLC SHARES

	Group Cost less provision for diminution £000	Group Nominal value £000	Company Cost less provision for diminution £000	Company Nominal value £000
Shares held:				
2,549,146 ordinary shares of 1p each at beginning and end of the year in Walker Greenbank PLC				
1 February 2000	1,573	25	1,573	25
Provision (note 7)	(527)	–	(527)	–
31 January 2001	**1,046**	**25**	**1,046**	**25**

The above shares are held by the Walker Greenbank PLC Employee Benefit Trust ("the Trust") which was set up in June 1994. It holds a number of shares in Walker Greenbank PLC with options being granted to beneficiaries, being employees of the group, at the discretion of the remuneration committee. The options do not become exercisable until the third anniversary of being granted and must then be exercised within the following seven years.

The expenses borne by Walker Greenbank PLC in relation to the Trust amounted to £10,000 (2000: £15,000) in the year.

At 31 January 2001, the Trust held 2,549,146 ordinary shares of 1p each in Walker Greenbank PLC, representing 4.3% of the total called up share capital, with a market value on that date of £727,000. Of these, 1,361,500 shares were held under option to employees.

19 INVESTMENTS

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Associated undertaking:				
At 1 February	–	169	–	–
Amount transferred to goodwill	–	(220)	–	–
	–	(51)	–	–
Share of loss for period	–	(19)	–	–
Exchange difference	–	(2)	–	–
Share of net liabilities	–	(72)	–	–
Net liabilities written back to profit and loss account on liquidation	–	72	–	–
At 31 January	–	–	–	–
Shares in subsidiary undertakings:				
At 1 February	–	–	**16,963**	17,571
Recapitalisation of Abaris Holdings Limited	–	–	**16,000**	–
Provision for permanent diminution	–	–	–	(608)
At 31 January	–	–	**32,963**	16,963

Notes to the Accounts continued

19 INVESTMENTS CONTINUED

In 2000, the associated undertaking went into liquidation. A charge of £65,000 was recognised in the group profit and loss account comprising £10,000 for the share of the operating loss and £9,000 for the interest payable in the associate for the period to liquidation, £118,000 paid under a guarantee to the associate's bank less the release of the group's provision of £72,000 for the share of net liabilities no longer payable.

The principal group operating companies that traded during the year and are wholly owned are as follows:

Abaris Holdings Limited	– registered in England and Wales
John O Borge a.s	– incorporated in Norway
Textile Wallcoverings International Inc*	– incorporated in the USA
Walker Greenbank Inc*	– incorporated in the USA
Whittaker & Woods GmbH*	– incorporated in Germany
Whittaker & Woods SRL	– incorporated in Italy

*shares held by subsidiary company

The shares in the associated undertaking acquired on 1 August 1998 and put into liquidation in 2000 were a 35% holding in Inside Partners a.s., a company incorporated and trading in Norway. The shares were held by the subsidiary John O Borge a.s.

20 ASSET HELD FOR RESALE

The asset held for resale is a freehold property at Anstey, Leicestershire.

	Group 2001 £000	Company 2001 £000
Amount transferred from fixed assets	514	514
Less: revaluation reserve	(222)	–
Historical cost	**292**	**514**

21 STOCKS

	Group 2001 £000	Group 2000 £000
Raw materials	2,410	1,202
Work in progress	2,332	2,053
Finished goods	10,503	9,350
	15,245	12,605

22 DEBTORS

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Trade debtors	**13,932**	10,409	**150**	195
Amounts owed by subsidiary undertakings	**–**	–	**29,625**	22,702
Other debtors	**1,712**	1,928	**705**	1,147
Prepayments	**1,291**	2,014	**219**	1,161
	16,935	14,351	**30,699**	25,205

Amounts owed by subsidiary undertakings to the company include long term loans recoverable after more than one year of £955,000 (2000: £2,825,000).

23 CREDITORS: DUE WITHIN ONE YEAR

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Current instalments due on loans	**304**	28	**274**	–
Bank overdrafts	**2,031**	–	**–**	–
Obligations under finance leases and hire purchase contracts	**1,062**	229	**–**	–
Trade creditors	**10,186**	7,125	**555**	740
Amounts owed to subsidiary undertakings	**–**	–	**18,211**	7,679
Corporation tax	**646**	595	**331**	171
Other taxes and social security	**997**	303	**–**	12
Proposed dividends	**590**	1,180	**590**	1,180
Other creditors	**729**	806	**44**	65
Accruals	**2,689**	2,606	**260**	743
	19,234	12,872	**20,265**	10,590

The overdrafts of the company and certain subsidiary undertakings are covered by cross guarantees given by the company and those subsidiary undertakings. As at 31 January 2001 an amount of £4,122,000 (2000: £3,101,000) was guaranteed by the company.

Notes to the Accounts continued

24 DIVIDENDS

	2001 £000	2000 £000
Equity:		
Proposed	590	1,180
	590	1,180
Dividend income – Employee Share Option Plan	(57)	(57)
	533	1,123
Total dividends	533	1,123

The directors propose a final dividend in respect of the year ended 31 January 2001 of 1.00p (2000: 2.00p) per ordinary share payable on 6 July 2001 to shareholders registered at the close of business on 15 June 2001. This makes a total dividend for the year of 1.00p (2000: 2.00p) per ordinary share.

25 CREDITORS: DUE AFTER MORE THAN ONE YEAR

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Loans (note 27)	1,269	59	1,233	–
Obligations under finance leases and hire purchase contracts (note 27)	2,455	707	–	–
Overseas tax	116	33	–	–
	3,840	799	1,233	–

26 OPERATING LEASE COMMITMENTS

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

	Group Land & buildings £000	Group Other £000	Company Land & buildings £000	Company Other £000
Operating leases which expire:				
Within one year	24	24	–	–
Between one and five years	203	185	26	23
Over five years	269	–	60	–
	496	209	86	23

27 FINANCIAL INSTRUMENTS

A discussion of treasury policy is given in the Financial Review on page 7. Short term debtors and creditors have been excluded from all the following disclosures, other than currency risk disclosures.

Financial Assets

The financial assets of the group comprise cash at bank.

Borrowings

	Group 2001 £000	Group 2000 £000
Finance leases	3,517	936
Bank overdrafts	2,031	–
Loans:		
Secured		
US dollar bank loan repayable by instalments, bearing interest at 84.2% of prime rate of USA lender	66	87
Unsecured		
US dollar bank loan, bearing interest at 1.25% over the US Interbank rate	1,507	–
Total loans	1,573	87
Total borrowings	7,121	1,023
Repayment of total borrowings		
Between two and five years:		
Finance leases	1,304	463
Loans	690	32
Between one and two years:		
Finance leases	1,151	244
Loans	579	27
After more than one year:		
Finance leases	2,455	707
Loans	1,269	59
Within one year:		
Finance leases	1,062	229
Bank overdrafts	2,031	–
Loans	304	28
Total borrowings	7,121	1,023

The secured loan is secured against the freehold property occupied by Walker Greenbank Inc.

Notes to the Accounts continued

27 FINANCIAL INSTRUMENTS CONTINUED

Interest rate and currency profile of financial net assets

Currency	Floating rate assets 2001 £000	Floating rate assets 2000 £000
Sterling	18	10,821
US Dollar	471	292
Euro	723	483
Norwegian Kroner	1,017	1,130
Other	173	92
	2,402	12,818

Floating rate cash earns interest based on the relevant national base rate equivalents.

Interest rate and currency profile of financial liabilities

At 31 January 2001

Currency	Total £000	Floating rate borrowings £000	Fixed rate borrowings £000	Fixed rate borrowing Weighted average interest rate %	Fixed rate borrowing Weighted average time for which rate is fixed Years
Sterling	5,335	1,818	3,517	7.90%	1.94
US Dollar	1,786	1,786	–	–	–
	7,121	3,604	3,517	7.90%	1.94

At 31 January 2000

Currency	Total £000	Floating rate borrowings £000	Fixed rate borrowings £000	Fixed rate borrowing Weighted average interest rate %	Fixed rate borrowing Weighted average time for which rate is fixed Years
Sterling	936	-	936	6.70	2.07
US Dollar	87	87	-	-	-
	1,023	87	936	6.70	2.07

27 FINANCIAL INSTRUMENTS CONTINUED

Net foreign monetary assets/(liabilities)

The following summary shows the group's currency exposures that give rise to currency gains and losses recognised in the profit and loss account, resulting from exposures where monetary assets and liabilities (including intercompany trading balances) at the balance sheet date are denominated in currencies other than the functional currency of each operation.

At 31 January 2001	Sterling £000	US Dollar £000	Euro £000	Norwegian Kroner £000	Other £000	Total £000
Functional currency of entity						
Sterling	-	(16)	1,224	47	83	1,338
US Dollar	(142)	-	-	-	29	(113)
Euro	(499)	-	-	-	-	(499)
Norwegian Kroner	(10)	(34)	(176)	-	(49)	(269)
	(651)	(50)	1,048	47	63	457

At 31 January 2000	Sterling £000	US Dollar £000	Euro £000	Norwegian Kroner £000	Other £000	Total £000
Functional currency of entity						
Sterling	-	876	(165)	148	114	973
US Dollar	(392)	-	-	-	21	(371)
Euro	(216)	-	-	-	-	(216)
Norwegian Kroner	(27)	(21)	(57)	-	-	(105)
	(635)	855	(222)	148	135	281

Borrowing facilities

The group's undrawn committed borrowing facilities available at 31 January 2001 in respect of which all conditions had been met comprised $1,000,000 in the USA and £7,000,000 in the UK. These facilities are renewable on 30 June 2001 and 31 May 2001 respectively.

Gains and losses on hedges

There were no significant unrecognised or deferred gains and losses on hedges at 31 January 2001 or 31 January 2000.

Fair values of assets and liabilities

The fair value of financial assets and liabilities at 31 January 2001 and 31 January 2000 is not materially different from the carrying amount.

Notes to the Accounts continued

28 PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Deferred taxation	**315**	347	**245**	267
Provision for fundamental restructuring	**37**	437	**–**	–
	352	784	**245**	267

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Deferred taxation:				
Deferred taxation provided in the accounts is as follows:				
Capital allowances in excess of depreciation	**908**	637	**95**	86
Other timing differences	**(593)**	(290)	**150**	181
	315	347	**245**	267

	Group £000	Company £000
Deferred taxation movement for the year:		
1 February 2000	**347**	**267**
Current year charge	**37**	**47**
Adjustment in respect of prior years	**(69)**	**(69)**
31 January 2001	**315**	**245**

The group and company have no unprovided deferred tax liabilities (2000: £nil)

	Group 2001 £000	Company 2001 £000	Group 2000 £000	Company 2000 £000
Provision for fundamental restructuring:				
1 February 2000	**437**	**–**	–	–
Current year (utilisation)/charge	**(400)**	**–**	437	–
31 January 2001	**37**	**–**	437	–

The provision for fundamental restructuring relates to the restructuring of the overseas sales operations and comprises £37,000 in respect of future redundancies (2000: £280,000 for redundancies, £57,000 for lease termination and £100,000 in respect of future losses).

29 SHARE CAPITAL

	Number of shares	£
Ordinary shares of 1p each:		
Authorised share capital:		
1 February 2000 and 31 January 2001	**85,000,000**	**850,000**
Alloted, called up and fully paid		
1 February 2000 and 31 January 2001	**59,006,162**	**590,062**

30 RESERVES

	Share premium account £000	Profit and loss account £000	Other reserves: Revaluation reserve £000	Other reserves: Capital reserve £000	Other reserves: Merger reserve £000	Total £000
Group						
1 February 2000	457	662	226	43,457	(2,950)	40,733
Write back of goodwill previously written off to reserves	–	1,390	–	–	–	–
Transfer of additional depreciation on revalued assets	–	4	(4)	–	–	(4)
Transferred to current assets (note 20)	–	–	(222)	–	–	(222)
Retained loss for the year	–	(5,953)	–	–	–	–
Currency translation movements	–	74	–	–	–	–
31 January 2001	**457**	**(3,823)**	**–**	**43,457**	**(2,950)**	**40,507**

	Share premium account £000	Profit and loss account £000	Other reserves: Revaluation reserve £000	Other reserves: Capital reserve £000	Other reserves: Merger reserve £000	Total £000
Company						
1 February 2000	457	9,894	–	41,888	–	41,888
Retained earnings for the year	–	896	–	–	–	–
31 January 2001	**457**	**10,790**	**–**	**41,888**	**–**	**41,888**

Capital reserve represents:	£000
Share premium of companies acquired and accounted for under merger accounting principles	1,276
Capital reserve arising on consolidation	293
Capital redemption reserve for deferred shares	1,003
Capital redemption reserve for "B" shares	40,885
	43,457

The cumulative amount of goodwill which has been written off to the profit and loss account reserve in respect of existing group companies is £5,339,000 (2000: £6,729,000).

31 CAPITAL COMMITMENTS

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Authorised and contracted	303	2,365	–	–

32 CONTINGENT LIABILITY

In 1996, the company entered into an agreement with a communications conglomerate to supply the group with data transmission services over its wide area network in the UK and Europe. The company has recently received a claim under this contract relating to services purportedly supplied in 1998 amounting in all to some £1,800,000. No provision has been made for this amount as the directors refute the claim and intend to defend it vigorously.

33 RECONCILIATION OF OPERATING(LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2001 £000	2001 £000	2000 £000	2000 £000
Operating (loss)/profit		(5,269)		1,663
Depreciation	3,458		1,974	
Loss on disposal of fixed assets	52		65	
Increase in stocks	(481)		(803)	
Decrease/(increase) in debtors	779		(883)	
Increase/(decrease) in creditors	530		(499)	
		4,338		(146)
Net cash (outflow)/inflow from operating activities		(931)		1,517

The acquisitions' net inflow from operating activities was £1,688,000 for the period from the date of acquisition, 31 March 2000 to 31 January 2001. The only other category of the cash flow statement impacted by the acquisitions other than the cost of acquisition was capital expenditure of £291,000.

34 ANALYSIS OF NET (DEBT)/FUNDS

	1 February 2000 £000	Cash flow £000	Exchange movement £000	31 January 2001 £000
Cash at bank and in hand	12,818	(10,493)	77	2,402
Overdrafts	–	(2,031)	–	(2,031)
	12,818	(12,524)	77	371
Debt due within one year	(28)	(273)	(3)	(304)
Debt due after one year	(59)	(1,203)	(7)	(1,269)
Finance leases	(936)	(2,581)	–	(3,517)
	(1,023)	(4,057)	(10)	(5,090)
	11,795	(16,581)	67	(4,719)

35 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	2001 £000	2000 £000
Decrease in cash in the period	(12,524)	(5,927)
(Increase)/decrease in debt and lease financing	(4,057)	1,709
Decrease in liquid resources	–	(343)
Cash outflow from cash flows	(16,581)	(4,561)
Exchange movement	67	(79)
Cash outflow in period	(16,514)	(4,640)
Net funds at 1 February	11,795	16,435
Net (debt)/funds at 31 January	(4,719)	11,795

36 PENSIONS

The group operates defined benefit and defined contribution schemes in the UK for all qualifying employees. The major scheme is of the defined benefit type and the assets of each of the schemes are held in separate trustee administered funds. In addition, there are defined benefit schemes for all qualifying employees of Abaris Holdings Limited and John O Borge a.s.

The pension costs relating to the UK defined benefit schemes are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. These schemes are subject to triennial actuarial reviews with the most recent ones having been at 6 April 1998 for the major scheme and 6 April 1998 for the Abaris Holdings Limited Pension Scheme. The John O Borge a.s. scheme was valued in accordance with the Norwegian Financial Accounting Standard for Pension Benefits at 31 December 2000.

The principal actuarial assumptions applied for the two UK schemes were as follows:

Investment returns	9.0% per annum
Salary growth	7.0% per annum

Pension increases 4.5% per annum in excess of Guaranteed Minimum Pension.

Assets have been valued using the discounted income method assuming a dividend growth rate of 5.5% per annum.

At the latest actuarial valuation, the aggregate market value of the assets of the major scheme was £22,617,000. The actuarial value of the assets of the scheme was sufficient to cover 108% of the liability for benefits which have accrued to members on an ongoing basis.

At the last actuarial valuation, the aggregate market value of the assets of the Abaris Holding Limited Pension Scheme was £3,157,000. The actuarial value of the assets of the scheme was sufficient to cover 205% of the liability for benefits which have accrued to members on an ongoing basis.

The effect of the employer's contribution rates for the two UK schemes is to take account of the surpluses disclosed by the valuations over the average remaining service lives of the current employees who are in the schemes. The current rate of contribution also takes into account the effect of the Muraspec and Brymor employees who have transferred out of the scheme during the year. The actuary has confirmed that there is no significant impact to the rate for the year following this transfer.

The aggregate market value of the assets of the John O Borge a.s. scheme at 31 December 2000 was £517,000 with a surplus of £146,000.

The total pension cost for the group was £1,076,000 (2000: £749,000) of which £939,000 (2000: £530,000) related to the major defined benefit scheme.

Five Year Record

	1997 £000	1998 £000	1999 £000	2000 £000	2001 £000
Continuing Operations					
Turnover	57,555	54,621	52,450	49,937	**64,067**
Overseas turnover	25,883	23,818	23,018	20,990	**20,065**
Operating profit/(loss)	1,469	3,691	(2,065)	1,663	**(5,269)**
EBITDA	2,635	5,561	636	3,637	**(1,811)**
Profit/(loss) before taxation	1,602	3,055	(2,382)	386	**(5,487)**
Capital expenditure	4,068	2,546	2,853	6,283	**6,113**
Earnings/(loss) per share (underlying)	1.52	2.75	1.30	3.33	**(3.74)**
Average number of employees	692	683	608	568	**757**
Turnover per employee	£83,000	£80,000	£86,000	£88,000	**£85,000**

	1997 £000	1998 £000	1999 £000	2000 £000	2001 £000
Total Group					
Dividends	4,520	4,500	1,247	1,180	**590**
Shareholders' funds	44,869	47,397	42,787	42,442	**37,731**
Dividend per share	3.7p	3.7p	2.0p	2.0p	**1.0p**

All previous years have been restated for the prior year adjustment in the year ended 31 January 1998, and exclude the results of discontinued operations.

Financial Calendar
Annual General Meeting 13 June 2001
Record Date 15 June 2001
Final dividend payable 6 July 2001
Announcement of half-year results September 2001