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2008

Walker Greenbank PLC

LUXURY INTERIOR FURNISHINGS GROUP

ANNUAL REPORT AND ACCOUNTS

Walker Greenbank PLC is a luxury interior furnishings group whose brands include Harlequin, Sanderson, Morris & Co and Zoffany Our 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.

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COMPANY OVERVIEW

WALKER GREENBANK PLC

At a glance

Walker Greenbank PLC is a luxury interior furnishings group of companies which design, manufacture, market and distribute wallcoverings, furnishing fabrics and associated products for the consumer market

Our brands

Harlequin

Harlequin is a core supplier of high quality, design lead collections to the mid to premium end of the worldwide furnishings market

A recognised brand leader, it has enjoyed another year of strong growth Its product portfolio has been significantly expanded to appeal to a greater breadth of consumers

Sanderson

Founded in 1860 and granted a Royal Warrant in 1923, Sanderson is one of the most renowned brands in interiors worldwide Offering classic, inspirational product often based on documents from its extensive archive It is aimed at the mid to upper level of the interiors market

Morris & Co

The Morris & Co business has a heritage that dates back to the mid 19th century when it was founded by William Morris, the acclaimed designer Its unique heritage is preserved in the modern interpretation of its high quality fabrics and wallcoverings

Zoffany

Zoffany offers a range of products of the highest quality including wallpaper, fabrics, trimmings, carpets, paint and furniture The designs are inspired by the rich traditions of the past but look equally at home in contemporary interiors

Our manufacturing

Anstey

Anstey Wallpaper Company is the world's leading specialist commission printer The business operates at the premium end of the market, offering a unique combination of design, printing and finishing of wallcoverings by gravure, rotary, flexo, surface, screen and hand block printing methods As well as producing for the Walker Greenback brands it also produces for third party customers

Standfast

Standfast & Barracks is situated in Lancaster and was bought by Walker Greenbank in March 2000 The business is acknowledged as a worldwide leader in its field Standfast specialises in high quality volume vat printing and dyeing, and rotary screen-printing of fabrics Barracks specialises in flatbed printing, concentrating on very high specification for the exclusive furnishing and apparel markets, printing on a wide range of fabrics

Our distribution

USA

Our distribution in the USA is carried out by Walker Greenbank Inc utilising third party showrooms supported by Walker Greenbank Inc offices based in New Jersey and our own showroom in Manhattan

France

Our distribution in France is by Arthur Sanderson France through a network of sales agents, our own sales force and a showroom in Rue du Mail, Paris

Italy

We have a showroom and offices in Rome utilising sales agents throughout the country

Our brands – Harlequin

Harlequin has continued its impressive sales performance with double figure sales growth for the third successive year The growth was driven by woven fabrics and wallpaper, with the growth broadly similar in both domestic and export markets

16%

SALES GROWTH

01 COLLECTION KALAYA DESIGNS OLEANA AND REVA
02 COLLECTION LUCIDO WALLPAPERS DESIGN PRATO
03 COLLECTION KALAYA DESIGNS KEONA AND ELONI
04 COLLECTION LUCIDO WALLPAPERS DESIGN AVELLINO

01

02

03

Our brands – Sanderson and Morris & Co.

Following significant continued investment in product, sales of the Sanderson and Morris & Co brands have gathered momentum The growth has been across all product categories, woven and printed fabrics and wallpaper Geographically sales are up equally in the domestic and export markets

22%

SALES GROWTH

01 COLLECTION PARCHEMENT FLOWERS
DESIGN GROVE PARK
02 COLLECTION MORRIS EMBROIDERIES
DESIGN TULIP EMBROIDERY
03 COLLECTION MORRIS EMBROIDERIES
DESIGN TULIP EMBROIDERY
04 COLLECTION COUNTRY LINENS
DESIGN ROSEANNA

01

02

03

Our brands – Zoffany

The focusing of the brand on its core and traditional design values has renewed recognition of the brand by the design community and re-invigorated the sales of older collections which, combined with the strength of the new collections, has helped grow sales significantly

24%

SALES GROWTH

01 COLLECTION VERLAINE DESIGN VERLAINE
02 COLLECTION FONTAINE PRINTS
DESIGN SNOW BLOSSOM
03 COLLECTION FLEUR ROCOCO
DESIGN CHERRY BLOSSOM
04 COLLECTION FLEUR ROCOCO
DESIGN FIR TREES

01

02

03

Quality manufacturing

Anstey

38%
THIRD PARTY SALES GROWTH

Anstey has further consolidated its position as market leader in UK wallpaper manufacturing in the mid to premium end of the market Its continued commitment to investment in factory efficiencies and improved service to its customers, combined with limited competition and high barriers to entry, have helped grow overall sales by 19%

01

02

01 TRIMMING TO WIDTH IN LINE
02 PRINTED REELS OF WALLPAPER
03 ENGRAVED SCREENS FOR FLAT BED PRINTING
04 DIGITALLY PRINTED PREMIUM FURNISHING FABRICS
05 NEW 20 COLOUR ROTARY PRINT MACHINE

Standfast

Standfast has experienced challenging market conditions during the year The move in fashion trends in the interior design market towards colour and design has not yet fed through into the print market Fewer print collections were launched this year than last which has led to a reduction in revenue of 4% We continue to invest in capital equipment to improve factory efficiency

-4%

THIRD PARTY SALES DECLINE

03

04

05

FINANCIAL HIGHLIGHTS

£62.45m

REVENUE UP 15% TO £62 45 MILLION
(2007 £54 37 MILLION)

£3.96m

OPERATING PROFIT UP 60% TO £3 96 MILLION
(2007 £2 48 MILLION BEFORE EXCEPTIONAL CREDIT)

£3.10m

PROFIT BEFORE TAX UP 119% TO £3 10 MILLION
(2007 £1 42 MILLION EXCLUDING EXCEPTIONAL CREDIT OF £1 28 MILLION)

35%

GEARING REDUCED TO 35% (2007 66%) WITH SHAREHOLDERS FUNDS INCREASED TO £20 80 MILLION
(2007 £12 94 MILLION)

'We are confident that our strategy will deliver growth in both revenue and profits in the coming years Four months of our current financial year are now completed, during which time the Group has continued to trade strongly We remain confident of a very satisfactory outcome for the year'

Chairman's Statement

It gives me great pleasure to report another year of excellent progress The sustained strength of our brands, the quality of our niche manufacturing and favourable market conditions have resulted in revenue growth of 15% Operational gearing has translated this growth into a 60% increase in operating profit to £3,961,000 before exceptional items

COLLECTION EMBRACE DESIGN PROMISE

COLLECTION AMARI DESIGN AERIAL →

OVERVIEW

We have made considerable progress in delivering our key strategic organic growth objectives Our brand sales have grown 17% in the UK retail market and have added 17% in Europe and the Rest of the World Our US business, which is still a relatively small part of our Group, has grown 2%, equivalent to 13% in local currency Particularly encouraging is the 58% increase achieved in our fledgling Contracts business Finally our manufacturing units have continued to gain market share, growing their third party revenues by 8%

All our brands, which include Harlequin, Sanderson (including Morris & Co and Zoffany, have performed strongly Our Harlequin brand has further re-enforced its position as the pre-eminent brand in the mid-market Continued heavy investment in new product and marketing has helped both revenue and profits to grow further Sustained investment in product and marketing since we acquired Sanderson, our globally recognised brand, has helped to, accelerate its revenue growth and achieve a substantial improvement in profits Having successfully re-established Zoffany as a leading brand in the premium end of the market, focused product investment in this and prior years has helped achieve strong revenue growth and a substantial improvement in profits Continued investment in our Manhattan-based business in the United States has helped to increase revenue in local currency However, the weak dollar and testing market conditions mean that the business continues to make a small loss We remain confident that there is considerable medium- to long-term growth potential for the Group in this important market

Anstey, our wallpaper factory in Loughborough, continues to benefit from the growing popularity of wallpaper The limited manufacturing capacity at the mid to premium end of the market and high barriers to entry, combined with its continued commitment to investment in factory efficiency and improved service to our customers, have helped the business grow its revenue and improve profits threefold Standfast, our fabric printing factory based in Lancaster, continues to invest in factory efficient capital equipment, however, slightly tougher market conditions have led to a small fall in revenue and profits over the same period last year

FINANCIALS

The financial results have been prepared under International Financial Reporting Standards (IFRS) and the effect on the Group's results of adopting these standards has been minimal Revenue increased 15% to £62,448,000 from £54,369,000 over last year The underlying operating profit for the year increased 60% to £3,961,000 (2007 £2,481,000) Profit before tax has increased 15% to £3,099,000 (2007 £2,694,000) Underlying profit before tax after adjusting for an exceptional pension credit included in last year of £1,276,000 has increased 119% Profit after tax increased to £8,171,000 (2007 £2,636,000) with the inclusion of a deferred tax asset of £5,101,000 (2007 nil) This has been recognised as the Group is now confident of utilising the historical taxable losses by delivering sustainable taxable profits into the foreseeable future

The earnings per share were 14 49p (2007 4 67p) reflecting the recognition of the deferred tax credit An adjusted earnings per share that excludes the benefit of the deferred tax credit would be 5 44p (2007 2 41p) The exceptional profit from the pension deficit reduction exercise of £1,276,000 has been excluded in the adjusted 2007 earnings per share

The Group's net indebtedness at the year end was £7,289,000 (2007 £8,604,000) This represents a reduction in gearing to 35% (2007 66%) The cash inflow from operating activities was £3,542,000 (2007 £2,276,000) Shortly before the year end, the Group purchased 1,415,093 of the Company's shares on the open market for a total amount of £612,000 in order to satisfy awards made in May 2007 under the Long Term Incentive Scheme

DIVIDEND

The Directors do not recommend the payment of a dividend at this point in time We remain focused on further cash generation, reducing our gearing and pension deficit whilst remaining alert to both organic and acquisition growth opportunities as they arise

PEOPLE

On 19 September 2007 Terry Stannard joined the Board as a Non-executive Director His broad business experience, particularly of marketing and international business, will be of great value to the Group in future years

On 12 February 2008 Charles Gray, a Non-executive Director, retired from the Board I would like to thank Charles for his input to Walker Greenbank's Board and wish him well for his retirement

I would like to thank all our employees for their continued support Their commitment and enthusiasm have contributed significantly to the improvement in shareholder value

OUTLOOK

Our Group is now firmly established as a profitable cash generative business, with a strengthening balance sheet Our premium end brands, supported by our niche manufacturing, contribute to our position as a market leader in the luxury interior furnishings market We are particularly well positioned to take advantage of the growing trend towards colour and design in both fabric and wallpaper

John Sach in his Chief Executive's Review highlights the range of strategic growth opportunities the Group is pursuing to increase its presence in the worldwide luxury interior furnishings market We are confident that our strategy will deliver growth in both revenue and profits in the coming years Four months of our current financial year are now completed, during which time the Group has continued to trade strongly We remain confident of a very satisfactory outcome for the year

I Kirkham

Ian Kirkham
Non-executive Chairman
11 June 2008

↑ COLLECTION AMARANTA DESIGN FORESTA

Chief Executive's Review

I am delighted to provide a review of the Group's progress in the year to January 2008, a transformational period in the Group's development Looking back, the year to January 2007 was a year in which we successfully achieved the Group's recovery, fully restoring its financial stability and creating a solid platform for future growth The year to January 2008 was a year in which we built on the recovery of 2007 by making excellent progress in executing our strategy of delivering earnings growth by exploiting the organic growth and other opportunities that exist within the Group as a result of the strength of the Group's brand assets

↑ COLLECTION ARCHIVE PRINTS III DESIGN CHAMBALON

STRATEGY

The cornerstone of our strategy is our significant investment in the design and marketing of exciting new products for our four brands This commitment to our brands has fuelled our sales growth to date and underpins our growth strategy, which comprises five key elements

- → **Organic growth** – to continue to exploit the organic growth opportunities that exist for our Group in the UK retail market
- → **Geographic expansion** – to invest in marketing and distribution in the North American market, where our Group is currently immature relative to our peers, and to focus on the distribution and marketing of our brands in Europe and the Rest of the World, where again as a Group we are presently underdeveloped
- → **Contract sales** – to drive the expansion of our fledgling Contracts business through further investment in people and contract specific product supported by the strength of our brand names and our manufacturing capability predominantly focusing at the mid to upper end of the contract market
- → **Licensing income** – to exploit the global recognition of the Sanderson and Morris & Co brand names to develop further licensing arrangements
- → **Acquisitions** – to evaluate acquisition opportunities that may fit with our current brand portfolio and potentially provide synergistic and earnings enhancing opportunities

THE BRANDS

Harlequin

The Harlequin brand has continued its impressive financial performance, growing its sales in the year by 16%, the third successive year of double digit sales growth, further re-enforcing its position as the pre-eminent brand in the UK mid-market The sales growth was driven by woven product, up 24%, and wallpaper, up 6% Printed fabric sales have remained essentially flat year on year Sales growth was broadly similar in both the home and export markets

Following the launch of an extensive range of products specifically for the contract market, and supported by the expansion of the Contracts business, contract sales have grown 92% in the year Harlequin continues to increase its product offer through the continual launch of new and innovative products It is also investing significantly in marketing and advertising to promote the products This investment combined with the sales growth and maintained margins have helped improve operating profit by 15%

Zoffany

As reported in the first half the focusing of the brand on its core and traditional design values is now essentially complete The brand has re-established itself within the design community and its newly launched ranges are performing strongly

The renewed recognition of the brand by the design community has reinvigorated the sales of older collections which, combined with the strength of the new collections, has helped sales grow year on year by 24% The growth has been led by wallpaper and woven fabric, both up 27%, with printed fabric up only 1% Sales in the UK were up 27% and export sales were up 20%, both helped by the Group's focus on contract sales, which were up 25%

↑ COLLECTION BARGELLO DESIGN BARGELLO

The sales growth and improving margins, combined with significant investment in product development and marketing, has helped Zoffany improve from a break even position last year to a 5% operating profit for the year to January 2008

Arthur Sanderson & Sons incorporating the Morris & Co brand

Following significant investment in product, sales of the Sanderson brand have gathered momentum, underpinned by the brand's unrivalled global recognition Sales have grown 22% with growth across all product categories led by woven fabric, up 49%, wallpaper up 17% and printed fabric up 9% Geographically sales were up equally in the UK and export markets, with both markets helped by a 31% increase in contract sales New licence arrangements have been signed in tableware and stationery However, licence income during the year fell due to tougher trading conditions in Australasia and a lower sterling return from Japan due to the weakness of the yen Overall, sales growth at Sanderson and Morris & Co, along with significantly increased product development and marketing and improving margins, have helped to deliver a more than six-fold increase in operating profit

Manufacturing

We have two freehold printing facilities in the UK Anstey, our wallpaper factory in Loughborough and Standfast, our fabric printing factory in Lancaster Both factories offer highly specialised printing, and their UK location brings benefits including the ability to print very short runs and easy accessibility for UK designers to visit the factories during print work In addition to printing the wallpaper and fabrics for the Group's own brands, the factories print for third party customers

Anstey

Anstey has further consolidated its position as market leader in UK wallpaper manufacture in the mid to premium end of the market Its continued commitment to investment in factory efficiency and improved service to its customers, combined with limited competition and high barriers to entry have helped grow Anstey's overall sales 19% Third party sales grew 38%, as more customers seek to satisfy mounting consumer demand for wallpaper Group sales grew 5% and third party sales now account for half of Anstey's overall turnover The growing turnover, improved factory efficiencies and tight overhead cost-control helped Anstey more then treble its operating profit

Standfast

Standfast has experienced challenging market conditions during the year The move in fashion trends in the interior design market towards colour and design have not yet fed through into the print market Fewer print collections this year than last led to a reduction in Group revenue of 2% Third party sales also declined by 4%, giving an overall reduction in total sales of 3% The lower activity this year put pressure on factory throughput and led to a reduction in margins and a subsequent decline in overall profits year on year Whilst this market remains difficult at the moment we are confident that fashion trends will eventually redress this situation and we continue to invest in capital equipment to improve factory efficiency

OVERSEAS

US

Overall, reported sales increased year on year by only 5% However, when adjusting for the currency movement due to the weakness of the dollar, sales were up 13% This improvement has been driven predominantly by Harlequin The second half of the year proved more difficult than the first, due to the well documented economic conditions in the US The US still forms a relatively small part of the overall Group and despite testing market conditions we continue to invest strongly in marketing, patterning and sample support, as we firmly believe in the medium- to long-term potential in this market This continued investment means that we still continue to lose money in the US However, it is important to recognise that overall, with the sales from the UK to the US subsidiary and the downstream manufacturing, the US business is still an important profit contributor to the Group

Europe

The Group's distribution businesses in Rome and Paris grew their combined revenue 4% and returned a small operating profit During the year, we employed an experienced European development director and are currently strategically reviewing the way we do business in this important marketplace Relative to our peer group our overall sales are low and we strongly believe that this market offers great potential for the Group in the future

SUMMARY

All of our brands continue to perform strongly The considerable investment we have made in product and marketing in recent years places us in a strong position to exploit both the continuing and new business opportunities that exist within the Group We remain confident about the future progress the Group will make

John Sach
Group Chief Executive Officer
11 June 2008

Financial Review

UNDERLYING OPERATING PROFIT
(£000)

SHAREHOLDERS' FUNDS
(£000)

GEARING AT YEAR END
(%)

INCOME STATEMENT AND EXCEPTIONAL ITEMS

The Chairman's Statement and Chief Executive's Review provide an analysis of the key factors contributing to the continued improvements in operating profit and profit before taxation In addition to the information on our brands and production facilities included in these reports, the Group has included in note 2 of this announcement, information on our business segments, as required by International Financial Reporting Standards (IFRS)

Both the 2008 and 2007 results are impacted by exceptional items In the year to January 2008 the Group has recognised a deferred tax asset of £5,101,000 as the Group is confident of utilising historical corporation tax losses as a result of foreseeable sustainable future profits Last year there was an exceptional profit of £1 276,000 arising from the pension deficit reduction exercise Both items have enhanced the basic earnings per share (EPS), but are removed in the analysis of adjusted EPS discussed below, to enable better comparison of the underlying performance of the Group

EARNINGS PER SHARE

The basic and diluted EPS was 14 49p (2007 4 67p) The underlying EPS was 5 44p for the current year (2007 2 41p), and is reconciled to basic and diluted as follows

	2008 £000	2007 £000
Profit after tax per the accounts	**8,171**	2,636
Exclude exceptional benefit pension deficit reduction exercise	-	(1,276)
Exclude the recognition of deferred tax	**(5,101)**	-
Adjusted profit after tax	**3,070**	1,360
Adjusted EPS	**5 44p**	2 41p

The number of shares in issue remained constant, however, on 16 January 2008, 700,000 shares were purchased and brought into Treasury and on 17 January 2008, 715,093 shares were purchased and also brought into Treasury The weighted average number of shares reduced to 56,397,000 for the year ended 31 January 2008 from 56,457,000 in the year ended 31 January 2007

DISPOSALS

There were no major disposals during the year

INTEREST

The interest charge for the year was £981,000 (2007 £964,000) including amortisation of debt issue costs capitalised

Net pension related income during the year was £119,000 (2007 charge £99,000) This is a consequence of the significant reduction in the gross pension liability compared with the previous year

CURRENT TAXATION

There is a small corporation tax charge arising from the taxable profits at the Italian subsidiary The Group continues to review the overseas tax position to ensure every opportunity is considered to minimise the amount incurred

DEFERRED TAXATION

During the year the Group has recognised a deferred tax credit of £5,101,000 predominantly arising from corporation tax losses incurred in prior years The asset has been recognised this year as the Group is now confident of a sustainable future profit stream

Due to the substantial nature of these corporation tax losses (£23 million) the Group does not anticipate incurring or paying

UK corporation tax for the immediate future However, as the majority of the corporation tax losses have now been recognised as a deferred tax asset in future years there will be a deferred tax charge in the Income Statement until such time as the deferred tax asset has been fully utilised at which point the Group will incur and pay UK corporation tax

The Group also continues to recognise the deferred tax asset arising from the Pension Deficit As the Pension Deficit has reduced during the year the reduction of the associated deferred tax asset has been recognised

OPERATING CASH FLOW

The Group generated net cash inflow from operating activities during the year of £3,542,000 (2007 £2,276,000) It paid interest of £956,000 (2007 £913,000) and capital expenditure of £1,674,000 (2007 £1,444,000) The depreciation and amortisation charge during the period continued to be greater than the required capital expenditure

The Group made additional payments to the pension schemes of £1,059,000 (2007 £898,000) to reduce the deficit, part of the ongoing planned reduction

The Group purchased 1,415,093 shares at a cost of £612,000 in order to satisfy awards made in May 2007 under the Long Term Incentive Plan

Net debt in the Group has reduced by £1,315,000 to £7,289,000 (2007 £8,604,000)

PENSION DEFICIT

The pension deficit has reduced further this year The key factors affecting the movement in the deficit have been firstly ongoing contributions of £1,290,000 from the Company to reduce the deficit, secondly a reduction in the liabilities of the scheme arising from the increase in discount rates during the year, and lastly the adoption of PA92 with medium cohort mortality tables which has increased the deficit The impact of these factors is shown as follows

	2008 £000
Deficit at beginning of the year	**(5,518)**
Current service cost	**(231)**
Other finance income	**350**
Contributions	**1,290**
Impact of mortality tables	**(2,868)**
Actuarial gains primarily from the change in discount factor	**3,568**
Gross deficit at the end of the year	**(3,409)**

LONG TERM INCENTIVE PLAN

A conditional award of shares was granted to the executive Directors and certain employees under the Long Term Incentive Plan (LTIP) on 28 May 2007 There has been a charge of £429,000 (2007 £143,000) in the Income Statement for this and previous awards

GEARING

The gearing level for the Group fell during the year to 35% at 31 January 2008 (2007 66%)

FUNDING

The Group utilises facilities provided by Barclays Bank Plc The facilities were put in place on 17 July 2007 replacing previous facilities from another provider There is a property facility available over a 10 year period There is also a facility 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 in which the Group operates This facility has an initial three year term The total facilities have a limit of £17 0 million

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

GOING CONCERN

The Directors are confident, after having made appropriate enquiries, that the Group and 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

IFRS

The Group has adopted IFRS for the year ended 31 January 2008 and restated the comparative results for the prior year The impact of adopting IFRS has been limited A Restatement document was issued on 28 September 2007 giving full details of the impact of the adoption

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 averse strategy

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

INTEREST RATE RISK

The Group has continued to maintain its debt in floating rate instruments in order to benefit from the lower rates available and the increasing reduction in borrowings This policy remains constantly under review to ensure interest cost is minimised The viability of hedging instruments that would limit the impact of interest rate movements will continue to be reviewed based on the Board's perception of future rate increases and the reducing level of borrowings

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 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

LIQUIDITY RISK

The Group ensures that it has adequate facilities available to cover both its short-term and medium-term commitments

Alan Dix
Group Finance Director
11 June 2008

Directors and Advisers

DIRECTORS

Ian Kirkham (58)
Non-executive Chairman (A, R, N)
Ian Joined the Board in April 2002 He has considerable experience in manufacturing and distribution businesses in the UK Home Improvement and Building Products Markets He was, for seven years, Chief Executive of Headlam Group plc and is currently Chairman or director of several private companies including CET Glass Processors Holdings Limited, Gilt Edged Promotions Limited and Zyphos Limited Ian is also Chairman of the Trustees of UCARE, a urological cancer research charity

Terry Stannard (58)
Non-executive Director (A, R, N)
Terry joined the Board as a Non-executive Director in September 2007 He has particular expertise in the international expansion of brand-based businesses and a track record of value creation His executive career included senior roles at United Biscuits and the positions of Chief Executive of Uniq plc and Chief Executive of Terranova Foods plc Since 2001, he has focused on Non-executive appointments at both quoted and unquoted businesses His current portfolio includes Non-executive roles at Brintons Ltd, Bradford & Sons Ltd, Macphie of Glenbervie Ltd and Moloney Ventures Ltd He is also a Non-executive Director of the UK subsidiaries of Singapore-listed Singapore Food Industries Ltd

John Sach (52)
Chief Executive Officer
John joined the Group in 1994 as Group Financial Controller and was appointed to the Board as Group Finance Director in 1999 He was appointed Chief Executive Officer in May 2004

David Smallridge (52)
Executive Director
David joined the Group in 2002 with a wide experience as a managing director in the consumer products services He was appointed to the Board in December 2004 following his appointment as Managing Director of the Group's three main fabric and wallcovering brands, Harlequin, Sanderson and Zoffany

Alan Dix (49)
Group Finance Director
In July 2005, Alan Dix was appointed Group Finance Director He is a Chartered Accountant with experience from a broad range of industries

A - Audit Committee
R - Remuneration Committee
N - Nominations Committee

ADVISERS

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West Yorkshire HD8 0LA

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Barclay's Commercial Bank
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Luton LU1 3US

Directors' Report
Financial Statements

YEAR ENDED 31 JANUARY 2008

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 2008

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are the design, manufacture, marketing and distribution of wallcoverings, furnishing fabrics and associated products for the consumer market A review of activities is given in the Chief Executive's Review which, taken with the Chairman's Statement, the Financial Review and the other information in the Report of the Directors, represents the Group's Business Review

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

GROUP RESULT

The profit before taxation amounted to £3,099,000 (2007 £2,694,000) The Directors do not recommend payment of a final ordinary dividend (2007 no dividend paid), which leaves a surplus of £8,171,000 to be transferred to reserves (2007 £2,636,000)

KEY PERFORMANCE INDICATORS

The KPIs for the business are primarily financial

	2008	2007
Underlying sales growth	**15%**	15%
Operating profit margin before exceptional items	**6 3%**	4 6%
Gearing	**35%**	66%
Pension deficit as a percentage of shareholders' funds	**16%**	43%
Underlying EPS	**5 44p**	2 41p

BUSINESS RISKS

The Directors have identified a number of financial risks for the Group and these are explained and the degree of risk highlighted in note 2 of the financial statements and in the Financial Review Where commercially appropriate the Group insures against financial loss caused by unforeseen events by the means of insurance policies Apart from the impact of a global nature or a significant downturn in the UK market there are no other significant business risks Whilst the dollar remains weak this will affect trading of our business in North America but this business is not currently a significant profit contributor to the overall 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 22 to the accounts

EMPLOYEES

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

PAYMENTS TO SUPPLIERS

The Group agrees terms and conditions for its business transactions with suppliers and makes payment in accordance with those terms and conditions subject to the supplier meeting its obligations The amount of trade creditors shown in the consolidated balance sheet at 31 January 2008 represents 98 days (2007 97 days) of average purchases during the year for the Group

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

MARKET VALUE OF INTERESTS IN LAND INCLUDING BUILDINGS

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

POLITICAL AND CHARITABLE DONATIONS

The Group has not made any political donations (2007 £nil) During the year the Group made no charitable donations (2007 £nil)

DIRECTORS AND THEIR INTERESTS

The Directors in office at 31 January 2008 and their interests in the shares of the Company were as follows

	1p ordinary shares 31 January 2008 Number	1p ordinary shares 31 January 2007 Number
I Kirkham	**800,000**	730,000
T Stannard	**35,000**	–
J D Sach	**590,000**	590,000
D H Smallridge	**100,000**	100,000
A N Dix	**112,000**	70,000
C Gray*	**150,000**	150,000

* Includes 50 000 shares held by Mr Gray s wife

The following Directors all purchased 20,000 shares on 24 April 2008 J D Sach, D H Smallridge and A N Dix

The share price on 1 February 2007 was 49 5p and on 31 January 2008 was 40 75p

LONG TERM INCENTIVE PLAN

On 24 May 2007, conditional awards of shares were granted to the Executive Directors and certain employees under the Long Term Incentive Plan (LTIP) The share price at the date of grant was 53p In accordance with the rules of the LTIP the shares awarded will vest four years after the date of grant subject to the Group achieving profit before tax targets

At the year end, awards have been granted for a maximum of 3,964,093 shares

The awards granted to the Executive Directors are

	Vesting date	1p ordinary shares
J D Sach	25 07 2009	805,298
	23 05 2011	495,283
D H Smallridge	25 07 2009	745,297
	23 05 2011	353,774
A N Dix	25 07 2009	498,405
	23 05 2011	283 019

On 19 September 2007 Terry Stannard was appointed as a Non-executive Director On 12 February 2008 Charles Gray retired from the Board

The Board of Directors as at the date of this report is set out on page 8, together with biographical details

At the forthcoming Annual General Meeting (AGM) Terry Stannard will stand for election following his appointment since the last AGM Ian Kirkham and David Smallridge will retire by rotation and being eligible will offer themselves for re-election

EXECUTIVE SHARE OPTION SCHEMES

During the year, no options over ordinary shares were exercised or granted and options over 70,000 ordinary shares have lapsed The executive share option scheme is now closed

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

ACQUISITION OF OWN SHARES

On 16 January 2008 the Company made market purchases into Treasury of 700,000 ordinary shares of 1p each at a price of 42 25p per ordinary share On 17 January 2008 the Company made market purchases into Treasury of 715,093 ordinary shares of 1p each at a price of 43 5p per ordinary share The total number of shares held in Treasury is 1,415,093, and represents 2 40% of the issued ordinary capital of the Company It is intended that these ordinary shares will be used to satisfy the awards made under the LTIP in May 2007

Report of the Directors continued

SUBSTANTIAL SHAREHOLDINGS

At 30 May 2008 the Company is aware of the followings substantial shareholdings in its ordinary share capital, comparatives at 16 April 2007 are shown Gartmore Investment Limited 22 70% (2007 18 43%), Blackrock Merrill Lynch 5 21% (2007 0 36%), Brewin Dolphin 4 71% (2007 4 64%), Barclays Wealth 4 03% (2007 5 35%), Axa Framlington 3 39% (2007 3 39%) and Walker Greenbank EBT 4 43% (2007 4 32%)

SPECIAL BUSINESS

At the AGM on 23 July 2008 items 6, 7, 8, 9 and 10 will be proposed as Special Business Details of the business can be found in the Notice of the Annual General Meeting separately distributed to shareholders

AUDITORS

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

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

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year 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 and 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, subject to any material departures disclosed and explained in the financial statements,

(iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements

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 and Companies Act 2006, as appropriate 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 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

Julian Wilson
Company Secretary
11 June 2008

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX

Registered number 61880

Independent Auditors' Report

To the members of Walker Greenbank PLC

We have audited the Group financial statements of Walker Greenbank PLC for the year ended 31 January 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, and the related notes These Group financial statements have been prepared under the accounting policies set out therein

We have reported separately on the parent company financial statements of Walker Greenbank PLC for the year ended 31 January 2008

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors Responsibilities

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, 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

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Group financial statements The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement, Chief Executive's Review and Financial Review that is cross referred from the Business Review section of the Report of the Directors

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements The other information comprises the Highlights, the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Report of the Directors including the Statement of Directors Responsibilities, and the Five Year Record We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements Our responsibilities do not extend to any other information

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group s circumstances, 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 Group 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 Group financial statements

OPINION

In our opinion

- → the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group s affairs as at 31 January 2008 and of its profit and cash flows for the year then ended,
- → the Group financial statements have been properly prepared in accordance with the Companies Act 1985, and
- → the information given in the Report of the Directors is consistent with the group financial statements

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands, UK
11 June 2008

Consolidated Income Statement

Year ended 31 January 2008

	Note	2008 £000	2007 £000
Revenue	5	**62,448**	54,369
Profit from operations – before exceptional items	4 6	**3,961**	2,481
– exceptional items	5	**-**	1,276
Operating profit	5	**3,961**	3,757
Net defined benefit pension income/(charge)	7	**119**	(99)
Net finance costs	8	**(906)**	(898)
Amortisation of issue costs	8	**(75)**	(66)
		(862)	(1,063)
Profit before taxation		**3,099**	2,694
Deferred tax – exceptional	11	**5,101**	-
Current taxation	11	**(29)**	(58)
Total tax credit/(charge)	11	**5,072**	(58)
Profit for the year	25	**8,171**	2,636
Earnings per share - Basic and diluted	12	**14 49p**	4 67p

The notes on pages 19 to 48 form an integral part of the consolidated financial statements

Consolidated Statement of Recognised Income and Expense

Year ended 31 January 2008

	Note	2008 £000	2007 £000
Actuarial losses on scheme assets	22	**(1,364)**	(1,310)
Changes in actuarial mortality assumptions	22	**(2,868)**	-
Other actuarial gains on scheme liabilities	22	**4,932**	1,284
Currency translation differences		**27**	(17)
Cash flow hedges		**(110)**	-
Reduction in deferred tax relating to pension liability due to rate reduction		**(110)**	-
(Reduction)/recognition of deferred tax asset relating to pension scheme liability		**(573)**	1,637
Net (expense)/income recognised directly in equity		**(66)**	1,594
Profit for the year		**8,171**	2,636
Total recognised income for the year		**8,105**	4,230

The notes on pages 19 to 48 form an integral part of the consolidated financial statements

Consolidated Balance Sheet

At 31 January 2008

	Note	2008 £000	2007 (restated) £000
Non-current assets			
Intangible assets	13	**5,833**	5,969
Property, plant and equipment	14	**8,991**	8,864
Deferred income tax assets	15	**6,055**	1,637
Trade and other receivables	16	**253**	265
		21,132	16,735
Current assets			
Trade and other receivables	16	**13,475**	11,251
Inventories	17	**12,546**	12,135
Cash and cash equivalents	18	**2,017**	2 065
		28,038	25,451
Total assets		**49,170**	42,186
Current liabilities			
Trade and other payables	19	**(15,546)**	(13,056)
Derivative financial instruments	20	**(110)**	-
Borrowings	21	**(400)**	(596)
		(16,056)	(13,652)
Net current assets		**11,982**	11,799
Non-current liabilities			
Borrowings	21	**(8,906)**	(10,073)
Retirement benefit obligation	22	**(3,409)**	(5,518)
		(12,315)	(15 591)
Total liabilities		**(28,371)**	(29,243)
Net assets		**20,799**	12,943
Equity			
Share capital	24	**590**	590
Share premium account	25	**457**	457
Foreign currency translation reserve	25	**10**	(17)
Retained earnings	25	**(20,655)**	(28,594)
Other reserves	25	**40,397**	40 507
Total equity		**20,799**	12,943

The notes on pages 19 to 48 form an integral part of the consolidated financial statements

J D Sach
Director

A N Dix
Director

These accounts were approved by the Directors on 11 June 2008

Consolidated Cash Flow Statement

Year ended 31 January 2008

	Note	2008 £000	2007 £000
Cash flows from operating activities			
Cash generated from operations	27	**4,623**	3,219
Interest paid		**(956)**	(913)
Debt issue costs		**(123)**	-
Interest received		**5**	20
Income tax paid		**(7)**	(50)
		3,542	2,276
Cash flows from investing activities			
Purchase of intangible fixed assets		**(365)**	(276)
Purchase of property, plant and equipment		**(1,309)**	(1,168)
Proceeds on sale of property, plant and equipment		**3**	-
		(1,671)	(1,444)
Cash flows from financing activities			
Purchase of treasury shares		**(612)**	-
Proceeds from borrowings		**11,296**	-
Repayment of borrowings		**(11,296)**	-
Net repayment of borrowings		**(1,315)**	(282)
		(1,927)	(282)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(56)**	550
Cash, cash equivalents and bank overdrafts at beginning of year		**2,065**	1,528
Exchange movement on cash and bank overdrafts		**8**	(13)
Cash, cash equivalents and bank overdrafts at end of year	28	**2,017**	2,065

The notes on pages 19 to 48 form an integral part of the consolidated financial statements

Notes to the Consolidated Accounts

1 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretation Committee (IFRIC) interpretations and the Companies Act 1985 applicable to companies reporting under IFRS The consolidated financial statements have been prepared under the historical cost convention, as modified by the valuation of derivative financial instruments at fair value, and with the accounting policies set out below which have been consistently applied to all periods presented unless otherwise indicated

Note 31 shows the effect on the consolidated financial statements of the transition to International Financial Reporting Standards from 1 February 2006

In preparing these financial statements the Group has applied the IFRS adopted by the European Union and the IFRIC interpretations where the effective date is relevant to the financial year commencing on 1 February 2007 or ending 31 January 2008 The Company has not applied the following pronouncements for which adoption is not mandatory for the year ending 31 January 2008 or which have not yet been endorsed by the EU

IFRIC 11	'Group and treasury transactions'
IFRIC 12	'Service concession agreements'
IFRIC 13	'Customer loyalty programmes relating to IAS 18, Revenue'
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction'
IFRS 8	'Operating segments'
IAS 23 (revised 2007)	'Borrowing costs'
IFRS 3 Revised	'Business combinations'
IAS 27 Revised	Consolidated and separate financial statements'
IFRS 2 Revised	Share based payments (amendment – vesting conditions and cancellations)'
IAS 32 and IAS 1	'Amendment to IAS 32 Financial instruments Presentation and IAS 1 Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'

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 50 to 57)

First time adoption of IFRS

The rules for first time adoption are set out in IFRS 1, First Time Adoption of International Financial Reporting Standards IFRS 1 states that a company should establish its IFRS accounting policies for the year ending 31 January 2008 and apply them retrospectively as a general principle in deriving the opening balance sheet at the date of transition However, retrospective application is prohibited in some areas, particularly where retrospective application would require judgements by management about past conditions after the outcome of a particular transaction is already known IFRS 1 does, however, allow a number of exemptions from the application of certain IFRSs to assist companies with the transition process The Group has taken advantage of the following key exemptions

→ Goodwill and business combinations (IFRS 3) The Group has elected to take advantage of the exemption not to apply IFRS 3 retrospectively to business combinations occurring prior to the transition date to IFRS Goodwill arising on such acquisitions has been frozen at its UK GAAP carrying value at 31 January 2006, having been satisfactorily tested for impairment at that date Amortisation previously reported for the year ended 31 January 2007 is removed in the IFRS restated income statement The operating profit impact for the year ended 31 January 2007 is a reduction in the amortisation charge of £39,000 The previous carrying value of the merger reserve under UK GAAP has also been retained
→ Property, plant and equipment On transition the Group has continued to measure tangible fixed assets using the historic cost basis
→ Cumulative translation differences The Group has elected to reset the foreign currency translation reserve to zero at the transition date Any gains and losses on subsequent disposals of foreign operations will exclude translation differences arising prior to the date of transition
→ Other available IFRS 1 exemptions on first time adoption of IFRS have not been taken as they are not applicable to the circumstances of the Group

The Group has applied the following mandatory exceptions

→ Hedge accounting derivative financial instruments existing at the date of transition have not been retrospectively designated as hedging instruments
→ Estimates at the date of transition to IFRS were consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any differences in accounting policies), unless there is objective evidence that those estimates were in error

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 consolidated income statement from the effective date on which control is transferred to or from the Group, as appropriate

Notes to the Consolidated Accounts continued

1 ACCOUNTING POLICIES CONTINUED

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, equity instruments issued by the Group, in exchange for control of the acquirer 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 and initially measured at cost, being the excess of the fair value of the consideration for the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised If, after reassessment, the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement

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

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 balance sheet date All unhedged exchange differences are recognised in the income statement for the period and classified as other operating 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 as a separate equity reserve 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 over the Group's interest in the net fair value of the acquired entity s identifiable assets and liabilities at the date of acquisition Goodwill is not amortised, but reviewed for impairment annually, any impairment is recognised immediately in the income statement and is not subsequently reversed Goodwill is allocated to cash-generating units for the purpose of impairment testing The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose

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

Archive

The Arthur Sanderson and William Morris archive comprises of a historic record of unique designs that are used to generate a significant royalty income in the business The archive is valued at historic 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 will be reviewed annually and provision made for any impairment in the carrying value if required

Software assets

Acquired computer software licences are capitalised at the cost incurred to bring the asset into use The costs are amortised to their estimated residual value over their estimated useful life

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

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

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

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

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

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 fixed 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
Change in accounting policy
Marketing materials consist of patterning books and other marketing assets, they are stated 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 less anticipated costs of disposal An impairment allowance is made for any slow moving and obsolete marketing materials The Group's policy is to classify marketing materials on the balance sheet within trade and other receivables, which is a change in policy since July 2007 and which has resulted in a presentational restatement of the comparative financial information at 31 January 2007 amounting to £1,269,000 Previously marketing materials were included in Inventory

Financial assets and liabilities
Measurement basis
Financial assets and liabilities are recognised on the date on which the Group becomes a party to the contractual provisions of the instrument giving rise to the asset or liability Financial assets and liabilities are initially recognised at fair value plus transaction costs Any impairment of a financial asset is charged to the consolidated 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 debtor, or advances in 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 carrying amount recognised in the consolidated income statement within administrative 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 and cash in hand

Notes to the Consolidated Accounts continued

1 ACCOUNTING POLICIES CONTINUED

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments 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 provision account, and the amount of the loss is recognised in the income statement within administrative expenses When a trade receivable is uncollectable, it is written off against the provision account for trade receivables Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement

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

- 'Trade and other payables - these are typically non-interest bearing and following initial recognition are included in the balance sheet at amortised cost
- 'Bank loans and overdrafts' - these are initially recorded at fair value based on proceeds received net of issue costs Finance charges are accounted for on an accruals basis and charged to the Consolidated Income Statement using the effective interest rate method
- '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

The Group does not have any non-derivative financial assets or liabilities classified as 'at fair value through profit and loss'

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 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 hedge 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 gains/(losses) - net' Amounts accumulated in equity are released to the income statement when the hedged item affects the income statement

Derivatives that do not qualify for hedge accounting under IAS 39 are classified as financial assets or liabilities at fair value through the 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 Consolidated Income Statement within finance costs

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

Cash and cash equivalents

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

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

Provisions

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

Leases

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

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

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

Employee benefits
Pension obligations
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due

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

Actuarial gains and losses are recognised in full in the period in which they occur They are recognised outside the income statement and presented in the Statement of Recognised Income and Expense

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

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

Service costs, expected returns on plan assets, and interest on pension scheme liabilities are classified within 'Net Pension Costs' on the Consolidated Income Statement

Employee benefits
Share based payments under Long Term Incentive Plans (LTIP)
In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005

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 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 income statement as an expense is adjusted to reflect the actual number of awards that vest

Short-term bonus plans
The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation

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

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

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

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

Exceptional items
Items that are both material and whose nature is sufficient to warrant separate disclosure and identification within the financial statements are referred to as 'Exceptional Items' and disclosed within their relevant income statement category

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

Notes to the Consolidated Accounts continued

1 ACCOUNTING POLICIES CONTINUED

Current tax is based on the taxable profit for the year Taxable profits differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

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 effects 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

Segmental reporting

Walker Greenbank is a designer, manufacturer and distributor of furnishings, fabrics and wallpaper The Group predominantly manages its operations as two business segments which are the brands and manufacturing

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments A geographical segment is engaged in providing products and services within a particular economic environment that is subject to risks and returns which are different from those of segments operating in other economic environments

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 currency risk, fair value interest rate risk, cash flow interest rate risk and price 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 by a central treasury department (Group treasury) under policies approved by the Board of Directors Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units

Foreign exchange risk

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

The Group's policy is, where possible, to allow the Group entities to settle liabilities in their functional currency with the cash generated from their operations in that currency Where the Group 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 2008, the average sterling to US dollar translation rate applied by the Group was £1 US$ 1 97 If the rate had been £1 US$ 1 87 lower with all other variables held constant, profit before tax would have been higher by £150,000 If the rate had been £1 US$2 07 higher with all other variables held constant, profit before tax would have been lower by £135,000

For the year ended 31 January 2008, the average sterling to euro translation rate applied by the Group was £1 euro 1 45 If the rate had been £1 euro 1 35 lower with all other variables held constant, profit before tax would have been lower by £175,000 If the rate had been £1 euro 1 55 higher with all other variables held constant profit before tax would have been higher by £152,000

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

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

The Group's interest rate risk arises from long-term 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 UK pounds 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

During 2007 the Group entered into a new financing contract with Barclays Bank PLC, variable interest rates were negotiated on all the loans The board continues to monitor the interest rates monthly

If for the year ended 31 January 2008, the benchmark interest rate levels had been 0 5% higher/lower than actual experience, with all other variables held constant, the profit before tax of the Group would have been lower/higher by £60,000 due to the change in interest rate expense on variable rate borrowings

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

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

Prior to accepting new customers an independent credit check is obtained Based on this information individual credit limits and payment terms are established and where appropriate credit guarantee insurance cover is obtained 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

During the year the Group negotiated a new loan facility 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

Management monitors rolling forecasts of the Group's cash and loan facility on a monthly basis The Group ensures that it has adequate facilities available to cover both its short- 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

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
→ 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, or sell assets to reduce debt

The Group monitors capital on the basis of the average debt to adjusted capital ratio The ratio is calculated as average net debt/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

Notes to the Consolidated Accounts continued

2 FINANCIAL RISK MANAGEMENT CONTINUED

During the year to 31 January 2008, the Group s strategy, which was unchanged from the previous year, was to reduce the average gearing ratio The average gearing ratios for 2008 and 2007 were as follows

Year ended	31 January 2008 £000	31 January 2007 £000
Average debt less cash and cash equivalents	**10,777**	11,055
Total equity	**20,799**	12,943
Less amounts recognised in equity relating to currency contracts	**(10)**	17
Adjusted capital	**20,789**	12,960
Average debt to adjusted capital ratio	**52%**	85%

The Group considers the average debt to adjusted equity ratio to be too high currently, and will continue to reduce debt and the pension deficit by cash generated from operations until the ratio is at a level considered appropriate

The gearing at the year end is lower than the average gearing as the level of trade debtors is lower than the average 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

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

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning future events The resulting accounting estimates will seldom precisely equal the related actual results The Group applies its best endeavours in setting accounting estimates, and uses historical experience and other factors, including input from experienced and specialist management Estimates and assumptions are continually revaluated 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 is 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, and the rate of increase in pension payments 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 Details of the estimates and assumptions applied, and carrying amounts of retirement benefit obligations, are set out in note 22

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 The recoverable amounts of cash generating units have been determined based on value in use (VIU) calculations These calculations require use of estimates of future sales, margins, and other operating and administrative expenses, and of discount rates Further disclosures relating to the estimates and assumptions applied, and carrying amounts of the non-financial assets, are set out in note 13

The Group makes provision for impairment in the carrying amount of its inventories 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 taking into account the estimated price and volume of future sales less the further costs of sale Further disclosures relating to the effect on the income statement of the establishment and reversal of such provisions are included in note 6, and the carrying amount of inventories is disclosed in note 17

c) Deferred tax recognition
Following the completion of the Group's recovery programme and return to sustained profitability over recent years, the Group has considered it appropriate to recognise at the balance sheet date deferred tax assets resulting from historical trading losses The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of companies within the Group, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of share based payment awards Further disclosures relating to the effect on the income statement of the recognition of deferred tax assets are included in note 11, and the amount of deferred tax asset recognised and other relevant disclosures are included in note 15

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

d) Share based payment awards

The Group has granted awards to Executive Directors and Senior Management which include vesting conditions relating to the future financial performance of the Group as measured by Profit Before Tax (PBT) The number of awards that will ultimately vest, if any, varies based on the PBT achieved by the Group in the years ending 31 January 2009 and 2011 The fair value of the awards granted is charged against the income statement over the vesting period, the amount of that 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 achievement Further disclosures relating to the effect on the financial statements of share awards is included note 24

4 SEGMENTAL ANALYSIS

Walker Greenbank is a luxury interior furnishing group The Group manages its operations as two segments which are the brands and manufacturing Segmental information is also presented in respect of the Group's geographical segment This is the basis on which the Group presents its results

a) Primary reporting format – business segment

Year ended 31 January 2008	Brands £000	Manufacturing £000	Eliminations and unallocated £000	**Total £000**
Revenue – external	48,206	14,242	-	**62,448**
Revenue – internal	2,101	10,570	(12,671)	**-**
Total revenue	50,307	24,812	(12,671)	**62,448**
Operating profit	4,624	1,486	(2,149)	**3,961**
Financial costs	-	-	(981)	**(981)**
Net pension income	-	-	119	**119**
Profit before tax	4,624	1,486	(3 011)	**3,099**
Tax	-	-	5,072	**5,072**
Profit for the year	4,624	1,486	2,061	**8,171**

Year ended 31 January 2008	Brands £000	Manufacturing £000	Eliminations and unallocated £000	**Total £000**
Assets	28,506	15,406	5,258	**49,170**
Liabilities	(13,463)	(4,278)	(10,630)	**(28,371)**
Total net assets	15,043	11,128	(5,372)	**20,799**
Capital expenditure – intangible assets	273	92	-	**365**
Capital expenditure – property, plant and equipment	821	611	-	**1,432**
Depreciation	615	703	3	**1,321**
Amortisation	480	21	-	**501**
Impairment losses – trade receivables	38	84	-	**122**
Reversal of prior period impairment losses – trade receivables	(13)	(53)	-	**(66)**
Impairment losses – inventory	734	25	-	**759**
Reversal of prior period impairment losses – inventory	-	(15)	-	**(15)**
Share based payment charges	-	-	429	**429**

Year ended 31 January 2007	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Revenue – external	41,217	13,152	-	54,369
Revenue – internal	1,974	10,367	(12,341)	-
Total revenue	43,191	23,519	(12,341)	54,369
Operating profit before exceptionals	2,930	1,334	(1,783)	2,481
Exceptional pension credit	-	-	1,276	1,276
Financial costs	-	-	(964)	(964)
Net pension costs	-	-	(99)	(99)
Profit before tax	2,930	1,334	(1,570)	2,694
Tax	-	-	(58)	(58)
Profit for the year	2,930	1,334	(1,628)	2,636

Notes to the Consolidated Accounts continued

4 SEGMENTAL ANALYSIS CONTINUED

Year ended 31 January 2007	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	26,678	15,531	(23)	42,186
Liabilities	(11,742)	(4,168)	(13,333)	(29,243)
Total net assets	14,936	11,363	(13,356)	12,943
Capital expenditure – Intangible assets	244	33	–	277
Capital expenditure – Property, plant and equipment	659	511	–	1,170
Depreciation	557	821	8	1,386
Amortisation	455	1	–	456
Impairment losses – trade receivables	33	24	–	57
Reversal of prior period impairment losses – trade receivables	(2)	(36)	–	(38)
Impairment losses – inventory	429	61	–	490
Reversal of prior period impairment losses – inventory	–	–	–	–
Share based payment charges	–	–	143	143

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties

Segment assets consist primarily of goodwill, intangible assets, property plant and equipment, trade and other receivables, and inventories Segment liabilities consist primarily of trade and other payables Unallocated assets and liabilities consists primarily of cash, deferred tax assets, borrowings, derivative financial instruments, and retirement benefit obligations

b) Secondary reporting format – geographical segments

Revenue by geographical location of customers	2008 £000	2007 £000
United Kingdom	**41,540**	35,995
Continental Europe	**9,132**	7,750
North America	**8,113**	7,503
Rest of the World	**3,663**	3,121
	62,448	54 369

Total assets by geographical segment	2008 £000	2007 £000
United Kingdom	**48,132**	41,293
Continental Europe	**712**	599
North America	**326**	294
	49,170	42,186

Capital expenditure by geographical segment	2008 £000	2007 £000
United Kingdom	**1,695**	1,390
Continental Europe	**19**	3
North America	**83**	54
	1,797	1,447

5 ANALYSIS OF OPERATING PROFIT BY FUNCTION OF EXPENSE

	2008 £000	2007 £000
Revenue	**62,448**	54,369
Cost of sales	**(25,362)**	(23,006)
Gross profit	**37,086**	31,363
Net operating expenses		
Distribution costs	**(16,265)**	(13,272)
Administrative expenses	**(16,464)**	(15,565)
Other operating charges	**(396)**	(45)
Operating profit before exceptional items	**3,961**	2,481
Exceptional item		
– Reduction of pension deficit following settlement of liabilities	**-**	1,276
Operating profit	**3,961**	3,757

Exceptional items

During the year ended 31 January 2007 the Group bought out the right to non-statutory pension increases from its active and deferred pensioners This has resulted in a reduction of the IAS 19 liability in the balance sheet of £1,562,000 and a benefit of £1,276,000 in the Consolidated Income Statement The benefit arising from the pension reduction exercise has been classified as administrative expenses

Analysis of revenue by category

	2008 £000	2007 £000
Sale of goods	**61,397**	53,327
Royalty income	**1,051**	1,042
	62,448	54,369

6 GROUP OPERATING PROFIT

	2008 £000	2007 £000
Group operating profit is stated after charging/(crediting)		
Auditors' remuneration		
→ Fees payable to Company's auditor for the audit of parent company and consolidated financial statements	**50**	50
→ Audit of Company's subsidiaries pursuant to legislation	**75**	75
→ Other services	**8**	-
→ Accounting advice with respect to IFRS	**10**	11
Depreciation of property plant and equipment	**1,321**	1,386
Amortisation of intangibles	**501**	456
Cost of inventories recognised as expense in cost of sales	**17,553**	14,152
Impairment of inventories	**759**	490
Reversal of impairment of inventories	**(15)**	-
Impairment of trade receivables	**122**	57
Reversal of impairment of trade receivables	**(66)**	(38)
Net foreign exchange losses	**396**	45
Operating lease rentals		
→ Hire of motor vehicles and plant and machinery	**399**	377
→ Land and buildings	**1,205**	1,236
(Profit)/loss on disposal of fixed assets	**(3)**	11

7 NET DEFINED BENEFIT PENSION COSTS

	2008 £000	2007 £000
Expected return on pension scheme assets	**2,721**	2,408
Interest on pension scheme liabilities	**(2,371)**	(2,327)
Service costs	**(231)**	(180)
Net income/(charge)	**119**	(99)

Notes to the Consolidated Accounts continued

8 NET FINANCE COSTS

	2008 £000	2007 £000
Interest expense		
Interest payable on bank borrowings	**(875)**	(901)
Interest and similar charges payable	**(36)**	(17)
Total interest expense	**(911)**	(918)
Interest income		
Interest receivable on bank deposits	**5**	20
Net finance costs	**(906)**	(898)
Amortisation of issue costs of bank loan	**(75)**	(66)
Total finance costs	**(981)**	(964)

9 EMOLUMENTS OF DIRECTORS

	Salary £000	Bonus £000	Benefits £000	Pension £000	2008 Total £000	2007 Total £000
Executive Directors						
John Sach	210	95	5	32	**342**	317
David Smallridge	150	68	1	15	**234**	218
Alan Dix	120	54	1	12	**187**	169
Non-executive Directors						
Ian Kirkham	62	–	–	–	**62**	58
Terry Stannard (appointed 19 September 2007)	9	–	–	–	**9**	–
Charles Gray (retired 12 February 2008)	22	–	–	–	**22**	22
	573	217	7	59	**856**	784

Executive Directors have been granted awards under long-term incentive plans, no amounts are currently receivable by the Directors

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 £20,210 (2007 £19,458) Benefits are accruing under defined contribution schemes for three Directors (2007 three Directors)

10 EMPLOYEE INFORMATION

	2008 £000	2007 £000
Wages and salaries	**15,858**	15,012
Social security costs	**1,581**	1,528
Other pension costs	**658**	603
Share based payment awards, including NIC thereon	**429**	143
Employee benefit expense	**18,526**	17,286

The average monthly number of employees (including Directors) during the year	2008 Number	2007 Number
Sales, warehousing and administration	**320**	300
Manufacturing	**266**	248
	586	548

Other pension costs exclude the exceptional benefit arising from the reduction in the pension reduction exercise of £nil (2007 £1,276,000)

Compensation of key management personnel

	2008 £000	2007 £000
Short-term employee benefits (including short-term incentives)	**2,460**	2,226
Post employment benefits (including pension costs)	**119**	110
	2,579	2,336

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

11 TAX

	2008 £000	2007 £000
Overseas tax – current tax	**(29)**	(58)
Deferred tax	**5,101**	–
Tax credit/(charge) for the year	**5,072**	(58)

	2008 £000	2007 £000
Profit on ordinary activities before tax	**3,099**	2,694
Tax on profit on ordinary activities at standard rate 30% (2007 30%)	**(930)**	(808)
Non deductible expenditure	**(73)**	(146)
Utilisation of losses and origination and reversal of temporary differences during the year	**974**	896
Recognition of deferred tax asset at end of year	**5,101**	–
Tax credit/(charge) for the year	**5,072**	(58)

Factors affecting current and future tax charges

The deferred tax credit of £5 1 million arises from the recognition of deferred tax losses incurred by the Group in prior years and temporary differences Because of the nature and size of this item it has been disclosed as an exceptional item

A reduction in the mainstream UK tax rate to 28% from 1 April 2008 should result in a reduction in the Group's future effective tax rate Following the recognition of deferred tax assets arising from losses and temporary differences the future effective tax rate will also be influenced by changes in deferred tax positions

The Group does not anticipate the UK corporation tax will become payable on profits within the immediate future due to the availability of tax losses of approximately £23 million

The reduction in the mainstream UK tax rate to 28% from 1 April 2008 has been taken into account in calculating the deferred tax balances, with the impact of the change in tax rate recognised in the Income Statement or the Statement of Recognised Income and Expenses as appropriate

The Finance Bill 2008 announced the phasing out of the Industrial Building Allowances by 31 March 2011 However, this has not yet been substantively enacted, therefore, no accounting entries have been made in respect of this potential change An additional deferred tax liability of approximately £0 3 million is likely to be recognised once this legislative change is substantively enacted

Notes to the Consolidated Accounts continued

12 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 share trust (note 24) and those held in treasury, which are treated as cancelled

	2008			2007		
	Earnings £000	**Weighted average number of shares (000s)**	**Per share amount pence**	Earnings £000	Weighted average number of shares (000s)	Per share amount pence
Basic and diluted						
Basic and diluted earnings per share	**8,171**	**56,397**	**14 49**	2,636	56,457	4 67
Adjusted						
Earnings attributable to ordinary shareholders	**8,171**	**56,397**	**14 49**	2,636	56,457	4 67
Exceptional items Deferred tax	**(5,101)**	**–**	**(9 05)**	–	–	–
Exceptional items Pension reduction exercise	**–**	**–**	**–**	(1,276)	–	(2 26)
Adjusted earnings per share	**3,070**	**56,397**	**5 44**	1,360	56,457	2 41

On 16 January 2008 Walker Greenbank PLC purchased 700,000 ordinary shares of 1p each in the Company at 42 25p per ordinary share, and on 17 January 2008 Walker Greenbank PLC purchased 715,093 ordinary shares of 1p each in the Company at 43 5p per ordinary share Following this transaction Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 ordinary shares of which 1,415,093 ordinary shares are held in treasury and a further 2,549,146 ordinary shares are held by the Walker Greenbank PLC Employee Benefit Trust (EBT) Shares held in treasury or by the EBT are treated as cancelled when calculating EPS At 31 January 2008 the market value of the treasury shares was £576,650

Adjusted earnings per share have been calculated, as the Directors believe the exceptional items of deferred tax in the year ended 31 January 2008 and the benefit of the pension reduction exercise in the year ended 31 January 2007, make it difficult to make a fair comparison between the basic earnings per share

13 INTANGIBLE ASSETS

	Goodwill £000	Arthur Sanderson & William Morris Archive £000	Collection design assets £000	Software assets £000	Total £000
Cost					
1 February 2006	1,400	4,300	255	4,415	10,370
Additions	–	–	225	51	276
Disposals	–	–	–	–	–
Currency movements	–	–	–	1	1
31 January 2007	1,400	4,300	480	4,467	10,647
Additions	–	–	209	156	365
Disposals	–	–	–	–	–
Currency movements	–	–	–	–	–
31 January 2008	1,400	4,300	689	4,623	11,012
Depreciation					
1 February 2006	841	–	60	3 321	4,222
Charge	–	–	86	370	456
Disposals	–	–	–	–	–
Currency movements	–	–	–	–	–
31 January 2007	841	–	146	3,691	4,678
Charge	–	–	105	396	501
Disposals	–	–	–	–	–
Currency movements	–	–	–	–	–
31 January 2008	841	–	251	4,087	5,179
Net book amount					
31 January 2008	559	4,300	438	536	5,833
31 January 2007	559	4,300	334	776	5,969

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

Amortisation of £501,000 (2007 £456,000) is included in administrative costs

Impairment tests for Goodwill and Arthur Sanderson and William Morris Archive

The carrying value of goodwill allocated to each segment at the year end is the brands £4,300,000 (2007 £4,300,000) and manufacturing £559,000 (2007 £559,000) The Archive is attributable to the brands

The Group tests goodwill and the Archive for impairment annually or more frequently if there are indications that they might be impaired There was no impairment charge recognised in the year (2007 none)

In assessing whether a write-down of goodwill is required to the carrying value of the related asset, the carrying value of the cash generative unit (CGU) or group of CGUs is compared with its recoverable amount The recoverable amount 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), which adjusts the cash flows for risks associated with the assets, and are discounted using a pre-tax rate of 8 48% (2007 7 5%) The discount rate used is the same across all segments

The Group has used formally approved budgets for the first year of its VIU calculation, with extrapolation beyond the first year using a prudent assumption of no growth for future years 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 from growth deriving from capital expenditure completed at the balance sheet date

13 INTANGIBLE ASSETS CONTINUED

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 8 48% is applied

The Group does not consider there to be reasonably probable changes to the key assumptions that would result in impairment of either goodwill or the Archive as at 31 January 2008

14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £000	Plant equipment and vehicles £000	Computer assets £000	Total £000
Cost				
1 February 2006	6,281	13,862	2,023	22,166
Additions	–	1,080	90	1,170
Disposals	–	(684)	(1,020)	(1,704)
Currency movements	–	(42)	–	(42)
31 January 2007	6,281	14,216	1,093	21,590
Additions	40	1,171	221	1,432
Disposals	(917)	(534)	(19)	(1,470)
Currency movements	–	27	–	27
31 January 2008	5,404	14,880	1,295	21,579
Depreciation				
1 February 2006	1,696	10,004	1,354	13,054
Charge	101	744	541	1,386
Disposals	–	(673)	(1,020)	(1,693)
Currency movements	–	(21)	–	(21)
31 January 2007	1,797	10,054	875	12,726
Charge	103	1,042	176	1,321
Disposals	(917)	(534)	(19)	(1,470)
Currency movements	–	11	–	11
31 January 2008	983	10,573	1,032	12,588
Net book amount				
31 January 2008	4,421	4,307	263	8,991
31 January 2007	4,484	4,162	218	8,864

Depreciation expense of £1,321,000 (2007 £1,386,000) has been charged in administrative expenses

The net book amount of land and buildings comprises	**2008 £000**	2007 £000
Freehold land	**450**	450
Freehold buildings	**3,971**	4,034
Net book value	**4,421**	4,484

Land and buildings are stated at historical cost

The carrying value of assets providing security under the Barclays facility was land and buildings of £4,421,000 (2007 Burdale facility property of £4,484,000 and plant and equipment of £2,963,000)

15 DEFERRED INCOME TAX ASSETS

A deferred tax asset of £6,055,000 (2007 £1,637,000) had been recognised in respect of tax losses and other timing differences and £5,101,000 has been credited to the income statement during the year, as follows

	2008 £000	2007 £000
Taxable temporary differences on property, plant and equipment	**(533)**	–
Taxable temporary differences on intangible assets	**(106)**	–
Tax losses	**5,740**	–
	5,101	–
Pension scheme obligations	**954**	1,637
	6,055	1,637

The movements in the deferred tax asset on pension scheme obligations are recognised in the Statement of Recognised Income and Expense

At the balance sheet date the Group has unused tax losses of £23 million (2007 £25 million) available for offset against future profits A deferred asset has been recognised in respect of £20 million (2007 £nil) 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 No deferred tax has been recognised on the remaining £3 million (2007 £25 million) as these losses 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 The recognition of deferred tax on losses will be assessed at each reporting date

Potential deferred tax assets at 31 January 2008 of £2,485,000 (2007 £2,485,000) relating to tax losses and deductible temporary differences have not been recognised, as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation

	2008 £000	2007 £000
Tax losses	**893**	6,482
Other deductible temporary differences	**175**	270
	1,068	6,752

There are also capital tax losses at 31 January 2008 of £2,485,000 (2007 £2,485,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised

16 TRADE AND OTHER RECEIVABLES

Current	2008 £000	2007 (restated) £000
Trade receivables	**10,403**	8,807
Less Provision for impairment of trade receivables	**(186)**	(232)
Net trade receivables	**10,217**	8,575
Other receivables	**214**	258
Marketing materials	**1,872**	1,269
Prepayments	**1,172**	1,149
	13,475	11,251

Non-current	2008 £000	2007 £000
Other receivables	**253**	265

The value of trade receivables providing funding under the Barclays facility was £7,621,000 (2007 £7,597,000 under the Burdale facility)

Marketing materials previously included within inventories have been reclassified as trade and other receivables

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

Notes to the Consolidated Accounts continued

16 TRADE AND OTHER RECEIVABLES CONTINUED

Credit quality of financial assets

(i) Neither past due nor impaired

Included in the Group's trade receivable balances are debtors with a carrying value of £7,058,000 (2007 £6,365,000) 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 leg 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 impaired

Included in the Group's trade receivable balances are debtors with a carrying value of £2,930,000 (2007 £2,157,000) which are past due at the reporting date for which the Group does not consider the receivable to be impaired as there has not been a significant decline in credit quality and the Group believes that the amounts are still fully recoverable The table below shows the ageing analysis of the receivables

	2008 £000	2007 £000
1–30 days past due	**1,528**	1,274
31–60 days past due	**1,189**	729
61–90 days past due	**213**	154
91+ days past due	–	–
	2,930	2,157

(iii) Past due – impaired

As at 31 January 2008, trade receivables of £415,000 (2007 £285,000) were individually determined to be impaired and provided for The amount of the provision was £186,000 (2007 £232,000) The main factors used to assess the impairment of trade receivables is the age of the balance and circumstances of the individual customer It has been assessed that a proportion of the receivables is expected to be recovered The Directors believe that there is no further allowance required in excess of the provision for impairment

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

	2008 £000	2007 £000
Sterling	**8,337**	7,337
Dollars	**393**	125
Euros	**1,826**	1,548
Other	**128**	88
	10,684	9,098

The Group considers that any exposure to concentrations of credit risk will be impacted principally by underlying economic conditions in the principal geographical segments in which the Group operates As at the balance sheet date the carrying value of trade receivables by geographical segment was

	2008 £000	2007 £000
United Kingdom	**6,625**	5,728
Continental Europe	**2,271**	1,965
North America	**775**	429
Rest of the World	**546**	453
	10,217	8,575

As part of the Group's credit risk management the Group has credit insurance on large overseas customers and also on large UK customers of the manufacturing segment

Provisions for impairment

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

	2008 £000	2007 £000
At 1 February	**(232)**	(258)
Provision for receivables impaired	**(122)**	(57)
Receivables written off in the year as uncollectable	**105**	45
Unused amounts reversed	**66**	38
Exchange difference	**(3)**	–
At 31 January	**(186)**	(232)

The creation and release of provision for impaired trade receivables have been included within 'administrative expenses' in the income statement

17 INVENTORIES

	2008 £000	2007 (restated) £000
Raw materials	**1,120**	1,051
Work in progress	**1,904**	1,565
Finished goods	**9,522**	9,519
	12,546	12,135

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £17,553,000 (2007 £14 152,000)

The Group reversed £15,000 (2007 £nil) of a previous inventory write down The amount reversed has been included in 'cost of sales'

The value of inventories providing security under the Barclays facility if it were to be fully drawn, was £3,000,000 (2007 Burdale facility £8,912,000)

Marketing materials previously included within inventories have been reclassified as trade and other receivables amounting to £1,269,000

18 CASH AND CASH EQUIVALENTS

	2008 £000	2007 £000
Cash at bank and in hand	**2,017**	2,065

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

19 TRADE AND OTHER PAYABLES

	2008 £000	2007 £000
Trade payables	**10,570**	8,553
Corporation tax	**65**	43
Other taxes and social security	**741**	848
Other creditors	**439**	547
Accruals	**3,731**	3,065
	15,546	13,056

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2008 £000	2007 £000
Forward foreign exchange contracts – cash flow hedges	**(110)**	–

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 second half of the year Walker Greenbank PLC has entered into monthly forward foreign exchange contracts up to January 2009, 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 transactions As at the reporting date the fair value of the forward foreign contracts deferred in the hedging reserve relating to the exposure on these anticipated future transactions is £110,000 (2007 £nil) The amounts deferred in equity will be released into the income statement in the period or periods during which the hedged forecast transactions effect the income statement which is expected to be within 12 months of the balance sheet date

Notes to the Consolidated Accounts continued

21 BORROWINGS

	2008 £000	2007 £000
Non-current		
Property loan	**3,400**	779
Plant and equipment loan	**–**	38
Trade receivables loan	**5,502**	9,256
Stock loan	**4**	–
	8,906	10,073
Current		
Property loan	**400**	446
Plant and equipment loan	**–**	150
	400	596
Total borrowings	**9,306**	10,669

In July 2007, the Group agreed terms for new facilities from Barclays Bank PLC replacing the Burdale Financial Limited funding The facilities comprise a variable rate Term Loan secured on the Group s freehold property of £4 million which is being repaid on a 10 year profile, and Receivables and Inventory Financing Agreements which provide three year variable rate floating loans secured on the eligible trade receivables and eligible inventories at any point in time The total Barclays loan facility is capped at £17 million, the utilisation of the facility at the year end was £9,306,000

Between July 2004 and July 2007 the Group had funding from Burdale Financial Limited The three year facility comprised of a variable rate loan secured on the Group s freehold property of £2 million being repaid on a five year profile and a variable rate facility capped at £18 5 million that fluctuated depending on the level of eligible trade receivables and eligible inventories at any point in time In May 2005 the Group agreed an additional facility secured on manufacturing plant and equipment of £655,000 which was being repaid on a five year profile The Burdale loan facility was capped at £18 5 million, the utilisation of the facility at 31 January 2007 was £10,250,000

Under the new Barclays Bank PLC facilities, the Group are subject to various financial covenants which apply to the term loan including interest cover and debt service The receivables and inventory financing agreements require compliance with a number of operational covenants The Group was also subject to similar covenants under the previous Burdale Financial Limited funding facilities

Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements The Group was in full compliance with its financial and operational covenants throughout each of the periods presented

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

	Carrying amount		Fair value	
	2008 £000	2007 £000	2008 £000	2007 £000
Property loan	**3,400**	779	**3,400**	779
Trade receivables loan	**5,502**	9,256	**5,584**	9,288
Stock loan	**4**	–	**4**	–
Plant and equipment loan	**–**	38	**–**	38
	8,906	10,073	**8,988**	10,105

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7 0% (2007 7 4%)

The table below analyses the Group s financial liabilities and net-settled derivative 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

31 January 2008	Less than 1 year £000	1 to 2 years £000	Between 2 and 5 years £000	Over 5 years £000
Borrowings	1,041	1,009	7,206	2,080
Derivative financial instruments	110	–	–	–
Trade and other payables	14,740	–	–	–
	15,891	1,009	7,206	2,080

31 January 2007	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	1,363	9,780	372	–
Trade and other payables	12,165	–	–	–
	13,528	9,780	372	–

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

	2008 £000	2007 £000
Sterling	**9,306**	10,144
Euro	**–**	525
	9,306	10,669

22 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 £437,000 (2007 £423 000) Active members of the schemes are also able to make contributions

Defined benefit schemes

The Group operates the following funded defined benefit pension schemes in the UK which offer pensions on retirement and death benefits to members the Walker Greenbank Pension Plan, the Abaris Holdings Limited Pension Scheme and the WG Senior Management Pension Scheme Pension benefits are related to the members' salary at retirement and their length of service The schemes are closed to new members and the future accrual of benefits The most recent triennial funding valuation for the defined benefit schemes was April 2006 An updated valuation for IAS 19 financial reporting purposes has been completed at the balance sheet date The Group's contributions to the schemes for the year beginning 1 February 2008 are expected to be £1,290,000

Notes to the Consolidated Accounts continued

22 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The principal assumptions applied when valuing the defined benefit schemes were

	2008	2007
Discount rate	**6 10%**	5 30%
Rate of salary increase	**3 40%**	3 20%
Rate of increase to LPI pensions in payment	**3 40%**	3 20%
Rate of increase to pensions (in excess of GMP) in deferment	**3 40%**	3 20%
Rate of inflation	**3 40%**	3 20%
Expected return on plan assets	**7 00%**	6 80%

Members are assumed to commute 25% of their pension (2007 25%)

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

The mortality assumptions applied are based on the PA92 year of birth with medium cohort tables (2007 PA92 (2010/2020) tables) The mortality assumptions imply the expected future lifetime from age 65 as follows

	2008	2007
Non-pensioner male currently 45	**23 1**	19 9
Pensioner male currently 65	**21 9**	19 0
Non-pensioner female currently 45	**25 9**	22 8
Pensioner female currently 65	**24 8**	22 0

The amounts recorded in the balance sheet are determined as follows

	2008 £000	2007 £000
Equities	**22,512**	20,306
Property	**3,607**	4,126
Fixed interest	**12,653**	13,078
Insured annuities	**1,739**	2,087
Cash and other	**340**	393
Fair value of plan assets	**40,851**	39,990
Present value of funded defined benefit obligations	**(44,260)**	(45,508)
Net liability in balance sheet	**(3,409)**	(5,518)

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

	2008 £000	2007 £000
Benefit obligation at beginning of year	**45,508**	47,222
Service cost	**231**	180
Interest cost	**2,371**	2,327
Contributions by plan participants	**-**	-
Actuarial loss - change in mortality assumptions	**2,868**	-
Actuarial gain - other	**(4 932)**	(1,284)
Benefits paid	**(1,786)**	(1,375)
Past service cost	**-**	-
Curtailments and settlements	**-**	(1,562)
Benefit obligation at end of year	**44,260**	45,508

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

	2008 £000	2007 £000
Fair value of plan assets at beginning of year	**39,990**	39,189
Expected return on plan assets	**2,721**	2,408
Actuarial loss	**(1,364)**	(1,310)
Contributions by employers	**1,290**	1,078
Contributions by plan participants	**-**	-
Benefits paid	**(1,786)**	(1,375)
Fair value of plan assets at end of year	**40,851**	39,990

The amounts recognised in the income statement are

	2008 £000	2007 £000
Current service cost	**231**	180
Interest on obligation	**2,371**	2,327
Expected return on plan assets	**(2,721)**	(2,408)
Settlement and curtailments	**–**	(1,562)
Net pension expense	**(119)**	(1,463)

The actual return on assets over the period was £1,357,000 (2007 £1,098,000)

Actuarial gains and (losses) to be shown in Statement of Recognised Income and Expense

	2008 £000	2007 £000
Actual return on scheme assets less than expected return	**(1,364)**	(1,310)
Change in mortality assumptions	**(2,868)**	–
Other actuarial gains on scheme liabilities	**4,932**	1,284
	700	(26)

Other actuarial gains on scheme liabilities in the period arise mainly from increases in the discount rate used in determining the present value of scheme liabilities The cumulative amount of actuarial losses reported in the Statement of Recognised Income and Expense (including amounts reported in the equivalent statement prior to the adoption of IFRS) before deferred taxation was £14,351,000 (2007 £15,051,000)

History of schemes' assets, obligations and experience adjustments

	2008 £000	2007 £000	2006 £000
Present value of defined benefit obligation	**44,260**	45,508	47,222
Fair value of scheme's assets	**40,851**	39,990	39,189
Deficit in the schemes	**(3,409)**	(5,518)	(8,033)
Experience adjustments arising on scheme liabilities	**2,064**	(1,284)	#
Experience adjustments arising on scheme assets	**(1,364)**	(1,310)	#

Information not readily available for periods prior to the date of transition to IFRS

23 FINANCIAL INSTRUMENTS BY CATEGORY

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

31 January 2008	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	**Total £000**
Assets as per balance sheet				
Trade and other receivables	10,684	–	–	**10,684**
Cash and cash equivalents	2,017	–	–	**2,017**
Total	12,701	–	–	**12,701**

31 January 2008	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	**Total £000**
Liabilities as per balance sheet				
Derivative financial instruments	–	–	110	**110**
Borrowings	–	9,306	–	**9,306**
Trade and other payables	–	14,740	–	**14,740**
Total	–	24,046	110	**24,156**

Notes to the Consolidated Accounts continued

23 FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED

31 January 2007	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per balance sheet				
Trade and other receivables	9,098	–	–	9,098
Cash and cash equivalents	2,065	–	–	2,065
Total	11,163	–	–	11,163

31 January 2007	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per balance sheet				
Trade and other payables	–	12,165	–	12,165
Borrowings	–	10,669	–	10,669
Total	–	22,834	–	22,834

24 SHARE CAPITAL

Ordinary shares of 1p each	Number of shares	£
Authorised share capital		
1 February 2007 and 31 January 2008	85,000,000	850,000
Allotted, called up and fully paid		
1 February 2007 and 31 January 2008	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

The Walker Greenbank PLC Employee Benefit Trust ('the trust') holds 2,549,146 shares (2007 2,549,146) with a cost of £601,202 (2007 £601,202) and the market value at 31 January 2008 of £1,038,777 (2007 £1,242,709)

During the year Walker Greenbank PLC purchased 1,415,093 ordinary shares of 1 p each at prices ranging from 42 25 to 43 50p per share and at a total cost of £611,672 These shares represent 2 4% of the issued shares, and are held in treasury The market value of these shares at 31 January 2008 was £576,650

The shares held by the trust 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 Plan (LTIP)

The Group operates a Long Term Incentive Plan There have been two 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

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 the Profit Before Tax (PBT) achieved for the relevant year As the awards carry a nil-value exercise price, the grant date fair value corresponds to the share price of the Group on the grant date Details are set out below

	Award One	Award Two
Grant date of awards	25 July 2006	24 May 2007
Grant date fair value of award (pence per award)	26 75	53 00
Vesting date of awards	25 July 2009	24 May 2011
Maximum number of awards	2,549,000	1,415,093
Relevant year ending date for determination of PBT	31 January 2009	31 January 2011

The Remuneration Committee has reviewed the targets for the awards and amended the targets from Earnings Per Share (EPS) to Profit Before Tax to reflect the recognition of the deferred tax asset during the year, which will now lead to deferred tax charges in the Income Statement in future years, which had not been anticipated in the original EPS targets

Movements in the number of awards outstanding, assuming maximum achievement of PBT targets, are as follows

	2008 £000	2007 £000
At 1 February	**2,549,000**	–
Granted	**1,415,093**	2,549,000
Forfeited	–	–
Exercised	–	–
Expired	–	–
At 31 January	**3,964,093**	2,549,000

Refer to note 10 for disclosure of the charge to the Consolidated Income Statement arising from share based payments

25 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium account £000	Retained earnings £000	Other reserves: Capital reserve £000	Other reserves: Merger reserve £000	Other reserves: Hedge reserve £000	Translation reserve £000	Total £000
1 February 2006	590	457	(32,953)	43,457	(2,950)	–	–	8,601
Actuarial losses on scheme assets	–	–	(1,310)	–	–	–	–	(1,310)
Other actuarial gains on scheme liabilities	–	–	1,284	–	–	–	–	1,284
Deferred tax	–	–	1,637	–	–	–	–	1 637
Currency translation differences	–	–	–	–	–	–	(17)	(17)
Net income/(expense) recognised directly in equity	–	–	1,611	–	–	–	(17)	1,594
Reserve for long-term incentive plan	–	–	112	–	–	–	–	112
Profit for the year	–	–	2,636	–	–	–	–	2,636
31 January 2007	590	457	(28,594)	43,457	(2,950)	–	(17)	12,943

	Share capital £000	Share premium account £000	Retained earnings £000	Other reserves: Capital reserve £000	Other reserves: Merger reserve £000	Other reserves: Hedge Reserve £000	Translation reserve £000	Total £000
1 February 2007	590	457	(28,594)	43,457	(2,950)	–	(17)	12,943
Actuarial losses on scheme assets	–	–	(1,364)	–	–	–	–	(1,364)
Changes in actuarial mortality assumptions	–	–	(2,868)	–	–	–	–	(2,868)
Other actuarial gains on scheme liabilities	–	–	4,932	–	–	–	–	4,932
Deferred tax	–	–	(683)	–	–	–	–	(683)
Currency translation differences	–	–	–	–	–	–	27	27
Hedging reserve	–	–	–	–	–	(110)	–	(110)
Net income/(expense) recognised directly in equity	–	–	17	–	–	(110)	27	(66)
Reserve for long-term incentive plan	–	–	363	–	–	–	–	363
Purchase of treasury shares	–	–	(612)	–	–	–	–	(612)
Profit for the year	–	–	8,171	–	–	–	–	8,171
31 January 2008	590	457	(20,655)	43,457	(2,950)	(110)	10	20,799

Capital reserve represents	£000
Share premium of companies acquired 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

26 DIVIDENDS

The Directors do not propose a final dividend in respect of the year ended 31 January 2008 (2007 No dividend proposed)

Notes to the Consolidated Accounts continued

27 CASH GENERATED FROM OPERATIONS

	2008 £000	2008 £000	2007 £000	2007 £000
Operating profit		**3,961**		3,757
Depreciation	**1,321**		1,386	
Amortisation	**501**		456	
Charge for long-term incentive plan	**363**		112	
Exceptional pension credit	**-**		(1,276)	
(Profit)/loss on disposal of property, plant and equipment	**(3)**		11	
Changes in working capital				
Increase in inventories	**(410)**		(1,898)	
Increase in trade and other receivables	**(2,212)**		(1,198)	
Increase in trade and other payables	**2,392**		3,841	
Pension cash contributions	**(1,290)**		(1,078)	
Settlement of retirement benefit obligation	**-**		(894)	
		662		(538)
Cash generated from operating activities		**4,623**		3,219

28 ANALYSIS OF NET DEBT

	1 February 2007 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	31 January 2008 £000
Cash at bank and in hand	2,065	(56)	-	8	2,017
Borrowings due within one year	(596)	196	-	-	(400)
Borrowings due after one year	(10,073)	1,119	48	-	(8,906)
	(10,669)	1,315	48	-	(9,306)
Net debt	(8,604)	1,259	48	8	(7,289)

Other non-cash changes are amortisation of issue costs relating to the loan financing

29 COMMITMENTS

a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows

	2008 £000	2007 £000
Property, plant and equipment	**203**	37

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 16 years and rentals are fixed for an average of five years Other leases are negotiated for an average term of three years and rentals are fixed for an average of three years

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

	Land and buildings 2008 £000	Other 2008 £000	Land and buildings 2007 £000	Other 2007 £000
Within one year	**1,151**	**287**	1,232	327
Between one and five years	**3,161**	**359**	3,820	420
Over five years	**5,018**	-	6,094	-
	9,330	**646**	11,146	747

The Group expects to receive total sub-lease rental income of £109,000 (2007 £109,000) under the terms of sub-lease agreements entered into with third parties

Other leases include hire of plant, machinery and motor vehicles

30 PRINCIPAL SUBSIDIARY UNDERTAKINGS

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

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

Investments in Group companies are ordinary shares

* Shares held by subsidiary company

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

31 RESTATEMENT OF FINANCIAL INFORMATION UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

Walker Greenbank PLC and its subsidiaries ('the Group) have previously prepared consolidated financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP) From 1 February 2007 the Group was required to prepare its consolidated financial statements in accordance with International Accounting Standards and International Financial Reporting Standards (collectively 'IFRS') as adopted by the European Union (EU) The Group's date of transition to IFRS was determined, in accordance with IFRS 1, First Time Adoption of International Financial Reporting Statements, as at 1 February 2006 The effect of the transition was previously reported on 28 September 2007 and can be found on the Group's website There have been no further transition adjustments identified since that date The notes below present and explain how the Group's financial performance and position under IFRS differs from that reported under UK GAAP Restated information is presented for

→ The Consolidated Balance Sheet as at 1 February 2006 (the transition date)
→ The Consolidated Balance Sheet as at 31 January 2007
→ The Consolidated Income Statement for the year ending 31 January 2007
→ The Consolidated Cash Flow Statement for the year ending 31 January 2007

Notes to the Consolidated Accounts continued

31 RESTATEMENT OF FINANCIAL INFORMATION UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Reconciliation of Balance Sheet at 1 February 2006

	UK GAAP £000	Intangible assets - computer software IAS 38 £000	Intangible assets - collection design IAS 38 £000	Short term employee benefits IAS 19 £000	Long-term employee benefits IAS 19 £000	IFRS £000
Non-current assets						
Intangible assets	4,859	1,094	196	-	-	6,149
Property, plant and equipment	10,205	(1,094)	-	-	-	9,111
Deferred income tax assets	-	-	-	-	-	-
Trade and other receivables	275	-	-	-	-	275
	15,339	-	196	-	-	15,535
Current assets						
Inventories	11,539	-	(30)	-	-	11,509
Trade and other receivables	8,862	-	(52)	-	-	8,810
Cash and cash equivalents	1,530	-	-	-	-	1,530
	21,931	-	(82)	-	-	21,849
Total assets	37,270	-	114	-	-	37,384
Current liabilities						
Bank overdrafts	(2)	-	-	-	-	(2)
Borrowings	(596)	-	-	-	-	(596)
Trade and other payables	(9,805)	-	-	(58)	-	(9,863)
	(10,403)	-	-	(58)	-	(10,461)
Net current assets	11,528	-	(82)	(58)	-	11,388
Non-current liabilities						
Borrowings	(10,289)	-	-	-	-	(10,289)
Retirement benefit obligation	(7981)	-	-	-	(52)	(8,033)
	(18,270)	-	-	-	(52)	(18,322)
Total liabilities	(28,673)	-	-	(58)	(52)	(28,783)
Net assets	8,597	-	114	(58)	(52)	8,601
Equity						
Share capital	590	-	-	-	-	590
Share premium account	457	-	-	-	-	457
Foreign currency translation	-	-	-	-	-	-
Retained earnings	(32,957)	-	114	(58)	(52)	(32,953)
Other reserves	40,507	-	-	-	-	40,507
Total equity	8,597	-	114	(58)	(52)	8,601

Reconciliation of Balance Sheet at 31 January 2007

	UK GAAP £000	Intangible assets – computer software IAS 38 £000	Intangible assets – goodwill IAS 38 £000	Intangible assets – collection design IAS 38 £000	Property plant and equipment IAS 16 £000	Short-term employee benefits IAS 19 £000	Long-term employee benefits IAS 19 £000	Foreign exchange IAS 21 £000	IFRS £000
Non-current assets									
Intangible assets	4,820	775	39	335	–	–	–	–	5,969
Property, plant and equipment	9,623	(775)	–	–	16	–	–	–	8,864
Deferred income tax assets	–	–	–	–	–	–	1,637	–	1,637
Trade and other receivables	265	–	–	–	–	–	–	–	265
	14,708	–	39	335	16	–	1,637	–	16,735
Current assets									
Inventories	13,476	–	–	(72)	–	–	–	–	13,404
Trade and other receivables	10,079	–	–	(97)	–	–	–	–	9,982
Cash and cash equivalents	2,065	–	–	–	–	–	–	–	2,065
	25,620	–	–	(169)	–	–	–	–	25 451
Total assets	40,328	–	39	166	16	–	1,637	–	42,186
Current liabilities									
Borrowings	(596)	–	–	–	–	–	–	–	(596)
Trade and other payables	(12,991)	–	–	–	–	(65)	–	–	(13,056)
	(13,587)	–	–	–	–	(65)	–	–	(13,652)
Net current assets	12,033	–	–	(169)	–	(65)	–	–	11,799
Non-current liabilities									
Borrowings	(10,073)	–	–	–	–	–	–	–	(10,073)
Retirement benefit obligation	(3,821)	–	–	–	–	–	(1,697)	–	(5,518)
	(13,894)	–	–	–	–	–	(1,697)	–	(15,591)
Total liabilities	(27,481)	–	–	–	–	(65)	(1,697)	–	(29,243)
Net assets	12,847	–	39	166	16	(65)	(60)	–	12,943
Equity									
Share capital	590	–	–	–	–	–	–	–	590
Share premium account	457	–	–	–	–	–	–	–	457
Foreign currency translation	–	–	–	–	–	–	–	(17)	(17)
Retained earnings	(28,707)	–	39	166	16	(65)	(60)	17	(28,594)
Other reserves	40,507	–	–	–	–	–	–	–	40,507
Total equity	12,847	–	39	166	16	(65)	(60)	–	12,943

Notes to the Consolidated Accounts continued

31 RESTATEMENT OF FINANCIAL INFORMATION UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Reconciliation of Income Statement for the year ended 31 January 2007

	UK GAAP £000	Intangible assets – goodwill IAS 38 £000	Intangible assets – collection design IAS 38 £000	Property plant and equipment IAS 16 £000	Short-term employee benefits IAS 19 £000	Long-term employee benefits IAS 19 £000	Revenue – royalty income IAS 18 £000	IFRS £000
Revenue	53,327	–	–	–	–	–	1,042	54,369
Profit from operations – before exceptional items	2,201	39	52	16	(7)	180	–	2,481
Profit from operations – exceptional items	1,276	–	–	–	–	–	–	1,276
Operating profit	3,477	39	52	16	(7)	180	–	3,757
Finance income	81	–	–	–	–	(180)	–	(99)
Finance costs	(898)	–	–	–	–	–	–	(898)
Amortisation of issue costs	(66)	–	–	–	–	–	–	(66)
	(883)	–	–	–	–	(180)	–	(1,063)
Profit before taxation	2,594	39	52	16	(7)	–	–	2,694
Taxation	(58)	–	–	–	–	–	–	(58)
Profit for the year	2,536	39	52	16	(7)	–	–	2,636
Earnings per share – basic and diluted	4 49p							4 67p

Reconciliation of cash flows for the year ended 31 January 2007

	UK GAAP £000	Intangible assets – computer software IAS 38 £000	Intangible assets – collection design IAS 38 £000	IFRS £000
Cash flows from operating activities				
Cash generated from operations	2,995	–	224	3,219
Interest paid	(913)	–	–	(913)
Interest received	20	–	–	20
Income tax paid	(50)	–	–	(50)
	2,052	–	224	2,276
Cash flows from investing activities				
Purchase of intangible fixed assets	–	(52)	(224)	(276)
Purchase of property, plant and equipment	(1,220)	52	–	(1,168)
	(1,220)	–	(224)	(1,444)
Cash flows from financing activities				
Decrease in borrowings	(282)	–	–	(282)
	(282)	–	–	(282)
Net increase in cash, cash equivalents and bank overdrafts	550	–	–	550
Cash cash equivalents and bank borrowings at beginning of year	1,528	–	–	1,528
Exchange losses on cash and bank overdrafts	(13)	–	–	(13)
Cash cash equivalents and bank borrowings at end of year	2,065	–	–	2,065

Independent Auditors' Report

To the members of Walker Greenbank PLC

We have audited the parent company financial statements of Walker Greenbank PLC for the year ended 31 January 2008 which comprise the Company Balance Sheet and the related notes These parent company financial statements have been prepared under the accounting policies set out therein

We have reported separately on the Group financial statements of Walker Greenbank PLC for the year ended 31 January 2008

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, 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

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the parent company financial statements The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement, Chief Executive s Review and Financial Review that is cross referred from the Business Review section of the Report of the Directors

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements The other information comprises the Highlights, the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Report of the Directors including the Statement of Directors' Responsibilities, and the Five Year Record We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any other information

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, 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 parent company 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 parent company financial statements

OPINION

In our opinion

- → the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Company s affairs as at 31 January 2008,
- → the parent company financial statements have been properly prepared in accordance with the Companies Act 1985, and
- → the information given in the Report of the Directors is consistent with the parent company financial statements

PricewaterhouseCoopers

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands, UK
11 June 2008

Walker Greenbank PLC Company Accounts – UK GAAP
Company Balance Sheet
At 31 January 2008

	Note	2008 £000	2007 £000
Fixed assets	5	**4,453**	4,489
Investments	6	**43,579**	43,579
		48,032	48,068
Current assets			
Debtors	7	**18,919**	17,175
Cash at bank and in hand		**-**	-
		18,919	17,175
Creditors amounts falling due within one year	8	**(9,060)**	(9,987)
Net current assets		**9,859**	7,188
Total assets less current liabilities		**57,891**	55,256
Creditors amounts falling due after more than one year	9	**(3,400)**	(780)
Provisions	10	**(74)**	-
Net assets		**54,417**	54,476
Capital and reserves			
Share capital	11	**590**	590
Share premium account	12	**457**	457
Retained earnings	12	**11,482**	11,541
Other reserves	12	**41,888**	41,888
Total shareholders' funds		**54,417**	54,476

The notes on pages 51 to 57 form an integral part of the Company financial statements

J D Sach
Director

A N Dix
Director

These accounts were approved by the Directors on 11 June 2008

Notes to the Accounts

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 1985, and with the accounting policies set out below which have been consistently applied to all periods presented unless otherwise indicated

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 230 of the Companies Act 1985 A profit of £190,000 (2007 £11,284,000) has been dealt with in the accounts of the parent company

Consolidation
These financial statements present information relating to the entity Walker Greenbank PLC, and are not consolidated The consolidated financial statements of the Group of which the Company is the parent are separately presented within this Annual Report and Accounts under IFRS

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

Freehold buildings	2%
Short leasehold improvements	Over the length of the lease
Plant, equipment and vehicles	Between 5% and 33%
Computer assets	Between 12 5% and 33%

Land and buildings are stated at cost less any provision for impairment

Impairment of fixed assets and investments
Fixed assets and investments are subject to review for impairment in accordance with Financial Reporting Standard No 11 Where impairment triggers are identified the recoverable amount of the relevant asset, or group of assets within an income generating unit is determined, being the higher of value in use and net realisable value If the carrying amount of the asset exceeds its recoverable amount an impairment loss is calculated Any impairment is recognised in the profit and loss account in the year in which it occurs Where impairments have been identified in prior years and the recoverable amount was based on value in use, an updated discounted cash flow is prepared annually to assess whether the previous impairment in value has reversed When all conditions are met, the impairment is reversed and recognised in the profit and loss in the year in which the reversal occurs

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

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

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rates ruling at the date of transaction or, if hedged, at the forward contract rate 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 with these Company accounts

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 profit and loss reserves in accordance with UITF Abstract 38

Employee benefits
Share based payments under long term incentive plans (LTIP)
In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005

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

The Company has not adopted early UITF Abstract 44 'FRS 20 – Group and treasury shares', which will be mandatory for the Company's financial year ending 31 January 2009 The adoption of UITF 44 in that year will require a restatement of comparative financial statements, with the portion of the fair value of awards granted to employees providing services to the Company's subsidiary companies being recognised as an additional investment in those subsidiaries, and not as an expense of the Company The effect of this future restatement has yet to be quantified by the Company

Notes to the Accounts continued

1 ACCOUNTING POLICIES CONTINUED

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 22 of the consolidated financial statements of the Group presented within the Annual Report and Accounts

Because of the historical changes to the Group's structure arising from acquisitions, disposals, and internal restructuring over a number of years, it is not readily practicable to identify which company within the Group is directly responsible for the pension obligation of individuals, particularly for pensioners and deferred pensioners Accordingly, the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis For this reason the Company has taken advantage of the multi-employer option available under FRS 17 Retirement benefits and therefore recognises the cost of any contributions payable directly in the profit and loss account

Share capital

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

Treasury shares

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

Deferred taxation

Deferred taxation is recognised in respect of timing differences that have originated but not reversed at the balance sheet date and that give rise to an obligation to pay more tax or a right to pay less tax in the future Deferred tax is calculated using the average rates that are expected to apply when the timing differences reverse, based on tax rates that have been substantively enacted by the balance sheet date No provision has been made for any liability arising from the distribution of past earnings of subsidiary undertakings Deferred tax assets are only recognised when it is more likely than not that they will be recovered in the foreseeable future

Leases

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

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

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

2 AUDITORS' REMUNERATION

	2008 £000	2007 £000
Audit fee – fees payable to the Company auditor for the audit of the parent company and the consolidation of the Group accounts	**50**	50

3 EMOLUMENTS OF DIRECTORS

	Salary £000	Bonus £000	Benefits £000	Pension £000	**2008 Total £000**	2007 Total £000
Executive Directors						
John Sach	210	95	5	32	**342**	317
David Smallridge	150	68	1	15	**234**	218
Alan Dix	120	54	1	12	**187**	169
Non-executive Directors						
Ian Kirkham	62	–	–	–	**62**	58
Terry Stannard (appointed 19 September 2007)	9	–	–	–	**9**	–
Charles Gray (retired 12 February 2008)	22	–	–	–	**22**	22
	573	217	7	59	**856**	784

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 £20,210 (2007 £19,458)

Benefits are accruing under defined contribution schemes for three Directors (2007 three Directors)

4 EMPLOYEE INFORMATION

	2008 £000	2007 £000
Wages and salaries	**1,084**	1,058
Social security costs	**134**	118
Other pension costs	**71**	72
Share based payments, including NIC thereon	**429**	143
	1,718	1,391

The average monthly number of employees (including Directors) during the year	Number	Number
Administration	**13**	13

5 TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant equipment and vehicles £000	Computer assets £000	Total £000
Cost				
31 January 2007	5,364	21	16	5,401
Additions	40	29	2	71
Disposals	–	–	–	–
31 January 2008	**5,404**	**50**	**18**	**5,472**
Depreciation				
31 January 2007	880	16	16	912
Charge	103	4	–	107
Disposals	–	–	–	–
31 January 2008	**983**	**20**	**16**	**1,019**
Net book amount				
31 January 2008	4,421	30	2	4,453
31 January 2007	4,484	5	–	4,489

The net book amount of land and buildings comprises

	2008 £000	2007 £000
Freehold land	**450**	450
Freehold buildings	**3,971**	4,034
Net book value	**4,421**	4,484

The value of assets secured under the Barclays facility was property of £4,421,000 (2007 Burdale facility – property £4,484,000)

6 INVESTMENTS

Shares in subsidiary undertakings	2008 £000	2007 £000
Cost		
Beginning of year and end of year	**44,617**	44,617
Provision for impairment		
Beginning of year	**1,038**	11,367
Reversal of provision	–	(10,329)
End of year	**1,038**	1 038
Net book amount	**43,579**	43,579

Notes to the Accounts continued

6 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 Group operating companies that traded during the year and are wholly owned are as follows

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

Investments in Group companies are ordinary shares

* Shares held by subsidiary company

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

The carrying value of the investment in 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 8 48% (2007 75%) on a pre-tax basis, and is not intended to reflect a realisable value on disposal The review as at 31 January 2007 resulted in a reversal of the impairment of £10,329,000 to investments in subsidiary undertakings held by the Company

7 DEBTORS

	2008 £000	2007 £000
Amounts owed by subsidiary undertakings	18,458	16,717
Other debtors	268	277
Prepayments	193	181
	18,919	17,175

Included within other debtors is an amount repayable after one year of £253,000 (2007 £265,000) Amounts owed by subsidiary undertakings are non-interest bearing and are unsecured These loans are callable on demand by the Company should payment be required, but full settlement within the next 12 months is unlikely to be sought

8 CREDITORS DUE WITHIN ONE YEAR

	2008 £000	2007 £000
Bank term loans (note 9)	400	445
Bank overdrafts	106	1,126
Trade creditors	107	170
Amounts owed to subsidiary undertakings	7,500	7,477
Other taxes and social security	42	39
Other creditors	240	209
Accruals	665	521
	9,060	9,987

9 CREDITORS DUE AFTER MORE THAN ONE YEAR

	2008 £000	2007 £000
Bank term loan	**3,400**	780

The term loan is secured by a floating charge over the property (note 5) Interest is charged at 1 25% over base rate (2007 2 2% above one month LIBOR)

Repayment of total borrowings

	2008 £000	2007 £000
Over five years	**1,800**	-
Between two and five years	**1,200**	334
Between one and two years	**400**	446
After more than one year	**3,400**	780
Within one year (note 8)	**400**	445
	3,800	1,225

In July 2007, the Company agreed terms for new facilities from Barclays Bank PLC replacing the Burdale Financial Limited funding The facilities comprise of a variable rate term loan secured on the Group s freehold property of £4 million which is being repaid on a 10 year profile

Between July 2004 and July 2007 the Company had funding from Burdale Financial Limited The three year facility comprised of a variable rate loan secured on the Company s freehold property of £2 million being repaid on a five year profile

Under the new Barclays Bank PLC facilities, the Group are subject to various financial covenants which apply to the term loan, including interest cover and debt service The Group was also subject to similar covenants under the previous Burdale Financial Limited funding facilities

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

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

10 PROVISIONS - DEFERRED TAX LIABILITY

	2008 £000	2007 £000
Balance at start of the year	-	-
Charge to profit and loss account	**74**	-
Balance at end of the year	**74**	-

The deferred tax liability arises from

	2008 £000	2007 £000
Capital allowances in excess of depreciation	**74**	-

Unrecognised deferred tax assets at 31 January 2008 are £1,068,000 (2007 £808,000) relating to tax losses and other short-term timing differences These will be realised as and when they reverse against suitable future taxable profits

	2008 £000	2007 £000
Depreciation in excess of capital allowances	**15**	14
Tax losses	**893**	754
Other timing differences	**160**	40
	1,068	808

There are also capital tax losses at 31 January 2008 of £2,485,000 (2007 £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 Accounts continued

11 SHARE CAPITAL

Ordinary shares of 1p each	Number of shares	£
Authorised share capital		
1 February 2007 and 31 January 2008	85,000,000	850,000
Allotted, called up and fully paid		
1 February 2007 and 31 January 2008	59,006,162	590,062

The Walker Greenbank PLC Employee Benefit Trust ('the trust') holds 2,549,146 shares (2007 2,549,146) with a cost of £601 202 (2007 £601,202) and the market value at 31 January 2008 of £1,038,777 (2007 £1,242,709)

During the year Walker Greenbank PLC purchased 1,415,093 ordinary shares of 1 p each at prices ranging from 42 25p to 43 50p per share and at a total cost of £611,672 These shares represent 2 4% of the issued shares, and are held in treasury The market value of these shares at 31 January 2008 was £576,650

The shares held by the trust 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 Plan (LTIP)
The Group operates a Long Term Incentive Plan There have been two 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 24 of the consolidated financial statements of the Group which are separately included within this Annual Report and Accounts

12 SHAREHOLDERS' FUND AND RESERVE MOVEMENT

	Share capital £000	Share premium account £000	Profit and loss account £000	Capital reserve £000	Total £000
1 February 2007	590	457	11,541	41,888	54,476
Accrual for long-term incentive plan liabilities	–	–	363	–	363
Profit for the year	–	–	190	–	190
Treasury shares	–	–	(612)	–	(612)
31 January 2008	590	457	11,482	41,888	54,417

Capital reserve represents	£000
Capital redemption reserve for deferred shares	1,003
Capital redemption reserve for 'B' shares	40,885
	41,888

13 DIVIDENDS
The Directors do not propose a final dividend in respect of the year ended 31 January 2008 (2007 No dividend proposed)

14 OPERATING LEASE COMMITMENTS
Annual commitments due under non-cancellable operating leases are as follows

	Land and buildings 2008 £000	**Other 2008 £000**	Land and buildings 2007 £000	Other 2007 £000
Operating leases which expire				
Within one year	–	–	–	–
Between one and five years	–	–	–	–
Over five years	**447**	–	447	–
	447	–	447	–

15 DISCLOSURE OF FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2008 £000	2007 £000
Forward foreign exchange contracts	**(110)**	45

The Company's US based subsidiary, Walker Greenbank Inc , sells products to local customers with sales invoiced in US dollars As the Group's presentation currency in its consolidated financial statements is sterling it is exposed to changes in the reported sterling value of these sales The Company 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 second half of the year Walker Greenbank PLC has entered into monthly forward foreign exchange contracts up to January 2009, with a third party, to buy sterling and sell dollars As at the reporting date the fair value of the forward foreign contracts is £110,000 (2007 £nil)

16 CONTINGENT LIABILITY

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

Five Year Record

	2004 UK GAAP £000	2005 UK GAAP £000 (restated)	2006 UK GAAP £000	2007 IFRS £000 (restated)	**2008 IFRS £000**
Turnover	47,975	50,611	48,392	54,369	**62,448**
Overseas turnover	17,517	19,724	18,916	18,374	**20,908**
Operating profit/(loss) – restated	(3,159)	(2,690)	5,018	3,757	**3,961**
Operating profits excluding exceptional items and discontinued operations	(3,159)	(3,062)	758	2,481	**3,961**
EBITDA	(514)	(322)	2,845	4,323	**5,783**
Profit/(loss) before taxation – restated	(4,050)	(807)	2,625	2,694	**3,099**
Capital expenditure	569	1,187	710	1,447	**1,797**
Profit/(loss) per share	(7 61p)	(1 48p)	4 51p	4 67p	**14 49p**
Average number of employees	568	613	539	548	**586**
Dividends	–	–	–	–	**–**
Shareholders' funds – restated	8,680	7,070	8,597	12,943	**20,799**
Dividend per share	–	–	–	–	**–**

The data for 2007 has been restated from UK GAAP to International Financial Reporting Standards Data prior to 2007 has not been restated

The shareholders funds for 2004 have been restated to reflect the implementation of UITF 38 The operating loss for 2005 has been restated to reflect the impact of FRS 4

EBITDA is based on operating profit before exceptional items

Financial Calendar

Annual General Meeting	23 July 2008	Announcement of half-year results	October 2008

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