

WALKER GREENBANK PLC

INSPIRE CREATIVE LIVING

Annual Report and Accounts 2018



Company Number : 00061880

THIS YEAR WE ARE
INTRODUCING A NEW
RANGE OF COLOURS
TO OUR ZOFFANY
PAINT COLLECTION.
THE UNIQUE ZOFFANY
PALETTE EVOKES
ARTISTRY AND
SOPHISTICATION.

CONTENTS

STRATEGIC REPORT

Highlights	01
Chairman's Statement	02
Chief Executive's Strategic Review	04
Business Model & Strategy	08
Strategy in Action	10
Chief Financial Officer's Review	22
Key Performance Indicators	25
Principal Risks	26
Business Units Overview	28

GOVERNANCE

Board of Directors	40
Report of the Directors	42
Statement of Directors' Responsibilities	44
Directors' Remuneration Report	45
Corporate Governance Statement	49
Audit Committee Report	51

FINANCIAL STATEMENTS

Independent Auditors' Report to the Members of Walker Greenbank PLC	54
Consolidated Income Statement	59
Consolidated Statement of Comprehensive Income	60
Consolidated Balance Sheet	61
Consolidated Cash Flow Statement	62
Consolidated Statement of Changes in Equity	63
Notes to the Consolidated Financial Statements	64
Company Statement of Comprehensive Income	102
Company Balance Sheet	103
Company Statement of Changes in Equity	104
Notes to the Financial Statements	105
Five Year Record	121
Shareholder Information	122
Corporate Advisers	IBC

2018

HIGHLIGHTS

Walker Greenbank PLC (AIM: WGB), the luxury interior furnishings group, is pleased to announce its financial results for the 12-month period ended 31 January 2018.

£108.8m	£12.5m	11.8%
GROUP REVENUE 2017: £92.4m +17.7%	GROUP ADJUSTED UNDERLYING PBT* 2017: £10.4m +20.2%	GROUP ADJUSTED OPERATING MARGIN 2017: 11.5% +30BPS
£4.5m	14.52p	4.37p
CASH INFLOW FROM OPERATING ACTIVITIES 2017: £9.9m -54.6%	EPS* 2017: 13.67p +6.2%	DIVIDEND PER SHARE 2017: 3.61p +21.1%

- Sales up 17.7% to £108.8 million (2017: £92.4 million)
 - Total statutory profit from operations up 78.6% to £14.0 million (2017: £7.9 million) due to a full year's earnings contribution from Clarke & Clarke
 - Adjusted underlying profit before tax* up 20.2% at £12.5 million (2017: £10.4 million)
 - Licensing income up 21.6% in constant currency at £3.1 million as a result of range extensions into new product categories
 - Underlying profit from operations** up 25.8% to £12.4 million (2017: £9.8 million)
 - Adjusted earnings per share* up 6.2% at 14.52p per share (2017: 13.67p per share)
 - Final dividend up 20.3% to 3.68p per share (2017: 3.06p per share), giving a total dividend up 21.1% at 4.37p per share (2017: 3.61p per share)
 - Launch of in-house paint tinting and distribution for our Sanderson and Zoffany brands in partnership with global paint manufacturer PPG
 - Direct business model launched in Moscow in February 2018, including a new showroom, with Germany to follow in H1 2018
- * Excludes accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items.
- ** Excludes acquisition costs, unexpected external events costs and restructuring and reorganisation costs.

CHAIRMAN'S STATEMENT

A YEAR OF PROGRESS

The Board is focused on delivering growth-based strategic initiatives including targeted investment, cost savings where appropriate and a greater emphasis on Brand sales overseas.

Our financial results for the year ended 31 January 2018 show a step change in performance, reflecting the acquisition of Clarke & Clarke in October 2016. This acquisition made a full year's contribution to earnings during the year, compared with an 18-week contribution last year.

Our brands, however, faced a challenging year and we have made revisions to our strategy where appropriate. We have a clear focus on international expansion, licensing, product category extension and innovative market-leading manufacturing as well as seeking further acquisition opportunities. A number of medium to long-term initiatives are underway with a view to enabling the Group to capture the growth potential that exists worldwide for our iconic brands.

Financials

Total sales increased 17.7% to £108.8 million (2017: £92.4 million) and statutory profit from operations was up 77.2% to £14.0 million (2017: £7.9 million), primarily due to a full year's earnings contribution from Clarke & Clarke. Underlying profit from operations increased 26.5% to £12.4 million (2017: £9.8 million) and adjusted underlying profit before tax for the year, excluding the LTIP accounting charge and the net defined benefit pension charge, was £12.5 million (2017: £10.4 million), an increase of 20.2%.

We are particularly pleased with licensing income of £3.1 million, which was up 21.5% in reportable currency, up 21.6% in constant currency. Substantial growth has been achieved as a result of range extensions into new product areas, new licensing agreements in the US and China, and apparel collaborations.

Our vertically integrated high-quality British manufacturing base, comprising our Loughborough-based wallpaper printing business, Anstey Wallpaper Company, and our Lancaster-based fabric printing operation, Standfast & Barracks, helps to differentiate us from others in our industry. Total manufacturing sales were up 4.2% compared with the flood-disrupted period last year, driven by export orders and digital printing.

The December 2015 flood at Standfast & Barracks is now behind us, and we have a fully invested factory. These financial results include the recognition of insurance payments of £1.1 million in respect of the claim for loss of profits following the flood. During the year we received, in aggregate, £3.9 million in insurance receipts covering costs and business interruption losses as final settlement of our insurance claim.

The total statutory profit after tax was £11.8 million (2017: £5.4 million), and basic adjusted earnings per share were up 6.2% at 14.52p per share.

Dividend

The Directors recommend the payment of a final dividend of 3.68p per share (2017: 3.06p) which, subject to shareholder approval at the Company's Annual General Meeting, will be payable on 10 August 2018 to shareholders on the register on 20 July 2018. This brings the total dividend for the year to 4.37p per share (2017: 3.61p), an increase of 21.1%, reflecting the Board's confidence in the financial strength of the Group.

People

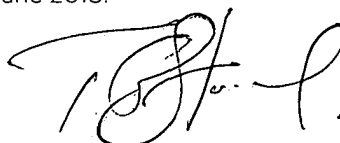
On behalf of the Board, I would like to thank all of our management and employees for their contribution.

I was delighted to welcome David Butcher as General Manager Brands during the year. David brings a wealth of sales, marketing and general management experience to the Company.

Outlook

Trading to date in the current financial year reflects a difficult marketplace, particularly in the UK. In the first nine weeks of the current financial year, Brand sales were down 8.3% in the UK and down 3.8% overseas in constant currency, down 6.1% in reportable currency.

The Board is focused on delivering growth-based strategic initiatives including targeted investment, cost savings where appropriate and a greater emphasis on Brand sales overseas. Additionally, our high-margin licensing business is expected to continue to show strong growth. However, trading to date in the current financial year makes us cautious about the outlook; as a consequence, the Board expects that profits for the full year will be ahead of last year but below current expectations. We will provide a further update on trading at our Annual General Meeting in June 2018.



Terry Stannard
Non-executive Chairman
4 April 2018

CHIEF EXECUTIVE'S STRATEGIC REVIEW

PROGRESS ON OUR STRATEGY

Targeting double-digit growth per annum over the next three years, global licensing income is a key part of our strategy.

We are pleased to report that, in a challenging year for the Group, we have continued to make good progress with the implementation of our revised strategy, which comprises:

- international expansion;
- lifestyle product extension;
- product category extension;
- manufacturing innovation; and
- acquisition.

Sales review

The Brands

	Year ended 31 January		Change	
	2018	2017	Reported	Constant currency
Total Brand sales	£90.4m	£76.6m	18.0%	16.2%
UK Brand sales	£48.4m	£42.5m	13.9%	n/a
Overseas				
Brand sales	£38.9m	£31.6m	23.1%	18.9%
US Brand sales	£12.7m	£10.3m	23.3%	19.8%
Western Europe				
Brand sales	£11.7m	£9.6m	21.9%	15.0%
Rest of the World				
Brand sales	£14.5m	£11.7m	23.9%	21.9%

This segment incorporates global trading from our internationally recognised brands and includes our overseas subsidiaries in the US and France. In addition to Sanderson, Morris & Co., Harlequin, Zoffany, Scion and Anthology, the Brands now include Clarke & Clarke and Studio G, which were acquired by the Company in October 2016.

Total Brand sales were up 18.0% in reportable currency during the year to £90.4 million. In the UK, our largest market, sales were up 13.9% to £48.4 million.

In line with our strategy, we have achieved strong growth in export markets. Sales in the US, the Group's second largest market, were up 19.8% in constant currency to £12.7 million. In Western Europe, our third largest market, brand sales were up 15.0% in constant currency, to £11.7 million, with strong sales growth in most regions. Sales in the Rest of the World grew 21.9% in constant currency.

Harlequin incorporating Scion and Anthology

Harlequin remains the UK's leading mid-market contemporary brand. Its worldwide sales reduced 2.4% to £30.5 million in reportable currency compared with the same period last year. Sales in the UK decreased by 6.8%, impacted by an uncertain economic environment. In the US, sales were up 6.3% in constant currency; sales in Western Europe fell 8.9% in constant currency.

Scion fills a gap in the market for fresh, individual and reasonably priced home products. The brand is cutting edge and continues to be a success with young, aspirational and fashion-aware customers. Scion is a valuable brand for licensing, where the contemporary and graphic nature of the designs translates particularly well to licensed product. The brand's designs have stretched very successfully to a wide range of products, ranging from bedding and bathroom products to window furnishings, gifting, tableware and stationery.

The Anthology brand, which was launched in April 2014 and is fuelled by a passion for design that embraces technology and texture, continues to show strong growth. The range now includes five innovative collections of wallcoverings complemented by a growing range of fabrics, which are design-led and aspirational whilst remaining inherently suitable for contract applications.

Arthur Sanderson & Sons incorporating the Morris & Co. brand

Worldwide sales were up 3.7% at £23.4 million in reportable currency compared with the same period last year. Sales in the US were up 6.6% in constant currency and sales in Western Europe were down 2.4% in constant currency. As one of the oldest surviving English soft furnishing brands, Sanderson is famous today for a signature style that is informed by our heritage and designed for modern living. Our look combines classic, hand-drawn patterns with fresh, vibrant colours which are elegant yet easy to live with.

The Morris & Co. brand enjoyed a very positive sales performance driven by the launch of the Pure Morris collection. This collection interprets William Morris' iconic designs in a new neutral colour palette. This has broadened the brand's appeal, making it more accessible to a wider audience. For the fourth volume of the outstandingly successful Archive series, the Morris & Co. studio has explored Morris' role as a collector of Persian carpets and global textiles and the influence it had on his work.

**NEW APPOINTMENT:
DAVID BUTCHER**

A warm welcome to David Butcher,
General Manager Brands.

David has more than 20 years' experience in sales, marketing and general management at major companies and reports directly to the Chief Executive.

CHIEF EXECUTIVE'S STRATEGIC REVIEW CONTINUED

Indian Loop from the Archive IV, The Collector fabric collection by Morris & Co.

Zoffany

Total worldwide sales fell by 4.4% compared with the same period last year to £11.6 million in reportable currency. Sales in the US were up 1.8% in constant currency and sales in Western Europe were down 5.2% in constant currency.

Zoffany is positioned at the upper end of the premium market. Unique, captivating and effortlessly sophisticated, Zoffany is the brand for those that seek craftsmanship and artistic integrity.

Clarke & Clarke

Clarke & Clarke's two brands, Clarke & Clarke and Studio G, are at the affordable end of the market, complementing the Group's other brands. Total sales of £21.2 million represent a full year contribution from Clarke & Clarke compared with an 18-week contribution last year. Clarke & Clarke launched 19 new collections during the year; Studio G launched 10 new collections during the year and, for the first time, launched 10 new collections in the US during the second half via the second largest US wholesale distributor.

Studio G branded ready-made curtains were launched in September 2017 and have been introduced into both independent and retail chain stores throughout the UK. January 2018 saw the official launch of Oasis-branded bedding, a licensed collaboration between Clarke & Clarke and the UK women's fashion brand, taking signature patterns from the Oasis archive and distributing beautiful bedding through the Clarke & Clarke retail network. 2019 will see the Oasis brand expand into fabrics, wallpapers and furniture, targeting major retail groups as well as existing independent retailers.

Licensing

High-margin licensing income was up 21.6% in constant currency, to £3.1 million. Targeting double-digit growth per annum over the next three years, global licensing income is a key part of our strategy and an important developing income stream for the Group. We are continuing to pursue the extension of our product offering through new licensing agreements to take the Company's brands further into lifestyle products, apparel and geographic territories. An additional benefit of our licensing strategy is to create greater consumer awareness of our brands.

Manufacturing

Our Manufacturing capabilities are one of the Group's key assets, a differentiator from our peer group and an integral part of our growth strategy. A recovery from the December 2015 flood at Standfast & Barracks was a core focus in 2017, with the result that total Manufacturing sales grew 4.2% to £33.4 million, leading to an increase in profits of 90.0% to £1.9 million.

The remaining loss of profits impact from the flood in the second full year has been mitigated by a final instalment in our insurance payments.

Anstey Wallpaper Company

Sales at Anstey, our wallpaper printing business, grew 6.5% to £18.0 million. Third party sales in the UK were up 8.1%; third party export sales were up 3.6%; internal sales to our own Group Brands grew by 4.8%. Sales in the UK benefited from a strong performance in the second half of the year as Anstey pursued their strategy of world-class excellence in manufacturing, customer service, quality and innovation.

A machine fire in a heat embossing machine impacted the final two months of orders on vinyl and scatter product. The machine is now fully operational following repairs. The repair of the machine and related costs, totalling £709,000, are fully covered by the Group's insurance policy.

Standfast & Barracks

Standfast, our fabric printing factory, saw an increase in sales of 2.0% to £15.4 million in the first full year unaffected by the flood. Third party sales in the UK grew by 30.0%; export sales by 21.0%; whilst sales to our own Group Brands decreased by 22.2%, as Style Library rebalanced their stock following the high levels of replenishment post-flood. The factory is now printing fabric for both Clarke & Clarke and Studio G brands.

In the year, Standfast experienced a period of significant third party and export growth, driven by the focus on digital printing. Standfast finished the year with a mix of 50% digital print by value, which generates a higher margin, compared with 44% in 2016.

During the year, a third digital printing machine was installed with our innovative direct-to-fabric pigment ink, Ecofast™, with high versatility and lower cost finishing potential. This system allows printing on almost any type of substrate, thereby opening up market opportunities in such areas as contract and apparel.

To date we have received £19.3 million in insurance receipts, covering costs plus business interruption losses, with no further business interruption reimbursements expected in the next financial year.

Operational review

During the year we launched Style Library, our initiative to bring together our portfolio of brands including the unification of sales forces, customer service and websites to improve efficiency. We opened our Style Library flagship showroom in Chelsea Harbour in August 2017 to showcase all of our brands together. This showroom replaces the individual showrooms at Chelsea Harbour and seeks to offer in one place the widest and most diverse range of the Company's fabrics, wallpapers and paints. In addition, the Company has continued to develop its international sales channels in the US through an increase in dedicated sales representatives, East and West Coast sales managers and the opening of a new directly owned showroom in Chicago in October 2017,

to add to our flagship showroom in New York. Progress has also been made towards direct distribution in Russia through a showroom opening in February 2018 and direct sales into Germany to follow.

David Butcher joined the Company in December 2017 as General Manager Brands, a role in which he has responsibility for all of the brands apart from Clarke & Clarke and Studio G, which operate on a standalone basis. David is responsible for delivering the UK and international growth objectives of the Company's brands.

September 2017 saw the launch of our in-house paint tinting and distribution for Zoffany and Sanderson brands in partnership with PPG, the global US-based paints and coatings company. As part of our growth strategy, in-house paint tinting and distribution provides greater opportunities for new routes to market; service and quality excellence; design synergies and colour integrity. We see our addressable market of between £125 million and £150 million and will provide a further update on this partnership as it progresses towards our goal of developing up to a 10% market share.

Summary

Despite the significant challenges faced as a result of the weaker macro-economic conditions, I am pleased that we have been able to continue to invest in our brands both in the UK and internationally with the launch of Style Library, our initiative to bring together our portfolio of brands, and through the opening of two new showrooms.

We have made significant progress in growing our licensing income, boosting our lifestyle product extension and greater consumer awareness. We have benefited from our acquisition of Clarke & Clarke, which has made a material contribution to earnings, and will accelerate the Group's market penetration and extend our reach in the US. Furthermore, we have made some key senior appointments which will help to drive growth in 2018 and further develop and deliver our strategic objectives.



John Sach
Group Chief Executive
4 April 2018

BUSINESS MODEL & STRATEGY

BEAUTIFUL, ELEGANT INTERIORS

The Directors present their Strategic Report on the Group for the year ended 31 January 2018.

Walker Greenbank PLC is a luxury interior furnishings company that designs, manufactures and markets wallpapers and fabrics together with a wide range of ancillary interior products. The Company's brand portfolio – comprising Sanderson, Morris & Co., Harlequin, Zoffany, Scion, Anthology, Clarke & Clarke and Studio G – spans heritage and contemporary design and its products are sold in more than 85 countries worldwide.

The Company derives significant licensing income from the use of its designs in lifestyle products such as bedlinen, rugs and tableware.

Our purpose is to create beautiful, elegant and inspirational interiors and with a British manufacturing base, we are able to differentiate ourselves from our major competitors. In a changing marketplace we are adapting our product and business model to be in a position to make the most of new opportunities.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the Group's activities and the strategy and information regarding the future development of the business are given in the Chief Executive's Strategic Review on page 4, which when taken with the Chairman's Statement, the Chief Financial Officer's Review and the information provided above, together form the Directors' Strategic Report for the year ended 31 January 2018.

THE STRATEGY COMPRISES FIVE PILLARS:

P.11

INTERNATIONAL EXPANSION

To focus on the distribution and marketing of our brands in the important US, European and Asia Pacific markets where we see significant potential to grow our existing market share to invest in the exciting growth opportunities in other international markets to become a truly global business.

P.13

LIFESTYLE PRODUCT EXTENSION

To build on the global recognition of the Group's heritage brands, Sanderson and Morris & Co., and the contemporary design excellence of the Harlequin and Scion brands, by broadening the product range and geographical territories exploiting the considerable licensing opportunities.

P.17

PRODUCT CATEGORY EXTENSION

To stretch into further finished goods product categories and to gain greater brand and consumer awareness.

P.19

MANUFACTURING INNOVATION

To continue to promote our British manufacturing capability through investment in innovative printing techniques and market-leading facilities that provide quality, added-value products to our customers worldwide, cementing our position as the leading UK manufacturer.

P.21

ACQUISITION

To actively evaluate acquisition opportunities that fit synergistically with our current brand portfolio with the objective of further advancing our earnings growth.

Top to bottom: Lintu bedlinen from Scion's licensing partnership with Bedeck; a selection of wallpaper, fabric and paint in the Tigers Eye colourway by Zoffany; Prism Plains by Harlequin, delivering a complete library of colour which is incredibly flexible, easy to use and great value.

STRATEGY IN ACTION

INTERNATIONAL EXPANSION

Greater focus and investment
with an emphasis on expanding
direct routes to market.

We have a diverse global customer base that provides a broad and ever-widening range of routes to market. We sell in 85 international markets. We operate through wholly owned subsidiaries in the US and France and our own sales operations in Holland and Dubai. Elsewhere around the world, we work either through agents or distributors based in the local markets. There has been greater focus and investment in overseas markets with an emphasis on expanding direct routes to market. We launched our direct business model in Moscow in February 2018, including a new showroom, with Germany to follow in the first half of 2018. Clarke & Clarke has an exclusive distribution agreement with Duralee, one of the largest wholesale fabric distributors in the US, which helps to enhance our international reach, particularly in the US.

85

INTERNATIONAL
MARKETS

We sell in
85 international markets

STRATEGY IN ACTION CONTINUED

Top to bottom: Sanderson's collaboration with Japanese apparel retailer Uniqlo; Morris & Co. collaborates with Spanish fashion house Loewe.

LIFESTYLE PRODUCT EXTENSION

Expand global licensing opportunities into further product ranges and geographies, gaining greater consumer awareness for our brands.

The focus on brand extension with existing licensees and forming new partnerships has seen continued significant uplift in activity globally. As well as securing new product lines with almost all of our established partners, we have formed new and exciting collaborations with a number of world-renowned brands, including apparel labels Loewe, Uniqlo and Onward; products include bags, ready-to-wear fashion items and gift accessories for the Morris & Co., Sanderson and Harlequin brands. These collaborations have resulted in increased exposure to the brands across premium retail spaces and luxury fashion magazines and news titles.

As we continue to extend our brand reach internationally, 2018 will see considerable product extensions with our existing partners, in addition to exciting new licences in the US, South East Asia and Europe.

Uniqlo

Japanese apparel retailer Uniqlo collaborated with Morris & Co. in autumn 2017 on a range of women's trousers; this has led to a further collaboration and the launch of a much larger range of ladies, children's and babies clothing in spring 2018 for the Sanderson brand. Uniqlo have over 1,000 stores around the world and have supported the launch with a global multi-channel marketing campaign.

Loewe

Spanish luxury fashion house, Loewe, launched a range of bags, ready-to-wear fashion items and gift accessories for autumn/winter 2017 featuring the Morris & Co. designs Acanthus, Honeysuckle, Strawberry Thief and Forest. This short-term collaboration gained significant international exposure for the Group across Loewe's prestigious stores and concessions.

£3.1m

LICENSING INCOME
Constant currency growth
during the year +21.6%

STRATEGY IN ACTION CONTINUED

LIFESTYLE PRODUCT EXTENSION *CONTINUED*

Pure Morris

The Pure Morris concept, introduced in 2016, has given our licensees the opportunity to extend their Morris & Co. offer and has been applied to bedlinen, beauty, gifting, tableware and rugs, with further products due to be launched throughout 2018. This is additional to the core Morris & Co. products which continue to be developed alongside the Pure range.

Blinds 2Go

We continue to expand our product offering with Blinds 2Go, including the introduction of new designs for Scion and a selective range for Harlequin and Sanderson Home. Sustained growth is expected for the partnership following the launch of the Blinds 2Go website in Australia and ongoing product development.

Scion

Scion continues to develop as a lifestyle brand and we continue to maximise brand value through focused design across product categories and partners. Autumn 2018 will see a cohesive launch across multiple product categories including bedlinen, rugs, tableware, kitchen textiles, gifting, cushions, ready-made curtains and blinds.

Top to bottom: Sula bedding from Scion's licensing partnership with François Hans; Lintu rug from Scion's licensing partnership with Brink & Campman; Lintu mugs from Scion's licensing partnership with Make International.

STRATEGY IN ACTION CONTINUED

PRODUCT CATEGORY EXTENSION

To extend product categories to include finished goods, delivering greater consumer awareness for our brands.

Our design studios are at the heart of everything we do, creating inspiring design concepts for each spring and autumn selling season and developing them into beautifully presented collections of fabrics and wallpapers. In addition to these core activities, our studios work closely to ensure the best possible interpretation of our designs for the development of new product categories and markets. Clarke & Clarke is helping to accelerate the progression of the Group's market penetration strategy and complement the Group's existing brands as a result of the extension of its product categories to include ready-made and made-to-measure curtains.

We extended our product range to include in-house paint tinting and distribution which provides greater opportunities for new routes to market; service and quality excellence and colour integrity.

Prism Plains from Harlequin is launching in spring 2018. This unique offering combines a complete library of colour, which is easy to use, great value and that works seamlessly across Style Library's entire portfolio of brands.

86

NEW COLLECTIONS
LAUNCHED DURING
THE YEAR

STRATEGY IN ACTION CONTINUED

MANUFACTURING INNOVATION

We manufacture for the industry, with approximately 55% of our total production being for the Brands' direct competitors.

Our UK manufacturing base, comprising of the Loughborough-based Anstey wallpaper printing business and Lancaster-based Standfast & Barracks fabric printing business, is a key asset that differentiates us from others in our industry.

Innovative printing techniques together with continuing investment in enhanced capacity, capability and efficiency helps to cement our position as the UK's leading premium manufacturer in our industry. We manufacture for the industry, with approximately 55% of our total production being for the Brands' direct competitors. Both factories have extensive archives and design capabilities with the strategy to grow third party overseas business.

September 2017 saw Anstey's move into the paints market, capitalising on the company's extensive experience with colour and inherent synergy with our brands. Highly regarded for its wallpaper manufacturing methods, Anstey is perfectly positioned to apply its specialist knowledge to the paints provided by world-renowned interior brands, Sanderson and Zoffany. Working in partnership with PPG, the global US-based paints and coating company; this development will further strengthen Sanderson and Zoffany's paint supply chain, with control over product quality, customer service and distribution all managed in-house.

With investment comes opportunity, and by keeping these developments in-house, the desire to leverage brand values whilst maintaining exceptional service standards will support our objective of significantly growing our market share in the premium paint market.

STRATEGY IN ACTION CONTINUED

ACQUISITION

Continue to seek opportunities to consolidate a highly fragmented market to enhance shareholder value.

Clarke & Clarke have added significantly to our product offering, customer base and our presence in the US market. The acquisition provides the opportunity to further penetrate the market, grow revenues, strengthen our sourcing expertise and capabilities and is materially earnings enhancing.

Clarke & Clarke is a designer and distributor of interior fabrics and wallcoverings under the brands of Clarke & Clarke and Studio G. The brands are at the affordable end of the interior furnishings market and enhance Walker Greenbank Group's international reach, particularly in the US. Studio G is a fresh new brand which brings design provenance to unique collections that deliver trendy, savvy designs and colours at an affordable price. Lively, fashionable and accessible, Studio G is designed with aspirational and fashion-aware customers in mind. The products are distributed to over 90 countries and have an extensive customer base including home furnishing stores, interior designers and major UK chains.

£21.2m

CLARKE & CLARKE
contribution to revenue

CHIEF FINANCIAL OFFICER'S REVIEW

Final dividend up 20.3% to 3.68p per share,
giving a total dividend up 21.1% at 4.37p per share.

Income statement

The Chairman's Statement and Chief Executive's Strategic Review provide an analysis of the key factors impacting our revenue and operating profit. In addition to the information on our Brands and Manufacturing divisions included in these reports, the Group has included in note 4 to the accounts further information on our reporting segments.

Underlying profit before tax

Statutory profit before tax of £12,784,000 (2017: £6,965,000) includes non-underlying credits of £1,251,000 (2017: charges £2,164,000).

	2018 £000	2017 £000
Statutory profit before tax	12,784	6,965
Acquisition-related costs	1,198	2,955
Unwind of discount on contingent consideration	405	181
Fair value adjustment to contingent consideration	(4,047)	-
Total acquisition-related costs	(2,444)	3,136
Standfast flood-related costs	1,125	7,165
Standfast flood insurance reimbursements	(1,342)	(9,413)
Standfast net other income	(217)	(2,248)

Restructuring and reorganisation costs	701	1,276
Anstey fire-related costs	709	-
Total non-underlying (credit)/charges included in profit before tax	(1,251)	2,164
Underlying profit before tax	11,533	9,129
LTIP accounting charge	413	756
Net defined benefit pension charge	573	527
Adjusted underlying profit before tax excluding LTIP and defined benefit pension charge	12,519	10,412

Acquisition-related costs incurred were in respect of the acquisition of Clarke & Clarke. These include amortisation of intangible assets of £1,016,000 and a cost of £182,000 associated with the fair value adjustment recognised on the inventory as at the date of acquisition.

The acquisition of Clarke & Clarke included contingent consideration of up to £17,500,000, in aggregate, payable in the Company's shares and linked to the annual performance of the acquired business in each of the four years following the acquisition. As a result of the challenging performance targets and prevailing market conditions, the performance target for the period ended 31 January 2018 has not been achieved. It is not considered likely that the

performance targets for the remaining two years will be achieved; therefore, there has been a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 credit to the Income Statement in net other income. There has also been a charge of £405,000 recognised in respect of the unwind of the contingent consideration payable for Clarke & Clarke.

Standfast net other income comprises proceeds of £217,000 from the reimbursement of costs to replace impaired plant and equipment and intangible assets.

Restructuring and reorganisation costs of £701,000 reflect the rationalisation of certain operational and support functions. These costs mainly comprise professional fees, employee severance, agent termination and property costs associated with the reorganisation process.

Anstey fire-related costs of £709,000 are in respect of plant and equipment repairs and related costs following a machine fire. It is expected that these costs will be reimbursed under the Company's comprehensive insurance policy.

Net other income

In addition to the non-underlying net other income described above, a further £1,069,000 has been recognised in underlying net other income which represents business interruption losses relating to the flood at Standfast for the period to 31 January 2018.

Long-Term Incentive Plan ('LTIP')

There was a new award of shares during the financial year under the Long-Term Incentive Plan ('LTIP') with vesting conditions half based on Total Shareholder Return ('TSR') and half based on an absolute adjusted earnings per share ('EPS') for the period ending 31 January 2020. There was a charge of £413,000 (2017: £756,000) in the income statement relating to LTIP awards. The charge in the year is lower than last year, driven by a reduction to the Company's share price and a reduction in the vesting assumption for future awards.

Interest

The net underlying interest charge for the year was £275,000 (2017: £186,000) including amortisation of capitalised debt issue costs reflecting higher borrowings as a result of utilisation of £5,000,000 of the Group's existing accordion tranche of its bank facilities following the acquisition of Clarke & Clarke.

Net defined benefit pension

The Group operates two defined benefit schemes in the UK for its employees. These comprise the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme, which are both closed to new members and to future service accrual from 30 June 2002 and 30 June 2005 respectively.

The charge during the year was £573,000 (2017: £527,000). The increase reflects a decrease to the expected return on pension scheme assets.

Current taxation

There was a corporation tax charge of £1,807,000 (2017: £1,445,000) which has been driven by the increase in underlying profit.

Deferred taxation

There was a deferred tax credit of £776,000 (2017: credit £155,000) driven by the reversal of the deferred tax recognised in respect of the Clarke & Clarke acquisition.

The Group also continues to recognise the deferred tax asset arising from the pension deficit and LTIP.

Earnings per share

Basic reported EPS for the year was 16.70p (2017: 8.55p). The Group also reports an adjusted EPS which removes the impact of the LTIP accounting charge, net defined benefit pension charge and other non-underlying items, as these can fluctuate due to external factors outside of the control of the Group. A better understanding of the underlying performance of the business is given after adjusting for these items. The adjusted basic EPS for the year was 14.52p (2017: 13.67p).

Operating cash flow and net debt

The Group generated net cash inflow from operating activities during the year of £4,508,000 (2017: £9,925,000) including working capital outflow of £5,000,000 compared with the prior year.

Capital expenditure was £3,497,000 (2017: £6,768,000) and includes the move from two showrooms to a single, larger flagship showroom at Chelsea Harbour, the new showroom opening in Chicago and development costs relating to the design of new collections for the Brands. The depreciation and amortisation charge during the period was £4,092,000 (2017: £3,191,000).

The Group made additional payments to the pension schemes of £1,521,000 (2017: £1,374,000) to reduce the deficit, part of the ongoing planned reduction, along with £386,000 (2017: £392,000) of pension fund scheme expenses.

Overall tax paid during the year was £2,236,000 (2017: £2,294,000) which reflects a reduction in the Group's tax charge. The effective tax rate ('ETR') has fallen to 8.1% from 23.0% due to non-underlying items including the non-underlying net other income that is not taxable and the reversal of deferred tax on contingent consideration.

The Group had net debt as at 31 January 2018 of £5,263,000 (2017: £5,309,000). Average debt during the year varies due to the timing and seasonality of revenues and investment in products.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

The average monthly net debt increased by £8,206,000 to £11,246,000 (2017: £3,040,000) as a result of the Group starting the financial year with net debt following the Clarke & Clarke acquisition, which increased the need to utilise the bank facilities.

The Group utilises facilities provided by Barclays Bank PLC. In December 2015, the Group entered into a £12.5 million multi-currency revolving credit facility with Barclays Bank PLC for a five-year period and cancelled the existing receivables facilities. The agreement also includes a £10 million accordion facility option to further increase available funds, which provides headroom for future growth. There were £7,500,000 borrowings at the end of the year for the revolving facility (2017: £7,500,000). Under these facilities there was borrowing headroom of £12,237,000 (2017: £12,391,000). The total facilities have a current limit of £22.50 million (2017: £22.70 million).

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

Pension deficit

The pension deficit reduced slightly during the year with contributions from the Company offset by the fall in corporate bond yields, leading to a reduction in the discount rate. The impact of these factors is shown as follows:

	2018 £000
Deficit at beginning of the year	(7,413)
Scheme expenses	(386)
Interest cost	(1,976)
Expected return on plan assets	1,789
Contributions	1,907
Return on scheme assets	440
Actuarial loss from the change in discount factor	(2,802)
Experience adjustments on benefit obligation	111
Actuarial gain from the change in demographic assumptions	1,032
Gross deficit at the end of the year	(7,298)

Dividends

During the year, the Group paid a final dividend for the year ended 31 January 2017 of 3.06p per share and an interim dividend of 0.69p per share.

The Directors have recommended the payment of a final dividend of 3.68p per share (2017: 3.06p) which, subject to shareholder approval at the Company's Annual General Meeting, will be payable on 10 August 2018 to shareholders on the register on 20 July 2018. This brings the total dividend for the year to 4.37p per share (2017: 3.61p), an increase of 21.1%.

Going concern

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

Foreign currency risk

All foreign currencies are bought and sold centrally on behalf of the Group. Regular reviews take place of the foreign currency cash flows, unmatched exposures are covered using forward contracts and working capital exposures are hedged using currency swaps where deemed appropriate. The Group does not trade in financial instruments and hedges are used for highly probable future cash flows and to hedge working capital exposures.

Credit risk

The Group no longer seeks credit insurance as this is not a commercial solution to reducing credit risk. The Board reviews the internal credit limits of all major customers and reviews the credit risk regularly. The ageing profile of trade debtors shows that payments from customers are close to terms; however, there have been specific expenses during the year. The current economic environment still presents a level of risk and in addition to specific provisioning against individual receivables, a provision has been required of £nil (2017: £65,000), which is a collective assessment of the risk against non-specific receivables.



Mike Gant

Chief Financial Officer
4 April 2018

KEY PERFORMANCE INDICATORS

The KPIs for the business are primarily financial.

Total current year revenue.

Growth is the total current year revenue as a percentage of the previous year's revenue.

Underlying earnings adjusted for accounting charges relating to the share-based incentives, defined benefit charge and non-underlying items, less tax at the effective rate, divided by the weighted average number of shares in issue during the year.

Underlying operating profit adjusted for the accounting charge relating to the share-based incentive plan, expressed as a percentage of revenue.

Average net debt for the year divided by total equity.

Year end net (debt)/funds divided by total equity.

PRINCIPAL RISKS

The Group has put in place an ongoing process to identify, monitor and manage the risks faced by the Group. Risks are ranked according to their potential financial impact and probability. The Board regularly reviews the risks faced by the Group and the controls in place to mitigate any potential adverse impacts.

There are general business risks faced by the Group that are comparable to those faced by most other businesses. General business risks include:

- **Marketplace** – changes in the economic environment, weakening of the Eurozone and changes in consumer discretionary spending.
- **Financial** – availability of bank borrowing and costs of borrowing, taxation and pension fund liability.
- **Operational** – market penetration and international expansion.

In addition, there are a number of more specific risks which are more relevant to Walker Greenbank and the industry in which we operate. These risks are the principal risks and uncertainties facing the Group that are material to our strategy. The Board recognises that the nature and scope of risks can change; the list is not intended to be exhaustive, and regular review and monitoring form part of the Board's agenda.

Employees

The Group is a responsible employer, compliant with all relevant human resources and health and safety regulations. The Group keeps its employees informed on matters affecting them and on the progress of the Group by way of informal meetings and consultation with employees' representatives. All Group businesses apply the principles of equal opportunity in recruitment, career progression and remuneration.

Environment

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

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

This report was approved by the Board of Directors on 4 April 2018 and signed on its behalf by



John Sach
Group Chief Executive

VIABILITY STATEMENT

The Group meets its day-to-day working capital requirements through its bank facilities of up to £12.5 million. The Group's forecasts, taking into account the Board's future expectations of the Group's performance, indicate that there is sufficient headroom within these bank facilities and the Group will continue to operate well within the covenants attaching to those facilities. The Directors' assessment has been made with reference to the resilience of the Group and its strong financial position, the Group's current strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as described in the Strategic Report.

An assessment period of three years has been chosen as it is consistent with the Board's strategic review of the Group's strategy at which the prospects of each business are discussed; assumptions are made regarding entering into new markets and geographies, about future growth rates of the existing businesses and potential acquisitions and about the acceptable performance of existing businesses. Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

RISK

MARKETPLACE

Trading environment

The Group operates in major international markets which have experienced headwinds and there are changes in the European Union and ongoing uncertainty around the economic outlook for some markets.

Given that our products may be viewed as discretionary, there is a risk that these are impacted by consumer confidence.

Change in consumer trends in interior decoration.



CHANGE

CONTROLS TO MITIGATE

The Group continues to focus on strong cost control to try to ensure that it remains well positioned to deal with an uncertain environment.

Focus on product diversification through licensing opportunities, geographic expansion and Clarke & Clarke's recent launch of ready-made curtains all help to strengthen our product offering. The Group offers a well-balanced, diverse product range to meet the demands of different customers. The acquisition of Clarke & Clarke, which is at the affordable end of the market, accelerates the Group's market penetration strategy.

The Group is broad based, carries out consumer research and the design teams constantly monitor trends within and outside our marketplace.

RISK MARKETPLACE	CHANGE	CONTROLS TO MITIGATE
Competition The Group operates in markets that are highly competitive.	→	The Group has sought to differentiate itself through high-quality luxury products and continues to develop new product categories and extension of market positions. We have continued to invest in our British manufacturing sites through innovative printing techniques and have recently launched in-house paint tinting and distribution. There is focus on product extension through global recognition of the Group's heritage brands and the contemporary design excellence, broadening the product range and exploring worldwide licensing opportunities. The Group's focus is on international expansion through the distribution and marketing of our brands in the important US, European and Asia Pacific markets. Our acquisition of Clarke & Clarke has helped to enhance our international reach, particularly in the US. The opening of a new showroom in Chicago, together with a new showroom in Russia, will help to increase our international sales channels. We are continuing to make progress with consumer e-commerce development and gaining greater consumer insight.
FINANCIAL		
Foreign exchange A large proportion of the Group's activities and earnings are denominated in US dollars and euros, giving rise to foreign currency exposure.	↑	The Group hedges a portion of revenue and earnings to minimise exposure to foreign exchange losses. Increasing exchange rate volatility may have an adverse effect on balance sheet and/or profit and loss account. There are a number of uncertainties relating to the impact of the ongoing negotiations regarding the UK's exit from the European Union. The Group continues to monitor the implications arising from the exit process. The reduction in the value of sterling and ongoing currency fluctuations as a result of Brexit will lead to higher input costs; however, we are taking action to reduce some of this impact.
Pension funding A worsening funding position may require the Group to pay cash contributions or provide further assurance to cover future liabilities. This could worsen the Group's cash flow.	→	Both of the defined benefit schemes are closed to new members and to future accrual of benefits. The Group seeks to agree appropriate investment policies with the Trustees and closely monitors the funding position of the pension schemes with the Trustees. Both the Company and the Trustees take advice from independent qualified actuaries.
OPERATIONAL		
Recruitment and retention of key employees The Group is reliant upon a number of key employees to design, manufacture and sell its products.	→	The Group's employees are its key asset. The depth of their experience is a real benefit to the business. In recognition of this, the Group has developed programmes to help attract and retain employees and encourage personal development across all levels. In addition, the Group offers competitive remuneration packages including long-term incentive schemes designed to retain key individuals.
Reputation risk The Group prides itself on the high quality of its product range.	→	There is ongoing emphasis on high quality control throughout the various stages, right from manufacturing through to delivery of the finished product and customer satisfaction. The Group has invested in customer market research which has helped to identify further areas of improvement. There is regular monitoring at the monthly Board meetings of the Group's image and reputation.
Acquisition risk Acquiring the wrong company or at the wrong price would impact our financial return and any benefits from the acquisition as well as causing disruption to other business activities.	→	Management actively evaluates acquisition opportunities that fit synergistically with our brand portfolio. We have a rigorous pre-acquisition due diligence process which seeks to evaluate each opportunity. Close monitoring of the integration of any acquisition would take place to ensure planned revenue and cost synergies are realised to enable further earnings growth. Sound project discipline would be implemented in the event of an acquisition and would be resourced by dedicated and appropriately qualified personnel to ensure minimum disruption to our core business activities. The acquisition of Clarke & Clarke was completed following a thorough due diligence process and involved a significant number of professional advisers. Risks are further mitigated through the retention and appropriate incentivisation of the acquired entity's senior management. Where appropriate, the consideration is structured to include deferred and contingent elements which are dependent on financial performance for a number of years following completion of the acquisition.
Major incident or disaster such as a fire/flood	→	Business continuity and disaster recovery plans are regularly reviewed to ensure the uninterrupted operation of the Group's core business operations. Business continuity plans are in place to manage the impact of such an event and insurance cover mitigates the financial consequences. The segregation of the Group's central warehousing facility with two warehouses has helped to mitigate risk to stock. Flood defence measures have been installed at the Lancaster production site.
IT A significant failure of IT infrastructure or key IT systems could result in a loss of information, inability to operate effectively, financial or regulatory penalties, and negatively impact our reputation as a result of the impact on the availability of our products and consequently reduce sales.	→	The Group has appropriate controls in place to mitigate the risk of systems failure, including an IT disaster recovery plan, off-site back-up routines, virus protection and network security controls. The various business units have disparate platforms which helps to reduce the overall risk.

BUSINESS UNITS OVERVIEW

Business Units Senior Leadership Team.

DAVID BUTCHER
GENERAL MANAGER BRANDS

David joined the Group in December 2017 as General Manager Brands. He has more than 20 years' experience in sales, marketing and general management at major companies focused on brand-based products, including Procter & Gamble, Allied Domecq, Constellation Brands and Britvic. Most recently he was Managing Director UK & Ireland of Carabao Energy Drinks.

PAUL MULLAN
**MANAGING DIRECTOR
OF MANUFACTURING**

Paul is a Chartered Engineer who joined the Group in March 2016. He brings a wealth of manufacturing, operational and general management experience, gained over more than 25 years in a broad variety of roles at Unilever, PepsiCo, St Ives, Lily's Kitchen and Associated British Foods.

LEE CLARKE
CEO CLARKE & CLARKE

Lee founded Clarke & Clarke in 1999, having previously worked in various textile roles from 1989. He has a deep and broad understanding of the industry and possesses strong design, sourcing, sales and distribution skills, working with suppliers and customers all around the world.

CLAIRE VALLIS
CREATIVE DIRECTOR

Claire has been with the Group for 25 years. She brings a wealth of experience and knowledge across manufacturing and design, making her an unrivalled industry expert. She personifies the integrity and history of the Brands and uses this to inspire a creative vision for the future.

STEVE FORDER
**MANAGING DIRECTOR
CLARKE & CLARKE**

Steve joined the Group in December 2016. He has a lifelong experience in home textile products, including sales and management, international sourcing and distribution. His previous experience includes manufacturing in China, Turkey and India and he has previously worked at Vanelli, GM Fabrics and Ashley Wilde Group.

From left to right:
David Butcher, Claire Vallis, Paul Mullan,
Steve Forder and Lee Clarke

BUSINESS UNITS OVERVIEW

CONTINUED

**SINCE 1860 SANDERSON HAS BEEN
PROUDLY SHOWCASING THE VERY BEST
OF THE BRITISH COUNTRYSIDE WITH ITS
HAND-DRAWN DESIGNS.**

Complete with a long-standing Royal Warrant and famous signature style, Sanderson combines classic patterns with a timeless, easy elegance. Simply put, Sanderson feels like home.

SANDERSON

**STEEPED IN HISTORY, MORRIS & CO.
DATES BACK TO 1861, WHEN THE
ACCLAIMED DESIGNER WILLIAM MORRIS
FOUNDED HIS FIRST COMPANY.**

Now, as custodians of the incredible Morris & Co. archive, we continue to fulfil Morris' legacy by curating expertly crafted products inspired by his original designs. William Morris believed that everybody has the right to a beautiful home; a belief that lives on through our designs today.

MORRIS & CO.

ZOFFANY

**FUSING LUXURY AND ART, ZOFFANY IS ONE
OF THE MOST RESPECTED BRANDS IN
PREMIUM INTERIORS.**

Captivating, unique and stunningly artistic, the Zoffany collection of fabrics, wallcoverings, paints and furniture pieces are celebrated by interior designers and architects around the world for their artistry, integrity and authenticity.

HARLEQUIN

EARNING A GLOBAL REPUTATION AS A TREND-LEADING BRAND.

Harlequin brings together high-quality collections with vivacious colours, innovative textures and catwalk-inspired designs. With an enviable design team spearheading the brand's success, interiors the world over are adorned with Harlequin's stunning fabrics and prints.

**LAUNCHED TO GREAT ACCLAIM IN 2012,
SCION IS AN UPBEAT BRAND FULL OF
FRESH IDEAS FOR MODERN LIVING.**

Packed with Scandi-inspired designs and flashes of zesty colour to surprise and delight, Scion, already a market leader, has been identified by John Lewis as a brand with development potential. With the now iconic 'Mr Fox' and his friends popping up on fabulous accessories, from ceramics to bedlinen and beyond, let Scion bring a smile to the everyday.

SCION

CLARKE & CLARKE

**CLARKE & CLARKE'S CREATIVE VISION
BEGAN WITH AN AMBITION TO CREATE
PRODUCTS THAT WOULD INSPIRE BOTH
CUSTOMERS AND INTERIOR DESIGNERS.**

This is underpinned by impeccable service. Nineteen years on and with its vision holding true, the company distributes fabrics and wallcoverings to over 90 countries.

**DESIGNED WITH ASPIRATIONAL,
FASHION-CONSCIOUS CUSTOMERS
IN MIND.**

Studio G is well known for its contemporary fabrics and key colours inspired by the latest seasons' trends. With accessible pricing and quality products, customers have come to rely on the expert service provided by the Clarke & Clarke studio.

STUDIO G

**LAUNCHED IN SPRING 2014,
ANTHOLOGY IS THE FIRST WALKER
GREENBANK BRAND AIMED AT THE
CONTRACT MARKET.**

State-of-the-art designs fuel a passion for challenging convention as sleek finishes, moody metropolitan colours and uncompromising innovation crave contemporary spaces. Hotel groups worldwide were drawn to Anthology's creative finishes and subtle textures which inspired the launch of an edgy, urban fabric range in 2016.

ANTHOLOGY

ANSTEY AND STANDFAST & BARRACKS

BASED IN LOUGHBOROUGH, ENGLAND.

Anstey Wallpaper Company has achieved an enviable reputation as one of the world's most versatile, professional and capable wallcovering printers. With a global reach, producing for the Walker Greenbank brand as well as many third party customers, innovative techniques and a unique combination of printing methods are at the heart of Anstey's business.

**WIDELY ACKNOWLEDGED AS A LEADER
IN ITS FIELD AND WITH A HISTORY
STRETCHING BACK ALMOST 90 YEARS.**

Standfast & Barracks proudly produce beautiful prints for many of the world's finest design-led home furnishings and apparel brands. A programme of investment ensures Standfast remains at the forefront of the digital revolution in fabric printing, with its innovative techniques appreciated by a rapidly expanding customer base.

INTRODUCING THE BOARD OF DIRECTORS

TERRY STANNARD NON-EXECUTIVE CHAIRMAN

Terms of appointment

Terry joined the Board as a Non-executive Director in September 2007 and became Non-executive Chairman on 31 January 2009. He has particular expertise in international brand-based businesses. From a marketing background he went on to run businesses in Asia Pacific and Europe at United Biscuits plc, was a divisional CEO at Hillside Holdings plc and CEO at Terranova Foods plc and Uniq plc. Since 2001, he has held a wide range of non-executive chair and director appointments at both quoted and unquoted businesses.

Committee membership

Audit Committee
Remuneration Committee
Nomination Committee

MIKE GANT CHIEF FINANCIAL OFFICER

Terms of appointment

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

JOHN SACH GROUP CHIEF EXECUTIVE OFFICER

Terms of appointment

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

Committee membership

Nomination Committee

FIONA GOLDSMITH NON-EXECUTIVE DIRECTOR

Terms of appointment

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

Committee membership

Audit Committee
Remuneration Committee
Nomination Committee

CAROLINE GEARY COMPANY SECRETARY

Terms of appointment

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

From left to right:
Terry Stannard, John Sach, Mike Gant,
Fiona Goldsmith and Caroline Geary

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 2018. The Strategic Report on pages 2 to 24 is incorporated by reference and deemed to form part of this report.

Group result

The profit before taxation amounted to £12,784,000 (2017: £6,965,000), and profit after tax £11,753,000 (2017: £5,365,000).

Dividend

The Directors recommend payment of a final ordinary dividend of 3.68p per share, amounting to £2,587,686 (excluding dividends on shares held by the employee benefit trust) which will be recognised in the financial statements for the following year (2017: 3.06p per share). Subject to shareholders' approval at the Annual General Meeting ('AGM') the final dividend is expected to be paid on 10 August 2018 to shareholders on the register at 20 July 2018.

An interim dividend of 0.69p per share was paid during the year.

Going concern

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

Post balance sheet events

The Board considers that no material post balance sheet events occurred between the end of the period and the date of publication of this report.

Business review and future developments

A review of the principal activities during the year and likely developments of the business is contained in the Strategic Report, together with key performance indicators. A description of the Group's exposure and management of risks is provided in the Strategic Report.

Financial risk management

Details of the Group's financial risk management objectives and policies are contained in the Strategic Report on page 26 and in note 2 to the financial statements.

Research and development

The Group continues to invest in its products to retain and enhance its market position. Details of the Group's expenditure on collection design development costs are set out in note 15 of the financial statements.

Directors

The Board of Directors who served during the year ended 31 January 2018 and up to the date of reporting were as follows:

Terry Stannard	Non-executive Chairman
Fiona Goldsmith	Non-executive Director
John Sach	Chief Executive Officer
Mike Gant	Chief Financial Officer
Fiona Holmes	Managing Director (Brands) - resigned 14 August 2017

Details of the Directors' service contracts are set out in the Directors' Remuneration Report on pages 45-48, together with details of their interests in ordinary shares of the Company. No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking. Biographical details of the Directors are set out on page 40.

Appointment and retirement of Directors

Subject to applicable law, from time to time the Board may appoint any person to be a Director. Under the Articles, any such Director shall hold office until the next AGM and shall then be eligible for election. The Articles require that at each AGM one-third of the Board retire as Directors by rotation and that each Director stand for re-election at least every third year.

Directors' interests in material contracts

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

Directors' and officers' liability insurance

The Group maintains liability insurance for its Directors and officers.

Pensions

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

Political donations

The Group has not made any political donations (2017: nil).

Annual General Meeting

The AGM will be held on 27 June 2018. Details of the Directors to be re-elected at the meeting is included in the Notice of Meeting, which is separately distributed to shareholders.

Share capital

The Company's issued capital consists of 70,895,511 ordinary shares with a nominal value of 1p each, with each share carrying the right to one vote and the right to distributions from dividends or on winding up of the Company. There are no restrictions on the transfer of securities.

Directors' authority to issue and purchase shares

At the AGM in 2016, the Directors were authorised to allot ordinary shares up to a nominal value of £198,569 and were further authorised to make market purchases of up to 6,017,252 of the Company's ordinary shares. No purchases of Company shares were made during the year. Details of shares allotted during the year are shown in note 26 to the consolidated financial statements.

Substantial shareholdings

As at 7 March 2018, the Company was aware of the following substantial shareholdings in its ordinary share capital. The percentages are calculated from the 70,895,511 ordinary 1p shares allotted, called and fully paid up. Comparatives at 7 April 2017 are shown.

Investec Wealth & Investment 13.71% (2017: 12.49%), Octopus Investments 12.86% (2017: 13.32%), Schroder Investment Management 8.09% (2017: 12.51%), Tellworth Investments LLP 4.41% (2017: 0%), BlackRock Investment Management 3.80% (2017: 6.86%), Rathbones 3.60 % (2017: 3.37%), Brown Shipley Asset Management 3.50% (2017: 3.33%), Killick & Co 3.45% (2017: 3.22%).

Independent auditors

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditors of the Company and a resolution to reappoint them will be proposed at the AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company 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.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section of the Annual Report, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

By order of the Board



Caroline Geary
Company Secretary
4 April 2018

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX

Registered number 61880

DIRECTORS' REMUNERATION REPORT

Introduction

As a company listed on the Alternative Investment Market ('AIM'), the Company is not required to comply with the Directors' remuneration report requirements set out in Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the 'Regulations'). However, whilst the Company is not required to comply with the Regulations, the Company has used them as guidance and voluntarily presents selected disclosures in this report, where relevant and appropriate.

Remuneration Committee

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

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

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

The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice from external advisers when it considers it is appropriate. Aon Hewitt was retained during the financial year to provide independent advice to the Committee and during the reporting period a thorough review of remuneration policy and benchmarking of the Executive Directors' packages was undertaken.

Remuneration policy

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

There are four main elements of the remuneration package for Executive Directors and other senior management:

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

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

Basic salary and benefits in kind

Salary is normally reviewed annually in February, or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary, including Group and individual performance, market levels of, and trends in, executive remuneration and relative pay levels within the Group.

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

Annual performance-related bonus

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

The maximum bonus potential was 100% of basic salary for the year ended 31 January 2018. The majority of the annual bonus payable is linked to achievement of profit targets, with a small percentage payable on performance against individual objectives. As announced in November, the Company's underlying profit for the year was below expectations and as a result, for the year under review, no bonuses were paid to the Executive Directors.

Long-Term Incentive Plan ('LTIP')

The Company operates the Walker Greenbank Long-Term Incentive Plan ('LTIP') as its primary senior executive incentive arrangement. The LTIP was approved by shareholders at the 2015 Annual General Meeting. The LTIP seeks to motivate and retain Executive Directors and other senior management within the Group, to enable them to potentially benefit from delivering above-market Total Shareholder Return ('TSR') and earnings growth. The key terms of the LTIP are as follows:

- the LTIP has a maximum annual limit of 150% of basic salary;
- awards are normally granted in May each year. In 2017, the highest grant equated to a maximum of 125% of basic salary;
- awards are normally structured as nil cost options;
- awards only vest (i.e. become exercisable) subject to continued service and to the extent that relevant performance conditions are met.

DIRECTORS' REMUNERATION REPORT

CONTINUED

A summary of the performance conditions attaching to outstanding awards can be found on pages 47 and 48. To the extent that these performance conditions are not met at the end of the vesting period, the options will lapse.

The performance conditions of any grant in 2018 are currently under review.

Dilution

All equity-based awards are subject to an overall limit on the number of new shares issued of 10% within any 10-year period. The current dilution against this limit is 3.4%.

Pensions

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

John Sach and Mike Gant are members of a Group Flexible Retirement Plan ('the Plan') sponsored by the Group. Due to HMRC changes in tax relief in 2016, a cash allowance in lieu of pension contribution was approved by the Remuneration Committee for those who wished to opt out of the Plan. For the purposes of determining employer contributions to that scheme, annual performance-related bonuses are not included in the pensionable pay of the Executive Directors.

Directors' contracts

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

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

Termination payments

Fiona Holmes resigned effective 14 August 2017 and details of the compensation she received is shown below.

Non-executive Directors

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

Directors' detailed emoluments

Year to 31 January 2018	Salary £000	Annual bonus £000	Compensation for loss of office £000	LTIP awards £000	Benefits in kind £000	Pension contribution £000	Cash allowance in lieu of pension contribution £000	2018 Total £000
Executive Directors								
J Sach	286	-	-	227	3	-	37	553
M Gant	228	-	-	205	3	-	29	465
F Holmes (up to 14.08.17)	116	-	214	-	1	-	14	345
Non-executive Directors								
T Stannard	71	-	-	-	-	-	-	71
F Goldsmith	33	-	-	-	-	-	-	33
	734	-	214	432	7	-	80	1,467

Year to 31 January 2017	Salary £000	Annual bonus £000	LTIP awards £000	Benefits in kind £000	Pension contribution £000	Cash allowance in lieu of pension contribution £000	2017 Total £000
Executive Directors							
J Sach	261	105	440	2	6	28	842
M Gant	213	85	-	2	5	23	328
D Smallridge	110	25	315	1	14	-	465
F Holmes (from 31.10.16)	71	15	-	1	-	11	98
Non-executive Directors							
T Stannard	70	-	-	-	-	-	70
F Goldsmith	32	-	-	-	-	-	32
	757	230	755	6	25	62	1,835

Directors' pension entitlements

Accrued annual pension benefits for John Sach at the year end were £14,875 (2017: £14,593).

Directors' share interests

The interests of the Directors and their families in the shares of the Company at the beginning and end of the financial year were as follows:

	1p ordinary shares 31 January 2018 Number	1p ordinary shares 31 January 2017 Number
T Stannard	80,526	80,526
F Goldsmith	52,894	52,894
J Sach	1,996,142	1,939,820
M Gant	67,949	17,105
F Holmes	0	0

There have been no changes in the interests set out above between 31 January 2018 and 4 April 2018.

Directors' LTIP awards

	Date of grant	Share price at grant	Maximum awards at 1 February 2017	Granted in year	Exercised in year	Lapsed in year	Maximum awards at 31 January 2018
J Sach	28/05/2014	187.0p	168,827		106,268	62,559	0
	26/05/2015	197.0p	163,461				163,461
	01/12/2016	204.5p	171,132				171,132
	21/08/2017	224.5p		166,822			166,822
			503,420	166,822	106,268	62,559	501,415
M Gant	28/05/2014	187.0p	152,406		95,932	56,474	0
	26/05/2015	197.0p	159,898				159,898
	01/12/2016	204.5p	167,395				167,395
	21/08/2017	224.5p		132,991			132,991
			479,699	132,991	95,932	56,474	460,284
F Holmes	01/12/2016	204.5p	103,075			103,075	0

The LTIP awards granted in 2014 vested on 30 May 2017. The performance conditions attached to this award were based both on compound growth in adjusted EPS* and relative TSR against a comparator group of AIM companies. The comparator group chosen was the AIM companies ranked 101 to 200 by market capitalisation as at the day preceding the respective date of grant. The performance of the Company over the three-year measurement period resulted in a vesting level of 62.945% of the total awards granted. The share price on the vesting date was 213.5p.

The performance conditions for the 2015 award are based both on compound growth in adjusted EPS* and relative TSR against a comparator group of AIM companies. The comparator group chosen was the AIM companies ranked 101 to 200 by market capitalisation as at the day preceding the respective date of grant, and the relevant TSR measurement is on a sliding scale, with no vesting until the Company reaches at least median position within the comparator group.

* Adjusted for accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items.

DIRECTORS' REMUNERATION REPORT

CONTINUED

The performance conditions for the 2016 and 2017 awards are also a mixture of compound growth in relative TSR against a comparator group of AIM companies, and an EPS measurement. The EPS element is based on an absolute adjusted EPS* for the periods ending 31 January 2019 and 2020 respectively. The comparator group chosen was the AIM companies ranked 101 to 200 by market capitalisation as at the day preceding the respective date of grant, and the relevant TSR measurement is on a sliding scale, with no vesting until the Company reaches at least median position within the comparator group.

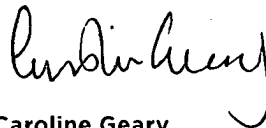
The 2015, 2016 and 2017 LTIP awards will vest subject to continued service and the extent to which relevant performance conditions are achieved.

The share price reached a high of 241.5p and a low of 121.5p during the financial year ended 31 January 2018. The average share price during the financial year was 202.3p. The share price on 1 February 2017 was 202.5p and on 31 January 2018 it was 127.5p.

Total Shareholder Return index for the five financial years ending 31 January 2018

Approval

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



Caroline Geary
Company Secretary
4 April 2018

CORPORATE GOVERNANCE STATEMENT

Introduction from the Chairman

As a Company listed on the Alternative Investment Market ('AIM') the Company is not subject to comply with the requirements of the UK Corporate Governance Code ('the Code'); however, the Board recognises the value and importance of good corporate governance. We also utilise recommendations of the QCA Corporate Governance Code for small and mid-size companies ('QCA Guidelines').

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

The corporate governance framework which the Group operates, including Board leadership and effectiveness, Board remuneration, risk management and internal controls, is set out below.

The Board

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

The Directors

The Board of Directors who served during the year ended 31 January 2018 and their attendance at meetings is shown in the adjacent table. Biographical details of the current Board are given on page 40.

Board programme

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

The role of the Board

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is responsible for the management, governance, controls, risk management, direction and performance of the Group. There is a formal schedule of matters reserved to the Board which includes approval of major capital expenditure projects; approval of the annual and interim results; setting annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting.

Senior executives below Board level attend Board meetings, where appropriate, to present business updates.

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

Independent advice

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

Board committees

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

Attendance at meetings of the Board and its committees

	Board	Remuneration Committee	Audit Committee
T Stannard	12	3	3
F Goldsmith	12	3	3
J Sach	12		
M Gant	12		
F Holmes	8		

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

Independent Directors

The Board considers, after careful review, that the Non-executive Directors bring an independent judgement to bear. All Non-executive Directors have contracts which contain six-month notice clauses. These are available for inspection at the Company's registered office and at the Annual General Meeting ('AGM'). All Directors retire by rotation at least every third year in accordance with the Company's Articles of Association and the principles of the Code. The Non-executive Directors' other time commitments are reviewed regularly. Further details of each of the independent Directors are set out on page 40.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

Nomination Committee

The Nomination Committee is chaired by Terry Stannard, Non-executive Chairman, and comprises Fiona Goldsmith, the other Non-executive Director, and John Sach, the Chief Executive.

It makes recommendations to the Board on all new Board appointments. The Company's Articles of Association stipulate that one-third of the Directors, or the nearest whole number below one-third, shall retire each year. The Company requires all Directors to submit themselves for re-election at least every three years.

Remuneration Committee

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

In framing its policy, the Remuneration Committee takes into account any factors which it deems necessary, including industry standard executive remuneration, differentials between executive and employee remuneration and differentials between executives. The remuneration of the Non-executive Directors is determined by the Executive Directors.

Audit Committee

The Audit Committee is chaired by Fiona Goldsmith and comprises herself and Terry Stannard. Although all the Committee members are considered to be appropriately experienced to fulfil their role, Fiona Goldsmith is considered as having significant and relevant experience in line with the Code. Further details of the work of the Committee is contained in the Audit Committee Report on page 51.

Internal control

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

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

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

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

Risk management process

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

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

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

Relations with shareholders

The Group encourages two-way communications with both its institutional and private investors and responds in a timely fashion to all queries received.

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

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

All shareholders receive notice of the AGM, at which all committee chairs will be available for questions.

AUDIT COMMITTEE REPORT

Membership

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

Responsibilities

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

- Monitor the integrity of the financial statements of the Company, reviewing any significant reporting issues and judgements they contain.
- Advise on the clarity of disclosure and information contained in the Annual Report and Accounts.
- Review the adequacy and effectiveness of the internal control and risk management systems.
- Hold the relationship with the external auditors, reviewing performance and advising the Board on their appointment and remuneration.
- Monitor the statutory audit of the Annual Report and financial statements.
- Ensure appropriate arrangements are in place for individuals to raise concerns regarding breach of conduct and legal and regulatory compliance. A copy of the policy is available on the corporate intranet.

The full terms of reference for the Committee can be found on the Company's website.

Meetings

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

Each meeting is attended by the Committee's members as well as, by invitation, the Executive Directors and the external auditors. A record of the meeting attendance by Committee members is set out on page 49.

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

The Committee supports the Board in carrying out its responsibilities in relation to financial reporting, risk management and assessing internal controls. The need for an internal audit department is also examined on a continuing basis. The Committee also manages the relationship with the external auditors, including an assessment of their independence and a review of the policy for use of external auditors to provide non-audit services.

The Committee is kept up to date with changes to accounting standards and developments in financial reporting, company law and other regulatory matters through attendance at external technical presentations and updates from the external auditors and the Company Secretary.

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

Financial reporting

The Committee monitors the integrity of the Annual and interim reports, including a review of the significant financial reporting issues and judgements contained therein. The Committee confirms that appropriate accounting standards have been applied and that the financial statements give a true and fair view and the disclosures made are balanced and understandable. The Committee also considered a paper prepared by the external auditors which included significant reporting and accounting matters.

AUDIT COMMITTEE REPORT

CONTINUED

Key accounting estimates and judgements

The major accounting issues discussed by the Committee in relation to the performance in the financial year to 31 January 2018 were as follows:

Inventory

Due to the significant quantum of stock held, there is an ongoing focus by management on inventory levels. Inventory is discussed at both Board and Audit Committee level. Management applies a consistent provisioning methodology. There is also an additional management judgement overlay based on specific factors. The continuing appropriateness of the provisioning methodology is tested by both management and the auditors.

Clarke & Clarke post-acquisition valuation

The Committee considered the calculation of the contingent consideration prepared by management. We discussed the current business performance and projections with management.

Standfast flood-related income and costs

Since the flood occurred in December 2015, the Audit Committee has been kept informed of all developments regarding the flood. In the current financial year, the negotiations with the insurer were concluded and the Company received a final settlement of the insurance reimbursements. The Committee considered the completeness of costs, the recognition of the loss of profits and the disclosure of underlying and non-underlying items.

The Committee reviewed the appropriateness of management's accounting in relation to each of these significant risks and PwC reported to the Committee on the work performed in assessing each during their audit. Details of this work are provided in PwC's Auditors' Report on pages 54 to 58.

Internal controls and risk management

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

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

The Company has an established internal control framework, the key factors of which include a comprehensive monthly reporting process, regular business performance review, authorisation limits, monthly reconciliations and a comprehensive budgeting process. All significant capital expenditure is approved by the Board.

The Audit Committee also discussed with the external auditors the results of their computer-assisted data auditing and internal control observations.

External audit

The Committee has primary responsibility for making a recommendation to the Board on the appointment, reappointment and removal of the external auditors. The Committee considers a number of areas when reviewing the external auditor appointment, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity and their reappointment and remuneration.

The Committee reviews the objectivity and independence of the auditors when considering reappointment. The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements and is required to rotate the lead audit partner every five years.

PwC provides a range of other services which include tax compliance and advisory services.

To ensure auditor objectivity and independence, the Committee has adopted a policy on the engagement of external auditors for the provision of non-audit services, which include financial limits above which the Audit Committee must approve. The policy is available on the website.

Any non-audit fees above £15,000 per engagement must be approved by the Chairman of the Audit Committee before the work commences. Details of fees paid to PwC during the year are disclosed in note 8 of the financial statements.

The Committee had discussions with the external auditors on audit planning, fees, accounting policies, audit findings and internal controls. The effectiveness of the audit was assessed through the review of audit plans, reports and conclusions and through discussions with management and the external auditors.

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



Fiona Goldsmith

Audit Committee Chairman
4 April 2018

IN THIS SECTION

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Walker Greenbank PLC's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the consolidated and Company balance sheets as at 31 January 2018; the consolidated income statement and the consolidated and Company statements of comprehensive income, the consolidated cash flow statement, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £625,000 (2017: £521,000), based on 5% of adjusted underlying profit before tax.
- Overall Company materiality: £409,000 (2017: £428,000), based on 0.5% of total assets.

We have performed full scope audits of all of the significant divisions within the Group. Following our assessment of the risks of material misstatement of the Group financial statements we:

- Performed audits of the complete financial information of Walker Greenbank PLC Company, Brands (excluding Clarke & Clarke), Clarke & Clarke, Anstey manufacturing and Standfast manufacturing;
- In addition the Group engagement team audited certain centralised functions, including, corporate taxation, goodwill and intangible asset impairment assessments; and
- The components on which audits of the complete financial information and centralised work was performed accounted for 92% of Group revenue and 92% of adjusted underlying profit before tax.

Our key audit matters are:

- Clarke & Clarke post acquisition valuation.
- Standfast flood related income and costs.
- Adequacy of inventory provision.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Adequacy of inventory provision Refer to the Chief Financial Officer's review on page 22, the critical accounting estimates and judgements in note 3 to the accounts on page 75, and note 18 (Inventories). The Group has material inventory provisions on a material level of inventory. The provision is calculated based on a number of factors, including whether the inventory lines are classed as live or discontinued, the inventory age and inventory sales history. There is an additional management judgement overlay in relation to the inventory provision based on specific factors.	We have understood and challenged the appropriateness of management's provisioning method and reviewed consistency of application. We performed look back testing on the prior year inventory provision to establish how accurate the provision was and we considered historical sales to support management's conclusions. We agreed that the Group has consistently applied their provisioning methodology and that this has been accurately calculated.
Clarke & Clarke post-acquisition valuation Refer to the Chief Financial Officer's review on page 22, the critical accounting estimates and judgements in note 3 to the accounts on page 75, note 24 (Provision for other liabilities and charges) and note 32 (Business combinations). The acquisition of Clarke & Clarke, in the prior financial year, created material intangible assets on the balance sheet of the Group for the recognition of brand and customer relationship intangibles and goodwill. The initial accounting for the consideration was provisional in the prior financial year as the contingent consideration element owed to the former owner of Clarke & Clarke requires valuation at each balance sheet date.	We obtained management's calculation for the contingent consideration and agreed this had been calculated in accordance with the sale and purchase agreement. We agreed that the basis of the current and future business performance forecasts used to calculate the contingent consideration are consistent with previous performance and management's expectations of future performance. Our valuation specialists benchmarked, within a reasonable range, the growth and discount rate to economic and industry averages and the cost of capital for other comparable companies respectively. We have performed sensitivities on a selection of these assumptions confirming that the level of headroom calculated is not unduly susceptible to change.
Standfast flood-related income and costs Refer to the Chief Financial Officer's review on page 22, the critical accounting estimates and judgements in note 3 to the accounts on page 75, note 6 (Net other income) and note 7 (Non-statutory profit measures). Following the flood at the Standfast manufacturing site in December 2015, management have concluded the negotiations with the insurer during the current year and agreed a final settlement of the insurance reimbursements for the costs associated with the flood and the loss of profits for the Group. The impact to the Group's operations has been material and the completeness and accuracy of related costs and income are a material area of focus in the year.	We tested the accuracy and completeness of the costs recognised and disclosed as being flood related. We tested the accuracy and completeness of the cash proceeds received and the split of this cash between insurance reimbursements and loss of profits. We read and agreed the appropriateness of the items disclosed within the 'underlying' and 'non underlying' columns of the consolidated income statement.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC

CONTINUED

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£625,000 (2017: £521,000).	£409,000 (2017: £428,000).
How we determined it	5% of adjusted underlying profit before tax.	0.5% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, adjusted underlying profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. The adjusted underlying profit before tax is based on underlying profit before tax (excluding 'non-underlying' items, which do not represent the ongoing business) excluding accounting charges relating to share-based incentives and the defined benefit pension charge.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the Company as a holding entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £390,000 and £450,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £50,000 (Group audit) (2017: £50,000) and £50,000 (Company audit) (2017: £50,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 January 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit**Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC

CONTINUED

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



John Minards (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
5 April 2018

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 JANUARY 2018

	Note	2018			2017		
		Underlying £000	Non- underlying (note 7) £000	Total £000	Underlying £000	Non- underlying (note 7) £000	Total £000
Revenue	4,5(a)	108,764	-	108,764	92,373	-	92,373
Cost of sales		(43,308)	(182)	(43,490)	(36,223)	(1,061)	(37,284)
Gross profit/(loss)		65,456	(182)	65,274	56,150	(1,061)	55,089
Net operating expenses:							
Distribution and selling expenses		(15,415)	-	(15,415)	(12,421)	-	(12,421)
Administration expenses		(38,729)	(2,426)	(41,155)	(36,724)	(3,170)	(39,894)
Net other income	6	1,069	4,264	5,333	2,837	2,248	5,085
Profit/(loss) from operations	4-8	12,381	1,656	14,037	9,842	(1,983)	7,859
Net defined benefit pension charge	9	(573)	-	(573)	(527)	-	(527)
Finance costs	10	(275)	(405)	(680)	(186)	(181)	(367)
Total finance costs		(848)	(405)	(1,253)	(713)	(181)	(894)
Profit/(loss) before tax		11,533	1,251	12,784	9,129	(2,164)	6,965
Tax (expense)/income	13	(2,489)	1,458	(1,031)	(1,609)	9	(1,600)
Profit/(loss) for the year attributable to owners of the parent		9,044	2,709	11,753	7,520	(2,155)	5,365
Earnings per share - Basic	14			16.70p			8.55p
Earnings per share - Diluted	14			16.60p			8.08p
Adjusted earnings per share - Basic	14			14.52p			13.67p
Adjusted earnings per share - Diluted	14			14.43p			12.92p

All of the activities of the Group are continuing operations.

The notes on pages 64 to 101 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2018

	Note	2018 £000	2017 £000
Profit for the year		11,753	5,365
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension schemes	23	(1,219)	(4,339)
Corporation tax credits recognised in equity		234	270
Increase/(reduction) of deferred tax asset relating to pension scheme liability		-	484
Total items that will not be reclassified to profit or loss		(985)	(3,585)
Items that may be reclassified subsequently to profit or loss			
Currency translation (losses)/gains		(97)	128
Cash flow hedge gains		-	26
Total items that may be reclassified subsequently to profit or loss		(97)	154
Other comprehensive expense for the year, net of tax		(1,082)	(3,431)
Total comprehensive income for the year attributable to the owners of the parent		10,671	1,934

The notes on pages 64 to 101 form an integral part of the consolidated financial statements.

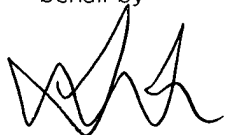
CONSOLIDATED BALANCE SHEET

AT 31 JANUARY 2018

	Note	2018 £000	2017 £000 (Restated)
Non-current assets			
Intangible assets	15	31,780	32,561
Property, plant and equipment	16	15,962	15,845
		47,742	48,406
Current assets			
Inventories	18	29,378	30,305
Trade and other receivables	19	21,238	19,508
Cash and cash equivalents	20	1,295	1,516
		51,911	51,329
Total assets		99,653	99,735
Current liabilities			
Trade and other payables	21	(22,360)	(25,685)
Borrowings	22	(6,558)	(6,825)
Provision for other liabilities and charges	24	-	(2,708)
		(28,918)	(35,218)
Net current assets		22,993	16,111
Non-current liabilities			
Deferred income tax liabilities	17	(1,825)	(2,573)
Retirement benefit obligation	23	(7,298)	(7,413)
Provision for other liabilities and charges	24	-	(3,238)
		(9,123)	(13,224)
Total liabilities		(38,041)	(48,442)
Net assets		61,612	51,293
Equity			
Share capital	26	709	696
Share premium account		18,682	16,390
Foreign currency translation reserve		(525)	(428)
Retained earnings/(accumulated losses)		2,239	(5,872)
Other reserves		40,507	40,507
Total equity		61,612	51,293

Restatement of the year ended 31 January 2017 is explained in note 32.

The financial statements on pages 59 to 101 were approved by the Board of Directors on 4 April 2018 and signed on its behalf by



John Sach
Director



Mike Gant
Director

Registered number: 61880

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Cash generated from operations	29	6,989	12,381
Interest paid		(245)	(163)
Corporation tax paid		(2,236)	(2,294)
Net cash generated from operating activities		4,508	9,924
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-	(27,073)
Interest received		2	1
Purchase of intangible assets	15	(861)	(792)
Purchase of property, plant and equipment	16	(2,636)	(5,976)
Proceeds from disposal of property, plant and equipment		-	89
Insurance proceeds relating to investing activities		1,785	2,268
Net cash used in investing activities		(1,710)	(31,483)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	16,022
Debt issue costs		-	(40)
Repayment of term loan	30	(200)	(400)
Dividends paid to Company's shareholders		(2,659)	(1,818)
Net cash (used in)/generated from financing activities		(2,859)	13,764
Net (decrease)/increase in cash and cash equivalents		(61)	(7,795)
Cash and cash equivalents and bank overdraft at beginning of year		(5,110)	2,902
Effect of exchange rate fluctuations on cash held		(92)	(217)
Cash and cash equivalents and bank overdraft at end of year	30	(5,263)	(5,110)

The notes on pages 64 to 101 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2018

	Attributable to owners of the parent							Total equity £000
	Share capital (note 26) £000	Share premium account £000	Retained earnings/ (accumulated losses) £000	Other reserves			Foreign currency translation reserve £000	
				Capital reserve (note 27) £000	Merger reserve £000	Hedge reserve £000		
Balance at 1 February 2016	602	457	(5,700)	43,457	(2,950)	(26)	(556)	35,284
Profit for the year	-	-	5,365	-	-	-	-	5,365
Other comprehensive income:								
Remeasurements of defined benefit pension schemes (note 23)	-	-	(4,339)	-	-	-	-	(4,339)
Corporation tax credits recognised in equity	-	-	270	-	-	-	-	270
Deferred tax relating to pension scheme liability	-	-	484	-	-	-	-	484
Currency translation differences	-	-	-	-	-	-	128	128
Cash flow hedge	-	-	-	-	-	26	-	26
Total comprehensive income	-	-	1,780	-	-	26	128	1,934
Transactions with owners, recognised directly in equity:								
Dividends	-	-	(1,818)	-	-	-	-	(1,818)
Allotment of share capital	94	15,933	(4)	-	-	-	-	16,023
Long-term incentive plan charge	-	-	658	-	-	-	-	658
Long-term incentive plan vesting	-	-	(664)	-	-	-	-	(664)
Related tax movements on long-term incentive plan	-	-	(124)	-	-	-	-	(124)
Balance at 31 January 2017	696	16,390	(5,872)	43,457	(2,950)	-	(428)	51,293

	Attributable to owners of the parent							Total equity £000
	Share capital (note 26) £000	Share premium account £000	Retained earnings/ (accumulated losses) £000	Other reserves			Foreign currency translation reserve £000	
				Capital reserve (note 27) £000	Merger reserve £000	Hedge reserve £000		
Balance at 1 February 2017	696	16,390	(5,872)	43,457	(2,950)	-	(428)	51,293
Profit for the year	-	-	11,753	-	-	-	-	11,753
Other comprehensive income:								
Remeasurements of defined benefit pension schemes (note 23)	-	-	(1,219)	-	-	-	-	(1,219)
Corporation tax credits recognised in equity	-	-	234	-	-	-	-	234
Deferred tax relating to pension scheme liability	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	(97)	(97)
Cash flow hedge	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	10,768	-	-	-	(97)	10,671
Transactions with owners, recognised directly in equity:								
Dividends	-	-	(2,659)	-	-	-	-	(2,659)
Allotment of share capital	13	2,292	-	-	-	-	-	2,305
Long-term incentive plan charge	-	-	434	-	-	-	-	434
Long-term incentive plan vesting	-	-	(404)	-	-	-	-	(404)
Related tax movements on long-term incentive plan	-	-	(28)	-	-	-	-	(28)
Balance at 31 January 2018	709	18,682	2,239	43,457	(2,950)	-	(525)	61,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND GENERAL INFORMATION

General information

Walker Greenbank PLC ('the Company') and its subsidiaries (together 'the Group') is a luxury interior furnishings group whose brands include Sanderson, Morris & Co., Harlequin, Zoffany, Scion, Anthology, Clarke & Clarke and Studio G. The brands are targeted at the mid to upper end of the premium market. They have worldwide distribution including prestigious showrooms at Chelsea Harbour, London and the D&D Building, Manhattan, New York. Around one-third of the Brands' turnover is sourced in-house from the Group's own specialist manufacturing facilities of Standfast & Barracks, the fabric printing business situated in Lancaster, and Anstey Wallpaper Company, situated in Loughborough. The manufacturing businesses produce for other interior furnishing businesses both in the UK and throughout the world. The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is registered and domiciled in the UK. The Company registration number is 61880 and the address of its registered office is Chalfont House, Oxford Road, Denham, UB9 4DX.

Basis of preparation

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

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

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

In preparing these financial statements the Group has applied the IFRSs as adopted by the EU and the IFRS IC interpretations where the effective date is relevant to the financial year commencing on 1 February 2017 or ending 31 January 2018.

Since the Group's previous annual financial statements for the year ended 31 January 2017, the following pronouncements are now effective and have been adopted by the Group:

- Amendment to IAS 1 'Presentation of Financial Statements', on disclosure initiative – effective periods beginning on or after 1 January 2016.
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation – effective periods beginning on or after 1 January 2016.

There has been no material effect on the Group's financial statements following the introduction of the above. No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 January 2018 have had a material impact on the Group.

The Group has not applied the following new standards, amendments and interpretations for which adoption is not mandatory for the year ending 31 January 2018 and/or which have not yet been endorsed by the EU:

- IFRS 9 'Financial instruments' ('IFRS 9') – classification and measurement – effective periods beginning on or after 1 January 2018.
- IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15') – effective periods beginning on or after 1 January 2018.
- IFRS 16 'Leases' ('IFRS 16') – effective periods beginning on or after 1 January 2019.
- Amendments to IFRS 2 'Share-based Payment' on classification and measurement of share-based payments – effective periods beginning on or after 1 January 2018.

With the exception of IFRS 16, the Group has concluded its evaluation of the impact of these pronouncements but at this stage does not expect there to be any material impact on the financial statements.

IFRS 9 'Financial Instruments' replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group has assessed the potential impact on its consolidated financial statements resulting from the application of IFRS 9 and concluded that the impact of this new standard is unlikely to be material.

IFRS 15 is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principles based five-step model to be applied to all revenue contracts. It replaces the separate models for goods, services and construction contracts under current IFRSs. It also provides further guidance on the measurement of sales on contracts which have discounts, rebates and consignment inventories. During the year, the Group carried out a review of the current recognition criteria for revenue against the requirements of IFRS 15. This review examined credits/payments to customers post the initial sale, licensing agreements, carriage recoveries and consignment inventories.

The Group has determined that the impact of IFRS 15 has a financial effect on the 2018 Income Statement and the Balance Sheet at 31 January 2018 is expected to result in an increase in revenue of £4,800,000 with a corresponding £2,400,000 increase in profit before tax. The Group will adopt, at 1 February 2018, the modified retrospective approach for IFRS 15 in its financial statements for the year ending 31 January 2019.

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts unless the underlying asset has a low value or the lease term is 12 months or less. On adoption, lease agreements will give rise to both a right-of-use asset and a lease liability for future lease payables. Depreciation of the right-of-use asset will be recognised together with interest on the lease liability resulting in a front loading of total charge in the Income Statement.

As at 31 January 2018, the Group has non-cancellable operating lease commitments of £12,438,000 (see note 31). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify as short-term or low-value leases. The new requirement to recognise a right-of-use asset and related lease liability is expected to have a significant impact on the amounts recognised in the Group's financial statements. Management are currently assessing the potential impact and at this stage it is not practicable to provide a reasonable estimate of the financial effect until this review is complete.

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

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

The financial statements of the Company as an entity are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 and are presented separately from the consolidated financial statements (pages 102 to 120).

Basis of consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION 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, and equity instruments issued by the Group, in exchange for control of the acquiree. Any acquisition costs are expensed as incurred. The identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

Foreign currencies

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

Transactions in foreign currencies, which are those other than the functional currency of the Company, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the Balance Sheet date. All unhedged exchange differences are recognised in the Income Statement for the period within administration expenses.

The assets and liabilities of the Group's overseas subsidiaries on consolidation are translated at the rates of exchange ruling at the Balance Sheet date. The income and expenses are translated at the weighted average rate during the period. Differences on translation are recognised in a separate foreign currency translation reserve within equity.

Intangible assets – Goodwill

Goodwill arising on acquisition of subsidiaries is initially measured at cost, being the excess of the fair value of the consideration for the acquisition, which includes the amount of any non-controlling interest recognised, over the Group's interest in the net fair value of the acquired entity's identifiable assets and liabilities and any non-controlling interest in the acquiree at the date of acquisition.

Goodwill is not amortised, but reviewed for impairment annually, any impairment is recognised immediately in the Income Statement and is not subsequently reversed. If a significant event occurs that may affect the carrying value of goodwill, an impairment review will be carried out. No such events have occurred in the current or previous financial year. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The measurement basis for goodwill is cost less accumulated impairment.

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

Intangible assets – Arthur Sanderson and William Morris Archive

The Arthur Sanderson and William Morris Archive comprises an historical record of unique designs that can be used at any point going forward and is regularly used to generate a significant royalty income in the business. The Directors believe that the Archive has an indefinite useful life and is therefore not subject to amortisation. The carrying value of this asset is reviewed annually and provision made for any impairment in the carrying value if required. If a significant event occurs that may affect the carrying value of the Archive, an additional impairment review will be carried out. No such events have occurred in the current or previous financial year. The measurement basis used for the Archive is historical cost less accumulated impairment.

Intangible assets – Software

Acquired computer software licences are capitalised at the cost incurred to bring the asset into use, including where relevant directly attributable internal costs incurred in preparing the software for operation. The costs are amortised to their estimated residual value over their estimated useful life, which range from three to ten years on a straight-line basis. Software amortisation commences when the asset goes into operational use by the business. The measurement basis used for software is cost less accumulated amortisation and impairment.

Intangible assets – Collection design

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

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

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

Intangible assets – Brands

Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. Strategic brands are well-known international/local brands with a strong market position and an established brand name.

Strategic brands have a finite useful economic life and are carried at cost less accumulated amortisation. Brands are amortised on an individual straight-line basis over the estimated useful life of the brands, being 20 years.

Intangible assets – Customer-related intangibles

Customer-related intangibles are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. If the amounts are not material, these are included in the brand valuation. The relationship between brands and customer-related intangibles is carefully considered so that brands and customer-related intangibles are not both recognised on the basis of the same cash flows.

Customer-related intangibles acquired as part of a business combination are valued at fair value. Customer-related intangibles acquired separately are measured at cost.

Customer-related intangibles are amortised on a straight-line basis over the remaining useful life of the customer relationships, currently being six years.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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

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

Government grants received for property, plant and equipment are included within other payables and deferred revenue and released to the Income Statement over the life of the asset.

Impairment of non-financial assets

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

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

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

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

Inventories

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

Marketing materials

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

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

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

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

Financial assets and liabilities – measurement basis

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

Non-derivative financial assets are classified as 'loans and receivables' according to the purpose for which the asset was acquired. This category includes:

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

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

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

- 'trade and other payables' – these are typically non-interest bearing and following initial recognition are included in the Balance Sheet at amortised cost using the effective interest method;
- 'bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs and subsequently held at amortised cost using the effective interest method; and
- 'borrowings' – these are recorded initially at the fair value, net of direct issue costs, and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are accounted for 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. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Derivative financial instruments and hedge accounting – measurement basis

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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

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

Cash and cash equivalents

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

For the purposes of the Cash Flow Statement it is the Group's policy to classify interest received within 'cash flows from investing activities' and interest paid within 'cash flows from operating activities'.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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.

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 – retirement benefit obligations

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

For defined benefit retirement schemes, the funding of benefits is determined using the projected unit credit method, with full actuarial valuations being carried out triennially.

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

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

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

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

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

Employee benefits – share-based payments under Long-Term Incentive Plans ('LTIP')

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

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

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

Employee benefits – short-term bonus plans

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

Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution is set by the Board on a regular basis so long as sufficient funds are available.

Share premium

Incremental costs directly attributable to the issue of new ordinary shares or options 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. The EBT is treated as an agent of the Group and, as such, EBT transactions are treated as being those of the Group.

Revenue

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

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

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

Non-underlying items

Items that are both material and whose nature is sufficient to warrant separate disclosure and identification are disclosed within the financial statements and classified within their relevant category in the Income Statement as non-underlying. Non-underlying items typically include amounts in relation to acquisitions, unexpected external events and significant restructuring and reorganisation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that reimbursement will be received. The reimbursement is treated as a separate asset, and recognised as an 'other receivable'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

Taxation including deferred income tax

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

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

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

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 assets are recognised only to the extent it is probable that future taxable profits will be available against which temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Segmental reporting

The Group is a designer, manufacturer and distributor of furnishings, fabrics and wallpaper and manages its operations as two reportable segments, which are Brands and Manufacturing.

Reportable segments consist of one or more operating segments. Aggregation of operating segments into reportable segments occurs when aggregation criteria, as laid down in IFRS 8 'Operating Segments' are satisfied, including similar economic characteristics or when operating segments are less than the quantitative limits as laid down in IFRS 8.

The Group considers its Chief Operating Decision Maker ('CODM') to be the Board of Directors, who are responsible for the allocation of resources and assessing performance of the operating segments.

Interest received

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

2. FINANCIAL RISK MANAGEMENT

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

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

a) Foreign exchange risk

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

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

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

For the year ended 31 January 2018, the average sterling to US dollar translation rate applied by the Group was £1: US\$1.29. If the rate had been £1: US\$1.19 with all other variables held constant, profit before tax would have been lower by £107,000. If the rate had been £1: US\$1.39 with all other variables held constant, profit before tax would have been higher by £91,000.

For the year ended 31 January 2018, the average sterling to Euro translation rate applied by the Group was £1: €1.14. If the rate had been £1: €1.04 with all other variables held constant, profit before tax would have been higher by £265,000. If the rate had been £1: €1.24 with all other variables held constant, profit before tax would have been lower by £222,000.

The sensitivities tested above reflect movements in the foreign currency exchange rates over the financial year. The sensitivity of movements in other currencies is not considered material to the performance of the Group.

b) Interest rate risk

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

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

In December 2015, the Group entered into a new multi-currency revolving credit facility with Barclays Bank PLC and cancelled the existing receivables facility. Variable interest rates were negotiated on all the loans. The Board continues to monitor the interest rates monthly.

For the year ended 31 January 2018, had the benchmark interest rate levels been 0.5% higher/(lower) than the actual experience, with all other variables held constant, the profit before tax of the Group would have been (lower)/higher by £59,000 due to the change in interest rate expense on variable rate borrowings. The 0.5% sensitivity is deemed a reasonable sensitivity analysis based on expected movements in the base rate for the next financial year.

c) Credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2. FINANCIAL RISK MANAGEMENT CONTINUED

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

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

There is no difference between the carrying amount and the maximum credit risk exposure. No collateral is held as security by the Group.

d) Liquidity risk

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

During the year the Group had facilities with Barclays Bank PLC which are disclosed in note 22.

Management monitors rolling forecasts of the Group's cash and loan facility utilisation on a monthly basis. The Group ensures that it has adequate facilities available to cover both its short-term and medium-term commitments and complies with bank covenants. In addition, the Group's liquidity management policy is to project cash flows in major currencies and consider the level of liquid assets necessary to meet these liabilities as they fall due. Surplus cash held over and above the balance required for working capital requirements is transferred to the Group treasury and held in interest bearing accounts.

e) Capital risk management

The Group's objectives when managing capital are:

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

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

The Group monitors capital on the basis of the average net debt to adjusted capital ratio (or 'gearing ratio'). The ratio is calculated as average net debt divided by adjusted capital. Average net debt is calculated as the total debt less cash and cash equivalents during the year. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained earnings, and other reserves) other than amounts recognised in equity relating to cash flow hedges and forward currency contracts. The average gearing ratios for 2018 and 2017 were as follows:

	Year ended 31 January	
	2018 £000	2017 £000
Average net debt	11,246	3,040
Total equity	61,612	51,293
Add: amounts recognised directly in equity relating to currency contracts	-	-
Adjusted capital	61,612	51,293
Average net debt to adjusted capital ratio	18.3%	5.9%
Year end net debt/(funds) to adjusted capital ratio	8.5%	10.4%

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

The gearing ratio at the year end is higher than the average gearing ratio due to the seasonal nature of trading in the months of December and January.

f) Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the Balance Sheet date provided by relationship banks. Under the revisions to IFRS 7 these amounts are classified within Level 2 of the fair value hierarchy.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Retirement benefit obligations

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

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

b) Impairment of non-financial assets

The Group tests annually whether goodwill or its indefinite life intangible asset has suffered any impairment, in accordance with its accounting policy. Other intangibles and property, plant and equipment are also reviewed whenever impairment triggers are apparent. The recoverable amounts of cash-generating units have been determined based on value in use ('VIU') calculations. These calculations require use of estimates of future sales, margins, and other operating and administration expenses, and of discount rates. Further disclosures relating to the estimates and assumptions applied, and carrying amounts of the non-financial assets, are set out in notes 15 and 16.

The Group makes provision for impairment in the carrying amount of its inventories and marketing materials. The nature of the Group's products are exposed to changes in taste and attitudes from time to time, which can affect the demand for those products. The Group has skilled and experienced management who utilise historical sales information, and exercise their judgement, in making estimates about the extent of provisions necessary based on the realisable value of inventory and expected future benefit to the Group of marketing materials taking into account the estimated price and volume of future sales or usage, less the further costs of sale and holding costs. Further disclosures relating to the effect on the Income Statement of the establishment and reversal of such provisions against inventory are included in note 8. Details of the carrying amount of inventories are disclosed in note 17 and of marketing materials in note 18. The carrying values of the non-financial assets are not considered to be sensitive due to the nature of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

c) Deferred tax recognition

The Group considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the Long-Term Incentive Plan ('LTIP'). The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of companies within the Group, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of LTIP payment awards. Further disclosures relating to the effect on the Income Statement of the recognition of deferred tax assets are included in note 13 and the amount of deferred tax liability recognised and other relevant disclosures are included in note 17. The Group considers the sensitivity on deferred tax recognition to be based on profits generated by the Group and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

d) Long-term incentive plan payment awards

The Group has granted awards to Executive Directors and senior management which include vesting conditions relating to the future financial performance of the Group as measured by adjusted profit before tax ('PBT') and the relative performance of the Group's Total Shareholder Return ('TSR') against comparator companies. The fair value of the awards granted is charged against the Income Statement over the vesting period; the amount of that charge, including the national insurance component of the charge, is dependent upon the Group's estimates of how many awards will ultimately vest, which is linked directly to its estimates regarding future PBT and TSR achievement. Further disclosures relating to performance targets are included in the Directors' Remuneration Report on pages 45 to 48 and in note 26.

e) Business combinations

The Group applies judgement in determining whether a transaction is a business combination, which includes consideration as to whether the Group has acquired a business or a group of assets. For business combinations, the Group estimates the fair value of the consideration transferred, which includes assumptions about the future performance of the business acquired and an appropriate discount rate to determine the fair value of any contingent consideration. Judgement is also applied in determining whether any future payments should be classified as contingent consideration or as remuneration for future services. The Group estimates the fair value of assets acquired and liabilities assumed in the business combination, including any separately identifiable intangible assets and considering contingent liabilities. These estimates also require inputs and assumptions including future earnings, customer attrition rates and discount rates. The Group engages external experts to support the valuation process, where appropriate.

The fair value of the contingent consideration recognised in business combinations is reassessed at each reporting date, using updated inputs and assumptions based on the latest financial forecasts for the relevant business. Judgement is applied as to whether changes should be applied at the acquisition date or as post-acquisition changes. Fair value movements and the unwinding of the discounting is recognised within finance costs in the Income Statement.

4. SEGMENTAL ANALYSIS

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

- Brands – comprising the design, marketing, sales and distribution, and licensing activities of Sanderson, Morris & Co., Harlequin, Zoffany, Anthology, Scion, Clarke & Clarke and Studio G brands operated from the UK and its foreign subsidiaries in the US and France.
- Manufacturing – comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast respectively.

This is the basis on which the Group presents its operating results to the Board of Directors, which is considered to be the CODM for the purposes of IFRS 8. Other Group-wide activities and expenses, predominantly related to corporate head office costs, defined benefit pension costs, long-term incentive plan expenses, taxation and eliminations of inter-segment items, are presented within 'Eliminations and unallocated'.

Following the acquisition of Clarke & Clarke, the Board of Directors has also monitored the performance of this division for the purposes of the earn-out.

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

Year ended 31 January 2018	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK revenue	48,414	14,426	-	62,840
International revenue	38,870	3,936	-	42,806
Licence revenue	3,118	-	-	3,118
Revenue – external	90,402	18,362	-	108,764
Revenue – internal	-	15,014	(15,014)	-
Total revenue	90,402	33,376	(15,014)	108,764
Profit/(loss) from operations	12,603	1,942	(508)	14,037
Net defined benefit pension charge	-	-	(573)	(573)
Net finance costs	-	-	(680)	(680)
Profit/(loss) before tax	12,603	1,942	(1,761)	12,784
Tax charge	-	-	(1,031)	(1,031)
Profit/(loss) for the year	12,603	1,942	(2,792)	11,753

Year ended 31 January 2017	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK revenue	42,531	12,227	-	54,758
International revenue	31,552	3,497	-	35,049
Licence revenue	2,566	-	-	2,566
Revenue – external	76,649	15,724	-	92,373
Revenue – internal	-	16,320	(16,320)	-
Total revenue	76,649	32,044	(16,320)	92,373
Profit/(loss) from operations	9,239	1,026	(2,406)	7,859
Net defined benefit pension charge	-	-	(527)	(527)
Net finance costs	-	-	(367)	(367)
Profit/(loss) before tax	9,239	1,026	(3,300)	6,965
Tax charge	-	-	(1,600)	(1,600)
Profit/(loss) for the year	9,239	1,026	(4,900)	5,365

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

Inter-segment revenue earned by Manufacturing from sales to Brands is determined on normal commercial trading terms as if Brands were any other third party customer.

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

Business interruption reimbursements to cover loss of profits of £1,069,000 (£2017: £2,837,000) are included within 'Eliminations and unallocated'.

Tax charges have not been allocated to a segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

4. SEGMENTAL ANALYSIS CONTINUED

b) Additional segmental revenue information

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

Brands international revenue by export market:	2018 £000	2017 £000
Western Europe	11,710	9,594
Scandinavia	2,789	2,557
Eastern Europe	3,023	2,374
Europe Total	17,522	14,525
Middle East	2,028	1,345
Far East	4,100	3,308
USA	12,670	10,310
South America	431	458
Australasia	1,246	1,004
Other	873	602
	38,870	31,552

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

Brand revenue analysis:	2018 £000	2017 £000
Harlequin, incorporating Anthology and Scion	30,531	31,270
Sanderson, incorporating Morris & Co.	23,358	22,516
Zoffany	11,621	12,162
Clarke & Clarke, incorporating Studio G	21,202	7,267
Other brands	572	868
Licensing	3,118	2,566
	90,402	76,649

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

Manufacturing revenue analysis:	2018 £000	2017 £000
Standfast	15,423	15,097
Anstey	17,953	16,947
	33,376	32,044

c) Other Income Statement segmental information

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

Year ended 31 January 2018	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Depreciation	1,232	1,217	1	2,450
Amortisation	613	13	1,016	1,642
Impairment losses – trade receivables	178	36	-	214
Reversal of impairment losses – trade receivables	(12)	(33)	-	(45)
Impairment losses – inventory	381	330	-	711
Reversal of impairment of inventory	-	(71)	-	(71)
LTIP payment charges	-	-	413	413

Year ended 31 January 2017	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Depreciation	1,070	1,093	9	2,172
Amortisation	666	11	342	1,019
Impairment losses – trade receivables	45	4	–	49
Reversal of impairment losses – trade receivables	(160)	–	–	(160)
Impairment losses – inventory	1,366	189	–	1,555
Reversal of impairment of inventory	–	(32)	–	(32)
LTIP payment charges	–	–	756	756

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

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

Year ended 31 January 2018	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	51,215	19,573	28,865	99,653
Liabilities	(14,009)	(6,253)	(17,779)	(38,041)
Total net assets	37,206	13,320	11,086	61,612
Capital expenditure – intangible assets	559	143	159	861
Capital expenditure – property, plant and equipment	1,876	561	199	2,636

Year ended 31 January 2017	Brands (Restated) £000	Manufacturing £000	Eliminations and unallocated (Restated) £000	Total (Restated) £000
Assets	48,880	20,996	29,859	99,735
Liabilities	(15,773)	(13,333)	(19,336)	(48,442)
Total net assets	33,107	7,663	10,523	51,293
Capital expenditure – intangible assets	774	18	–	792
Capital expenditure – property, plant and equipment	918	4,658	400	5,976

Restatement of the year ended 31 January 2017 is explained in note 32.

e) Additional entity-wide disclosures

Revenue by geographical location of customers:	2018 £000	2017 £000
United Kingdom	64,607	56,064
Continental Europe	19,209	15,917
USA	14,727	12,237
Rest of the World	10,221	8,155
	108,764	92,373

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

4. SEGMENTAL ANALYSIS CONTINUED

Non-current assets by geographical territory:	2018 £000	2017 £000
United Kingdom	46,932	46,584
Continental Europe	210	218
USA	600	649
	47,742	47,451

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

5. (A) ANALYSIS OF REVENUE BY CATEGORY

	2018 £000	2017 £000
Sale of goods	105,646	89,807
Licence royalty income	3,118	2,566
	108,764	92,373

(B) ANALYSIS OF EXPENSE BY NATURE

	2018 £000	2017 £000
Changes in inventories of finished goods and work in progress	(6,079)	(5,858)
Raw materials and consumables used	42,183	32,927
Employee benefit expense	27,241	26,065
Depreciation and amortisation charges	3,076	2,849
Transportation expenses	3,604	2,180
Advertising costs	2,089	2,138
Other selling costs	6,589	5,355
Establishment costs	5,564	4,345
Operating lease payments	2,995	2,618
Repairs and maintenance	1,026	1,010
Other expenses	9,164	11,739
Total cost of sales, distribution and selling costs and administration expenses included within underlying results	97,452	85,368

6. NET OTHER INCOME

Net other income arising as a result of the flood at Standfast, the Group's fabric printing factory, in December 2015, is £1,069,000 (2017: £2,837,000) and represents business interruption reimbursements to cover loss of profits. In addition, non-underlying other income of £4,264,000 (2017: £2,248,000) is explained in note 7.

7. NON-STATUTORY PROFIT MEASURES

Underlying profit measures

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items considered non-operational in nature. This measure of profit is described as 'underlying' and is used by management to measure and monitor performance. The excluded items are referred to as 'non-underlying' items.

Non-underlying items

The non-underlying items included in profit before tax are as follows:

	Note	2018 £000	2017 £000
(i) Acquisition related:			
Transaction costs	(a)	-	(1,552)
Amortisation of acquired intangible assets		(1,016)	(342)
Unwind of the fair value uplift adjustment on inventory	(b)	(182)	(1,061)
Unwind of discount on contingent consideration	(c)	(405)	(181)
Fair value adjustment to contingent consideration	(d)	4,047	-
		2,444	(3,136)
(ii) Standfast flood:			
Incremental costs, inventory loss and property, plant and equipment impairments		(1,125)	(7,165)
Insurance reimbursements		1,342	9,413
	(e)	217	2,248
(iii) Restructuring and reorganisation costs	(f)	(701)	(1,276)
(iv) Anstey fire:			
Incremental costs and property, plant and equipment repairs	(g)	(709)	-
Total non-underlying items included in profit before tax		1,251	(2,164)
Tax on non-underlying items		1,458	9
Total impact of non-underlying items on profit after tax		2,709	(2,155)

Costs detailed in (a) – (c) below relate to costs incurred on the acquisition of Clarke & Clarke, which completed on 31 October 2016 (see note 32).

- (a) Transaction costs comprise legal and professional fees in relation to the acquisition. In addition, share issue costs of £nil (2017: £978,000) relating to the acquisition have been offset against the share premium account.
- (b) In accordance with IFRS, the inventory value was uplifted to fair value at the date of acquisition by £1,243,000 and this adjustment increased costs of sales in the post-acquisition period. A £182,000 (2017: £1,061,000) cost in respect of unwind of the fair value uplift adjustment is considered an exceptional cost of sale. The balance of the fair value uplift has been fully unwound during the year.
- (c) A charge of £405,000 (2017: £181,000) has been recognised in respect of unwind of the contingent consideration on acquisition.
- (d) As a result of the challenging performance targets and prevailing market conditions, the performance target for the period ended 31 January 2018 has not been achieved. It is not considered likely that the performance targets for the remaining two years will be achieved; therefore, there has been a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 credit to the Income Statement, in other income.
- (e) Other income of £217,000 (2017: £2,248,000) comprises of proceeds arising from reimbursement of costs to replace impaired plant and equipment and intangible assets of £217,000 (2017: £2,780,000) less flood defence costs of £nil (2017: £253,000) and additional insurance costs of £nil (2017: £279,000).
- (f) Restructuring and reorganisation costs relate to the reorganisation of the Group and comprise of the rationalisation of certain operational and support functions. These costs mainly comprise professional fees, employee severance and property costs associated with the reorganisation process.
- (g) Anstey fire-related costs of £709,000 are in respect of plant and equipment repairs and related costs following a minor fire.

In addition to the non-underlying items detailed above, an adjustment is made for the LTIP accounting charge and net defined benefit pension charge in arriving at the 'Adjusted profit' and 'Adjusted earnings per share'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

8. GROUP PROFIT FROM OPERATIONS

	2018 £000	2017 £000
Group profit from operations is stated after charging/(crediting):		
Depreciation of property, plant and equipment	2,450	2,172
Amortisation of intangibles	626	677
Amortisation of acquired intangibles	1,016	342
Cost of inventories recognised as expense in cost of sales	36,104	27,069
Unwind of the fair value uplift adjustment on inventory	182	1,061
Impairment of inventories	711	1,555
Reversal of impairment of inventories	(71)	(32)
Impairment of trade receivables	214	49
Reversal of impairment of trade receivables	(45)	(160)
Net foreign exchange (gains)/losses	(139)	(81)
Operating lease rentals:		
– Hire of motor vehicles and plant and machinery	693	564
– Land and buildings	2,302	2,054
	2018 £000	2017 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	58	58
Fees payable to the Company's auditors for other services: Audit of the Company's subsidiaries pursuant to legislation	149	148
Other accounting services	-	35
Advisory services	-	67
Taxation services	125	40
Corporate finance services	-	536
	332	884

9. NET DEFINED BENEFIT PENSION CHARGE

	2018 £000	2017 £000
Expected return on pension scheme assets	1,789	2,064
Interest on pension scheme liabilities	(1,976)	(2,199)
Scheme expenses met by the Group	(386)	(392)
Net charge (note 23)	(573)	(527)

10. FINANCE COSTS

	2018 £000	2017 £000
Interest income:		
Interest received on bank deposits	2	1
Interest expense:		
Interest payable on bank borrowings	(245)	(161)
Amortisation of issue costs of bank loans	(32)	(26)
Total finance costs	(277)	(187)
Net finance costs excluding non-underlying items	(275)	(186)
Unwind of discount on contingent consideration (note 7)	(405)	(181)
Net finance costs including non-underlying items	(680)	(367)

11. EMOLUMENTS OF DIRECTORS

	Salary £000	Bonus £000	LTIP £000	Benefits £000	Sub-total aggregate emoluments £000	Cash allowance in lieu of pension £000	Compensation for loss of office £000	2018 Total £000	2017 Total £000
Executive Directors:									
John Sach	286	-	227	3	516	37	-	553	842
Mike Gant	228	-	205	3	436	29	-	465	328
Fiona Holmes (resigned 14 August 2017)	116	-	-	1	117	14	214	345	98
David Smallridge (resigned 31 January 2017)	-	-	-	-	-	-	-	-	465
Non-executive Directors:									
Terry Stannard	71	-	-	-	71	-	-	71	70
Fiona Goldsmith	33	-	-	-	33	-	-	33	32
	734	-	432	7	1,173	80	214	1,467	1,835

Retirement benefits were accruing to one Director (2017: one) under a defined benefit scheme, who is the highest paid Director. Accrued annual pension benefits at the year end were £14,875 (2017: £14,593). Benefits are accruing under defined contribution schemes for two Directors (2017: three Directors).

Further information on the remuneration of the Directors is included in the Directors' Remuneration Report set out on pages 45 to 48.

12. EMPLOYEE INFORMATION

	2018 £000	2017 £000
Wages and salaries	23,346	22,276
Social security costs	2,461	2,101
Other pension costs	1,021	932
LTIP awards, including NIC thereon	413	756
Employee benefit expense	27,241	26,065

The average monthly number of employees (including Directors) during the year	2018 Number	2017 Number
Brands, including warehousing	337	300
Manufacturing	291	329
Overseas	38	34
Corporate and administration	20	18
	686	681

Compensation of key management personnel

	2018 £000	2017 £000
Short-term employee benefits (including short term incentives)	3,635	3,286
Post-employment benefits (including pension costs)	188	182
LTIP awards	413	756
	4,236	4,224

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

13. TAX EXPENSE

	2018 £000	2017 £000
Current tax:		
- UK current tax	1,722	1,367
- UK adjustments in respect of prior years	85	78
- overseas, current tax	-	-
Corporation tax	1,807	1,445
Deferred tax:		
- current year	(795)	271
- adjustments in respect of prior years	36	(12)
- effect of changes in corporation tax rates	(17)	(104)
Deferred tax	(776)	155
Total tax charge for the year	1,031	1,600
Reconciliation of total tax charge for the year	2018 £000	2017 £000
Profit on ordinary activities before tax	12,784	6,965
Tax on profit on ordinary activities at 19% (2017: 20%)	2,429	1,393
Non-deductible expenditure	86	418
Parent and overseas losses and temporary timing differences not recognised	(36)	(99)
Income not subject to tax	(795)	-
Permanent differences in respect of share options	170	11
Adjustments in respect of prior years	121	66
Reversal of acquisition-related deferred tax	(927)	-
Adjustments in respect of pre-acquisition period	-	(85)
Effect of changes in corporation tax rates	(17)	(104)
Total tax charge for year	1,031	1,600

Factors affecting current and future tax charges

No overseas taxation is anticipated to become payable within the immediate future due to the availability of gross tax losses of approximately £3.2 million (2017: £2.8 million).

The deferred tax balance at 31 January 2018 included within these financial statements has been calculated at a rate of 17%, as this is the rate at which the majority of the balances are expected to unwind.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 and became substantively enacted in the Finance Bill 2016 on 6 September 2016 to reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

14. EARNINGS PER SHARE

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held in the Employee Benefit Trust ('EBT') and those held in treasury (note 26), which are treated as cancelled. The adjusted basic earnings per share is calculated by dividing the adjusted earnings by the weighted average number of shares. As a consequence of the improved profitability of the Group, PBT performance criteria within LTIPs 9, 10 and 11 are now being met and as a consequence these LTIP awards are now dilutive.

	2018			2017		
	Earnings £000	Weighted average number of shares (000s)	Per share amount Pence	Earnings £000	Weighted average number of shares (000s)	Per share amount Pence
Basic earnings per share	11,753	70,376	16.70	5,365	62,732	8.55
Effect of dilutive securities:						
Shares under LTIP		428			3,645	
Diluted earnings per share	11,753	70,804	16.60	5,365	66,377	8.08
Adjusted basic and diluted earnings per share:						
Add back LTIP accounting charge	413			756		
Add back net defined benefit pension charge	573			527		
Non-underlying items (note 7)	(1,251)			2,164		
Tax effect of non-underlying items and other add backs	(1,269)			(235)		
Adjusted basic earnings per share	10,219	70,376	14.52	8,577	62,732	13.67
Adjusted diluted earnings per share	10,219	70,804	14.43	8,577	66,377	12.92

On 31 May 2017, 421,218 shares vested under the Company's LTIP. To satisfy the vesting, 227,247 shares of 1 pence each were allotted at par value and 4,909 shares were issued from the Walker Greenbank PLC EBT.

On 26 June 2017, the Company issued 1,116,586 ordinary shares of 1 pence each at an issue price of 206.25 pence per share in respect of the first tranche of the performance-related Clarke & Clarke earn-out consideration for the period ended 31 January 2017.

Following these transactions Walker Greenbank's issued ordinary share capital with voting rights at 31 January 2018 consists of 70,895,511 (2017: 69,551,678) ordinary shares of which no (2017: nil) ordinary shares are held in treasury and no (2017: 4,909) ordinary shares are held by the Walker Greenbank PLC EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

In order to finance the initial cash consideration to acquire 100% of the issued share capital of Clarke & Clarke, a placing of a total of 8,947,369 new ordinary shares of 1 pence each in the Company was announced on 12 October 2016. These shares, which represented approximately 12.9% of the Company's issued ordinary share capital on admission to trading on AIM (excluding treasury shares), were placed at a price of 190.0 pence per share, raising proceeds of approximately £17,000,000.

On 16 May 2016, 773,393 shares vested under the Company's Long-Term Incentive Plan. To satisfy the vesting, 431,788 shares of 1 pence each were allotted at par value.

The market value of shares held by the EBT at 31 January 2018 was £nil (2017: £10,000). The total number of shares held in the EBT at the year end represented 0% (2017: 0.01%) of the issued shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

15. INTANGIBLE ASSETS

	Goodwill £000	Arthur Sanderson and William Morris Archive £000	Collection design £000	Brand £000	Customer- related intangibles £000	Software £000	Total £000
Cost							
1 February 2016	1,400	4,300	2,806	-	-	2,480	10,986
Additions	-	-	548	-	-	244	792
Additions from business combinations (Restated)	15,691	-	-	5,566	4,427	-	25,684
Disposals	-	-	(213)	-	-	-	(213)
31 January 2017 (Restated)	17,091	4,300	3,141	5,566	4,427	2,724	37,249
Additions	-	-	604	-	-	257	861
Disposals	-	-	-	-	-	-	-
31 January 2018	17,091	4,300	3,745	5,566	4,427	2,981	38,110
Accumulated amortisation							
1 February 2015	841	-	1,956	-	-	1,085	3,882
Charge	-	-	340	94	248	337	1,019
Disposal	-	-	(213)	-	-	-	(213)
31 January 2017	841	-	2,083	94	248	1,422	4,688
Charge	-	-	310	278	738	316	1,642
Disposal	-	-	-	-	-	-	-
31 January 2018	841	-	2,393	372	986	1,738	6,330
Net book amount							
31 January 2018	16,250	4,300	1,352	5,194	3,441	1,243	31,780
31 January 2017 (Restated)	16,250	4,300	1,058	5,472	4,179	1,302	32,561
31 January 2016	559	4,300	850	-	-	1,395	7,104

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.

Goodwill (£15,691,000), brand (£5,566,000) and customer-related intangibles (£4,427,000) were recognised on the business combination of Clarke & Clarke during the year ended 31 January 2017.

The total amortisation expense of £1,642,000 (2017: £1,019,000) is split between administration expenses £613,000 (2017: £666,000), distribution and selling costs £13,000 (2017: £11,000) and £1,016,000 (2017: £342,000) in non-underlying items. The amount included in non-underlying items relates to the amortisation of acquired intangible assets.

Prior year restatement

As disclosed in note 32, net adjustments of £955,000 were made this year, increasing the goodwill recognised on the business combination of Clarke & Clarke as a restatement of the 2017 Balance Sheet.

Impairment tests for goodwill and Arthur Sanderson and William Morris Archive

Out of the total carrying value of goodwill at year end of £16,250,000 (2017: £16,250,000), £15,691,000 (2017: £15,691,000) is attributable to the Brands segment and £559,000 (2017: £559,000) to the Manufacturing segment.

The carrying value of the Archive at the year end of £4,300,000 (2017: £4,300,000) is attributable to the Brands segment.

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 (2017: £nil).

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

The Group estimates the VIU using a discounted cash flow model ('DCF'), where the projected cash flows for separate or collective groups of CGUs are discounted using a pre-tax rate of 10.63% (2017: 11.34%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2017: two years) of its VIU calculation, with extrapolation beyond the last explicit year using an assumption of growth for future years ranging from 1% to 2% (2017: 1% to 2%) depending upon the CGU being tested.

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

The recoverable amount of the Archive intangible asset is estimated based on VIU, and comprises estimated future cash flows from royalty income relating to the Archive. A discount rate of 10.63% (2017: 11.34%) is applied.

The Group does not consider it reasonably probable that any significant changes to the key assumptions will arise that would result in impairment of either goodwill or the Archive as at 31 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £000	Leasehold improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost					
1 February 2016	5,434	-	26,955	1,713	34,102
Additions	275	412	5,074	215	5,976
Additions from business combinations	-	42	222	58	322
Disposals	-	-	(466)	-	(466)
Currency movements	-	-	173	4	177
31 January 2017	5,709	454	31,958	1,990	40,111
Additions	160	103	2,070	303	2,636
Disposals	-	-	(48)	-	(48)
Currency movements	-	-	(43)	(4)	(47)
31 January 2018	5,869	557	33,937	2,289	42,652
Accumulated depreciation					
1 February 2016	1,794	-	19,084	1,537	22,415
Charge	97	3	1,945	127	2,172
Disposals	-	-	(377)	-	(377)
Currency movements	-	-	53	3	56
31 January 2017	1,891	3	20,705	1,667	24,266
Charge	101	75	2,144	130	2,450
Disposals	-	-	(48)	-	(48)
Currency movements	-	-	24	(2)	22
31 January 2018	1,992	78	22,825	1,795	26,690
Net book amount					
31 January 2018	3,877	479	11,112	494	15,962
31 January 2017	3,818	451	11,253	323	15,845
31 January 2016	3,640	-	7,871	176	11,687

The total depreciation expense of £2,450,000 (2017: £2,172,000) has been allocated to the following categories: cost of sales £nil (2017: £22,000), administration expenses £2,399,000 (2017: £2,114,000) and distribution and selling costs £51,000 (2017: £36,000).

The net book amount of freehold land and buildings comprises:	2018 £000	2017 £000
Freehold land	450	450
Freehold buildings	3,427	3,368
Net book amount	3,877	3,818

Land and buildings are stated at historical cost less impairment where applicable.

All of the Group's banking facilities remain secured by a fixed and floating charge over the carrying value of assets (land and buildings) of £3,876,000 (2017: £3,818,000).

Assets under construction

Included in property, plant and equipment at 31 January 2018 was an amount of £nil (2017: £1,195,000) relating to expenditure for assets in the course of construction.

17. DEFERRED INCOME TAX

A net deferred tax liability of £1,825,000 (2017: £2,573,000) is recognised in respect of future deductions for LTIP payments and other temporary differences.

	2018 £000	2017 £000
Taxable temporary differences on property, plant and equipment	(1,484)	(1,361)
Taxable temporary differences on intangible assets	(1,662)	(2,591)
Other temporary differences	18	(141)
Temporary differences on LTIP payments	49	260
	(3,079)	(3,833)
Retirement benefit obligations	1,254	1,260
	(1,825)	(2,573)

A deferred tax credit of £nil (2017: credit of £484,000) arising on retirement benefit obligations has been recognised within the Statement of Comprehensive Income.

At 31 January 2018, the Group had gross unused UK tax losses of £3,225,000 (2017: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2018 of £649,000 (2017: £613,000) relating to UK tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation. These are summarised in the table below and comprise the following:

- No deferred tax has been recognised on £3,225,000 (2017: £3,225,000) of gross UK losses as these are not readily available for offset against the Group's future profits under existing tax legislation and therefore the realisation of these losses is not considered probable.
- In addition, there are gross tax losses in overseas subsidiaries of £2,782,000 (2017: £2,782,000) which are available for offset against future taxable profits by those subsidiaries. However, the realisation of these losses is not considered probable in the foreseeable future.
- Other deductible temporary differences which predominantly arise on LTIP payment reserves.

	2018 £000	2017 £000
Unutilised tax losses – UK	548	548
Unutilised tax losses – overseas	368	473
Other deductible temporary differences – UK	101	65
	1,017	1,086

There are also unutilised capital tax losses at 31 January 2018 of £4,881,000 (2017: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

Movements on the deferred income tax account are as follows:

Net deferred tax asset/(liability)	2018 £000	2017 £000
At 1 February	(2,573)	108
Acquisition of subsidiary	-	(2,885)
Income Statement charge	776	(155)
Tax credit/(charge) relating to components of other comprehensive income	-	484
Tax charged directly to equity	(28)	(125)
At 31 January	(1,825)	(2,573)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

18. INVENTORIES

	2018 £000	2017 £000
Raw materials	2,757	3,389
Work in progress	1,311	2,035
Finished goods	25,310	24,881
	29,378	30,305

The cost of inventories recognised as an expense and included in cost of sales amounted to £36,286,000 (2017: £28,130,000).

19. TRADE AND OTHER RECEIVABLES

Current	2018 £000	2017 £000
Trade receivables	14,497	13,302
Less: provision for impairment of trade receivables	(353)	(198)
Net trade receivables	14,144	13,104
Corporation tax	1,270	609
Other taxes and social security	879	39
Other receivables	400	2,066
Marketing materials	1,963	1,249
Prepayments	2,582	2,441
	21,238	19,508

Other receivables include the recognition of Enil (2017: £1,500,000) relating to insurance reimbursement in respect of the Standfast flood received after the year end.

There is no material difference between the carrying amount and the fair value of the trade and other receivables. The only impaired assets are within trade receivables and marketing materials.

Credit quality of financial assets

(i) Neither past due nor impaired

Included in the Group's trade receivable balances are receivables with a carrying value of £11,809,000 (2017: £11,047,000) 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.

(ii) Past due – not individually impaired

Included in the Group's trade receivable balances are receivables with a carrying value of £2,022,000 (2017: £1,983,000) which are past due at the reporting date for which the Group does not consider the need to create a specific impairment provision against individually identified receivables. The table below shows the ageing analysis of the receivables:

	2018 £000	2017 (restated) £000
1-30 days past due	1,042	965
31-60 days past due	821	498
61-90 days past due	155	305
91+ days past due	4	215
	2,022	1,983

The Directors believe, however, that in the current economic environment there is objective evidence of credit deterioration and an impairment of Enil (2017: £65,000) representing a collective assessment of risk against receivables that are yet to be specifically identified. Due to the nature of the Group's products, there is a limited amount of inventory left in the possession of customers that could act as collateral under terms of trade. As the value of this inventory is immaterial, it has not been disclosed in the financial statements.

Prior year restatement

The ageing analysis for the prior year has been restated to reflect amounts based on past due instead of invoice date.

(iii) Past due – individually impaired

As at 31 January 2018, trade receivables of £666,000 (2017: £272,000) were individually determined to be impaired and provided for. The amount of the provision was £353,000 (2017: £133,000). The main factor used to assess the impairment of trade receivables is the circumstances of the individual customer.

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

	2018 £000	2017 £000
United Kingdom	8,459	8,161
Continental Europe	3,165	2,895
USA	1,070	869
Rest of the World	1,450	1,179
	14,144	13,104

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

	2018 £000	2017 £000
Sterling	11,148	11,885
US dollars	584	769
Euros	2,568	2,304
Other	244	212
	14,544	15,170

Provisions for impairment

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

	2018 £000	2017 £000
At 1 February	(198)	(398)
Provision for receivables impaired	(214)	(49)
Receivables written off in the year as uncollectible	14	89
Unused amounts reversed	45	160
At 31 January	(353)	(198)

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

20. CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash at bank and in hand	1,295	1,516

There is a set-off arrangement for bank accounts held with the UK clearing bank, and accordingly the amounts stated as bank overdraft in note 22 represent the net of accounts in funds and in overdraft.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

21. TRADE AND OTHER PAYABLES

	2018 £000	2017 (Restated) £000
Trade payables	14,805	18,118
Other taxes and social security	1,482	-
Other payables and deferred revenue	576	2,175
Accruals	5,497	5,392
	22,360	25,685

Prior year restatement

As disclosed in note 32, an adjustment of £338,000 was made this year increasing other payables which is shown as a restatement of the 2017 Balance Sheet.

22. BORROWINGS

	2018 £000	2017 £000
Current		
Bank overdraft	6,558	6,626
Term loan	-	200
Committed facility	-	(1)
	6,558	6,825
Non-current		
Term loan	-	-
Committed facility	-	-
	-	-
Total borrowings	6,558	6,825

In December 2015, the Group entered into a £12,500,000 multi-currency revolving credit facility with Barclays Bank PLC for a five-year period and cancelled existing receivables facilities. The agreement also includes a £10,000,000 accordion facility option to further increase available credit which provides substantial headroom for future growth. An initial bank arrangement fee of £100,000 and an additional £40,000 is amortised over the life of the loan. Following full settlement of a five-year variable rate term loan in July 2017, total facilities from Barclays Bank PLC comprise of the revolving credit facility secured on the Group's freehold property which may be drawn down in either sterling or euro.

The total Barclays Bank PLC facilities are capped at £22,500,000 (2017: £22,700,000); the utilisation of the facilities at 31 January 2018 was £6,558,000 (2017: £6,825,000). The revolving credit facility bears interest at a variable rate based on a margin above LIBOR (for sterling loans) or the EURIBOR (for euro loans).

Under the Barclays Bank PLC facilities, the Group is subject to compliance of two financial covenants, being interest cover and leverage. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to Barclays Bank PLC that it was in full compliance with its covenants throughout each of the periods presented and expects to be for the remaining term of the agreement.

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

The fair value of current borrowings approximates to their carrying amount, as the impact of discounting is not significant.

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

31 January 2018	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	6,558	-	-	-
Trade and other payables	22,360	-	-	-
Provision for other liabilities and charges	-	-	-	-
	28,918	-	-	-

31 January 2017	Less than 1 year (Restated) £000	Between 1 to 2 years (Restated) £000	Between 2 to 5 years (Restated) £000	Over 5 years £000
Borrowings	6,825	-	-	-
Trade and other payables	25,685	-	-	-
Provision for other liabilities and charges	2,708	1,507	1,731	-
	35,218	1,507	1,731	-

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

	2018 £000	2017 £000
Sterling	6,558	6,825

Prior year restatement

Restatement of the year ended 31 January 2017 is explained in note 32.

23. RETIREMENT BENEFIT OBLIGATION

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 £350,000 (2017: £405,000). There are no outstanding or prepaid contributions at 31 January 2018 (2017: nil). Active members of the schemes are also able to make contributions.

Defined benefit schemes

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

The Group's contributions to the schemes for the year beginning 1 February 2018 are expected to be £1,926,000.

Plan assets held in the fund are governed by local regulations and practice in the UK. Responsibility for the governance of the plan, including investment decisions and contributions schedules, lies with the Trustees of the schemes.

Actuarial valuations of the schemes were carried out as at 31 January 2018, based on membership data at 5 April 2015, updated to take account of benefit outgo since 5 April 2015, using actuarial assumptions at 31 January 2018. The major assumptions used by the actuary were (in nominal terms) as follows:

	2018	2017
Discount rate	2.50%	2.80%
Inflation assumption (RPI)	3.15%	3.35%
Inflation assumption (CPI)	2.15%	2.35%
Rate of increase in salaries	3.15%	3.35%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	3.00%	3.10%
Rate of increase to pensions (in excess of GMP) in deferment	2.15%	2.35%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

23. RETIREMENT BENEFIT OBLIGATION CONTINUED

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

	2018	2017
Non-pensioner male currently 45	23.0	23.3
Pensioner male currently 65	21.9	22.0
Non-pensioner female currently 45	25.5	26.0
Pensioner female currently 65	24.2	24.5

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

	2018 £000	2017 £000
Equities, absolute return and property	11,709	26,226
Fixed interest gilts	33,269	16,569
Fixed interest bonds	5,343	3,982
Index-linked gilts	8,771	10,813
Insured annuities	868	951
Cash and cash equivalents	5,579	5,960
Fair value of scheme assets	65,539	64,501

All assets are invested in the UK. The assets do not include the Group's financial instruments or property connected with the Group.

The actual return on assets over the year was a gain of £2,229,000 (2017: gain of £10,171,000).

	2018 £000	2017 £000
Present value of funded obligations	(72,837)	(71,914)
Fair value of scheme assets	65,539	64,501
Deficit in funded scheme	(7,298)	(7,413)
Net liability in Balance Sheet	7,298	7,413

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

	2018 £000	2017 £000
Benefit obligation at beginning of year	71,914	60,011
Interest cost	1,976	2,199
Remeasurement losses/(gains) – changes in financial assumptions	2,802	12,615
Remeasurement gains – changes in demographic assumptions	(1,032)	-
Remeasurement gains – experience	(111)	(169)
Benefits paid	(2,712)	(2,742)
Benefit obligation at end of year	72,837	71,914

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

	2018 £000	2017 £000
Fair value of plan assets at beginning of year	64,501	55,698
Interest income on scheme assets	1,789	2,064
Return on assets, excluding interest income	440	8,107
Contributions by employers	1,907	1,766
Benefits paid	(2,712)	(2,742)
Scheme administrative cost	(386)	(392)
Fair value of scheme assets at end of year	65,539	64,501

Remeasurements of the net defined benefit liability/(asset) to be shown in the Statement of Comprehensive Income

	2018 £000	2017 £000
Net remeasurement – financial	(2,802)	(12,615)
Net remeasurement – demographic	1,032	–
Net remeasurement – experience	111	169
Return on assets, excluding interest income	440	8,107
Total remeasurements of the net defined benefit liability	(1,219)	(4,339)

Sensitivity analysis

The table below shows the impact on the defined benefit obligation of changing each of the most significant assumptions in isolation. The figures in the table as at 31 January 2018 have been calculated using the same valuation method that was used to calculate the defined benefit obligation above and are consistent year on year.

Change in assumption		Impact on scheme liabilities 2018 (£m)		Impact on scheme liabilities 2017 (£m)	
		Increase	Decrease	Increase	Decrease
Discount rate	0.25% movement	(3.0)	3.3	(3.1)	3.3
Rate of inflation (RPI)*	0.25% movement	1.5	(1.4)	1.6	(1.2)
Rate of inflation (CPI)*	0.25% movement	0.7	(0.6)	0.7	(0.6)
Assumed life expectancy	1 year movement	3.7	(3.7)	3.0	(3.0)

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

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

Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- Changes in bond yields
A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
- Inflation risks
Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.
- Life expectancy
The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The weighted average duration of defined benefit obligations is 17 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

24. PROVISION FOR OTHER LIABILITIES AND CHARGES

Contingent liability arising on business combination:	2018 £000	2017 (Restated) £000
At 1 February	5,946	-
Provision on acquisition of Clarke & Clarke	-	5,765
Payment of first tranche of contingent liability	(2,304)	-
Fair value adjustment to contingent liability (note 32)	(4,047)	-
Unwind of discount (note 7)	405	181
At 31 January	-	5,946

Analysis of total contingent liability:	2018 £000	2017 (Restated) £000
Non-current	-	3,238
Current	-	2,708
Total	-	5,946

As disclosed in note 32, net adjustments of £617,000 were made this year, increasing the contingent consideration which is shown as a restatement of the 2017 Balance Sheet.

25. FINANCIAL INSTRUMENTS

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

31 January 2018	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	14,544	-	-	14,544
Cash and cash equivalents	1,295	-	-	1,295
Total	15,839	-	-	15,839

31 January 2018	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Borrowings	-	6,558	-	6,558
Trade and other payables	-	22,360	-	22,360
Provision for other liabilities	-	-	-	-
Total	-	28,918	-	28,918

31 January 2017	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	15,170	-	-	15,170
Cash and cash equivalents	1,516	-	-	1,516
Total	16,686	-	-	16,686

31 January 2017	Liabilities at fair value £000	Other financial liabilities (Restated) £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Borrowings	-	6,825	-	6,825
Trade and other payables	-	25,685	-	25,685
Provision for other liabilities	-	5,946	-	5,946
Total	-	38,456	-	38,456

Restatement of the year ended 31 January 2017 is explained in note 32.

Offsetting of financial assets and liabilities

The following financial assets/(liabilities) are subject to offsetting, enforceable master netting arrangements and similar arrangements.

	Gross amounts of recognised financial assets/(liabilities) £000	Gross amounts of recognised financial assets set off in the Balance Sheet £000	Net amounts of financial assets/(liabilities) included in the Balance Sheet £000
31 January 2018			
Cash and cash equivalents	3,521	(3,521)	-
Bank overdraft	(9,500)	3,521	(5,979)
	Gross amounts of recognised financial assets/(liabilities) £000	Gross amounts of recognised financial assets set off in the Balance Sheet £000	Net amounts of financial assets/(liabilities) included in the Balance Sheet £000
31 January 2017			
Cash and cash equivalents	9,289	(9,289)	-
Bank overdraft	(14,868)	9,289	(5,579)

For the financial assets and liabilities, subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for the net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

26. SHARE CAPITAL

Ordinary shares of 1p each:	Number of shares	£
Authorised share capital: 1 February 2016, 31 January 2017 and 31 January 2018	85,000,000	850,000
Allotted and fully paid:		
31 January 2018	70,895,511	708,955
31 January 2017	69,551,678	695,517
1 February 2016	60,172,521	601,725

On 31 May 2017, 421,218 shares vested under the Company's LTIP. To satisfy the vesting, 227,247 shares of 1 pence each were allotted at par value and 4,909 shares were issued from the Walker Greenbank PLC EBT.

On 26 June 2017, the Company issued 1,116,586 ordinary shares of 1 pence each at an issue price of 206.25 pence per share in respect of the first tranche of the performance-related Clarke & Clarke earn-out consideration for the period ended 31 January 2017.

Following these transactions, Walker Greenbank's issued ordinary share capital with voting rights at 31 January 2018 consists of 70,895,511 (2017: 69,551,678) ordinary shares of which no (2017: nil) ordinary shares are held in treasury and no (2017: 4,909) ordinary shares are held by the Walker Greenbank PLC EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

In order to finance the initial cash consideration to acquire 100% of the issued share capital of Clarke & Clarke, a placing of a total of 8,947,369 new ordinary shares of 1 pence each in the Company was announced on 12 October 2016. These shares, which represented approximately 12.9% of the Company's issued ordinary share capital on admission to trading on AIM (excluding treasury shares), were placed at a price of 190.0 pence per share raising proceeds of approximately £17,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

26. SHARE CAPITAL CONTINUED

On 16 May 2016, 773,393 shares vested under the Company's Long-Term Incentive Plan. To satisfy the vesting, 431,788 shares of 1 pence each were allotted at par value.

The market value of shares held by the EBT at 31 January 2018 was £nil (2017: £10,000). The total number of shares held in the EBT at the year end represented 0% (2017: 0.01%) of the issued shares.

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

Long-Term Incentive Plans ('LTIPs')

The Group operates an LTIP. There have been 11 awards under this plan, in which Executive Directors and senior management of the Group participate. The first award vested during 2009, the second vested during 2011, the third, fourth, fifth, sixth, seventh and eighth vesting in subsequent years. The LTIP has previously been approved by the shareholders at an Annual General Meeting.

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

	Award Nine	Award Nine	Award Ten	Award Ten	Award Eleven	Award Eleven
Grant date of awards	26 May 2015	26 May 2015	1 Dec 2016	1 Dec 2016	21 August 2017	21 August 2017
Grant date fair value of award (pence per award)	117.94	190.69	119.33	195.70	136.57	213.92
Vesting date of awards	26 May 2018	26 May 2018	30 Nov 2019	30 Nov 2019	20 Aug 2020	20 Aug 2020
Maximum number of awards	323,465	323,465	362,189	362,189	323,811	323,811
Vesting condition based on	TSR with PBT floor	EPS growth	TSR with PBT floor	EPS	TSR with PBT floor	EPS
Relevant date for determination of vesting conditions	TSR as at 26 May 2018 PBT for year ending 31 January 2018	EPS for year ending 31 January 2018	TSR as at 30 Nov 2019 PBT for year ending 31 January 2019	EPS for year ending 31 January 2019	TSR as at 20 Nov 2020 PBT for year ending 31 January 2020	EPS for year ending 31 January 2020

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 45 to 48.

Award Nine has half the award based on vesting conditions that are market based and half based on the growth in adjusted EPS. Awards Ten and Eleven have half the award based on vesting conditions that are market based and half based on the absolute adjusted EPS. The weighted average fair value of options granted during the year (Award Eleven) that related to market-based vesting conditions was determined using the Monte-Carlo valuation model was 136.57p per option. The significant inputs into the model were weighted average share price of 224.5p at the grant date, exercise price shown above, dividend yield of 1.61%, an expected option life of three years, and an annual risk-free interest rate of 0.26%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. The fair value of the options granted based on vesting conditions of growth in EPS was determined using the Black-Scholes valuation model was 213.92p. Refer to notes 11 and 12 for the expense recognised in the Income Statement for share options granted to Directors and employees.

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

	2018 Number	2017 Number
At 1 February	2,040,488	2,452,476
Granted	647,622	724,377
Exercised	(421,218)	(773,294)
Lapsed	(377,990)	(363,071)
At 31 January	1,888,902	2,040,488

27. CAPITAL RESERVE

Capital reserve represents:	£000
Share premium of companies acquired under merger accounting principles	1,276
Capital reserve arising on consolidation	293
Capital redemption reserve on capital restructurings	41,888
At 31 January 2018 and 2017	43,457

28. DIVIDENDS

During the year, the Group has paid a final dividend of 3.06p (£2,169,000) for the financial year ended 31 January 2017 (2017: 2.45p, £1,485,000); and an interim dividend of 0.69p (£489,000) for the year to 31 January 2018 (2017: 0.55p, £333,000).

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

The Directors recommend the payment of a final dividend of 3.68p per share (2017: 3.06p per share) which will be payable on 10 August 2018 to shareholders on the register at 20 July 2018, giving a cost of £2,588,000 (2017: £2,169,000). This brings the total dividend for the year to 4.37p (2017: 3.61p).

29. CASH GENERATED FROM OPERATIONS

	2018 £000	2017 £000
Profit before tax	12,784	6,965
Defined benefit pension charge	573	527
Net finance costs	680	367
Depreciation and impairment of property, plant and equipment	2,450	2,172
Amortisation	1,642	1,019
Insurance reimbursements	(2,411)	(12,250)
Release of contingent consideration	(4,047)	-
Charge for LTIP recognised in equity	434	658
LTIP vesting	(404)	(664)
Unrealised foreign exchange gains included in operating profit	112	56
Defined benefit pension cash contributions	(1,908)	(1,766)
Cash generated from/(used in) operating activities pre insurance proceeds	9,905	(2,916)
Insurance proceeds relating to operating activities	2,126	13,165
Cash generated from operating activities post insurance proceeds	12,031	10,249
Changes in working capital:		
Decrease/(increase) in inventories	927	(5,976)
(Increase)/decrease in trade and other receivables	(2,584)	2,728
(Decrease)/increase in trade and other payables	(3,385)	5,380
Cash generated from operations	6,989	12,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

30. ANALYSIS OF NET FUNDS

	1 February 2017 £000	Cash flow £000	Other non-cash changes £000	31 January 2018 £000
Cash and cash equivalents	1,516	(221)	-	1,295
Bank overdraft	(6,626)	68	-	(6,558)
Cash and cash equivalents and bank overdraft	(5,110)	(153)	-	(5,263)
Term loan due within one year	(199)	200	(1)	-
Term loan due after one year	-	-	-	-
	(199)	200	(1)	-
Net debt	(5,309)	47	(1)	(5,263)

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

31. COMMITMENTS

a) Capital commitments

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

	2018 £000	2017 £000
Property, plant and equipment	125	95

b) Lease commitments

Operating lease payments represent rentals payable by the Group for certain office properties. Land and building leases are negotiated for an average of 14 years (2017: 14 years) and rentals are fixed for an average of five years (2017: five years). Other leases are negotiated for an average term of three years (2017: three years) and rentals are fixed for an average of three years (2017: three years).

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

	Land and buildings 2018 £000	Other 2018 £000	Total 2018 £000	Land and buildings 2017 £000	Other 2017 £000	Total 2017 £000
Within one year	2,239	441	2,680	2,021	477	2,498
Between one and five years	7,470	660	8,130	8,189	592	8,781
Over five years	1,837	-	1,837	4,118	-	4,118
	11,546	1,101	12,647	14,328	1,069	15,397

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

32. BUSINESS COMBINATIONS

On 12 October 2016, the Group conditionally acquired Clarke & Clarke for an initial cash consideration of £25,000,000 and a contingent consideration of up to £17,500,000, in aggregate, payable in the Company's shares linked to the performance of the acquired business over a four-year period, giving a total potential consideration of up to £42,500,000 excluding working capital adjustments. The completion date for the transaction was 31 October 2016.

On 26 June 2017, the Group issued 1,116,586 ordinary shares of 1 pence each in the Company (the 'Consideration Shares') in respect of the first tranche of the performance-related earn-out consideration. This first tranche of Consideration Shares has been issued following Clarke & Clarke achieving its variable EBITDA target for the period ended 31 January 2017. The Consideration Shares have been issued at an issue price of 206.25 pence per share (being the average closing price for the Company's ordinary shares 10 business days preceding 16 June 2017) and are subject to a 12-month lock-in period.

In accordance with IFRS 3 'Business Combinations', the Directors made an initial assessment of the fair values of the acquired assets and liabilities and contingent consideration, resulting in goodwill of £14,736,000 being created in the Balance Sheet.

During the year and within 12 months of the acquisition date, the Directors undertook a review of the provisional fair value of the contingent consideration, with adjustments of £617,000 being reflected within the carrying value of goodwill as at the acquisition date.

Also, following finalisation of the Group's tax computations for the year ended 31 January 2017, the purchase consideration for Clarke & Clarke was reassessed in respect of tax reliefs relating to the acquiree's pre-acquisition position, resulting in an increase of £338,000.

Net adjustments amounting to £955,000 have been made to increase the contingent consideration, other payables and respective goodwill and the Balance Sheet at 31 January 2017 has been restated accordingly. The net assets are unaffected by these adjustments.

The Group remeasures the contingent consideration at fair value at each Balance Sheet date. As a result of the challenging performance targets and prevailing market conditions, the performance target for the period ended 31 January 2018 has not been achieved. It is not considered likely that the performance targets for the remaining two years will be achieved; therefore, there has been a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 credit to the Income Statement. There has also been a charge of £405,000 recognised in respect of the unwind of the contingent consideration payable for Clarke & Clarke. Therefore the estimated fair value of the assumed probability adjusted contingent consideration at 31 January 2018 was £nil (2017: £5,946,000), which is classified as Level 3 in the fair value hierarchy.

33. 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:

Name of subsidiary undertaking	Country of incorporation and place of business	Registered office
Abaris Holdings Limited	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Globaltex 2015 Limited	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Globaltex Limited, trading as Clarke & Clarke*	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Walker Greenbank Inc*	US	800 Huyler Street, Teterboro, New Jersey, 07608
Arthur Sanderson & Sons SARL*	France	19 Rue de Mail, Paris, 75002

Investments in Group companies are ordinary shares.

* Shares held by subsidiary company.

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

For a full list of subsidiary companies refer to note 6 to the financial statements of the Company as an entity (pages 112 to 114).

COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2018

	2018 £000	2017 £000
Profit for the year	6,633	693
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Corporation tax credits recognised in equity	-	22
Items that may be reclassified subsequently to profit or loss		
Cash flow hedge	-	26
Other comprehensive income for the year, net of tax	-	48
Total comprehensive income for the year	6,633	741

The notes on pages 105 to 120 form an integral part of these financial statements.

COMPANY BALANCE SHEET

AT 31 JANUARY 2018

	Note	2018 £000	2017 (Restated) £000
Fixed assets			
Property, plant and equipment	5	-	1
Investments	6	80,598	84,515
		80,598	84,516
Current assets			
Trade and other receivables	7	1,257	1,853
Deferred income tax assets	8	49	260
		1,306	2,113
Creditors: amounts falling due within one year	10	(11,810)	(16,870)
Provision for other liabilities and charges	12	-	(2,708)
Net current liabilities		(10,504)	(17,465)
Total assets less current liabilities		70,094	67,051
Creditors: amounts falling due after more than one year	11	-	-
Provision for other liabilities and charges	12	-	(3,238)
Net assets		70,094	63,813
Capital and reserves			
Called up share capital	14	709	696
Share premium account		18,682	16,390
Retained earnings		8,815	4,839
Capital reserve	15	41,888	41,888
Total shareholders' funds		70,094	63,813

A profit of £6,633,000 (2017: £693,000) has been included within these financial statements.

Restatement of the year ended 31 January 2017 is explained in note 6(b).

The financial statements on pages 102 to 120 were approved by the Board of Directors on 4 April 2018 and signed on its behalf by



John Sach
Director



Mike Gant
Director

Registered number: 61880

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2018

	Called up share capital £000	Share premium account £000	Retained earnings £000	Capital reserve (note 15) £000	Hedge reserve (note 9) £000	Total shareholders' funds £000
Balance at 1 February 2016	602	457	6,076	41,888	(26)	48,997
Profit for the year	-	-	693	-	-	693
Other comprehensive income:						
Corporation tax credits recognised in equity	-	-	22	-	-	22
Cash flow hedge	-	-	-	-	26	26
Total comprehensive income	-	-	715	-	26	741
Transactions with owners, recognised directly in equity:						
Dividends	-	-	(1,818)	-	-	(1,818)
Allotment of share capital	94	15,933	(4)	-	-	16,023
Long-term incentive plan charge	-	-	658	-	-	658
Long-term incentive plan vesting	-	-	(664)	-	-	(664)
Related tax movements on long-term incentive plan	-	-	(124)	-	-	(124)
Balance at 31 January 2017	696	16,390	4,839	41,888	-	63,813
Profit for the year	-	-	6,633	-	-	6,633
Total comprehensive income	-	-	6,633	-	-	6,633
Transactions with owners, recognised directly in equity:						
Dividends	-	-	(2,659)	-	-	(2,659)
Allotment of share capital	13	2,292	-	-	-	2,305
Long-term incentive plan charge	-	-	434	-	-	434
Long-term incentive plan vesting	-	-	(404)	-	-	(404)
Related tax movements on long-term incentive plan	-	-	(28)	-	-	(28)
Balance at 31 January 2018	709	18,682	8,815	41,888	-	70,094

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of consolidation

These financial statements present information relating to the entity Walker Greenbank PLC ('the Company'), and are not consolidated. The consolidated financial statements of Walker Greenbank PLC and its subsidiaries ('the Group') of which the Company is the parent are separately presented within the Annual Report and Accounts and are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs').

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the valuation of derivative financial instruments at fair value through profit and loss, and with the accounting policies set out below, which have been consistently applied to all periods presented unless otherwise indicated.

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

No Income Statement is presented for the Company as it has applied the exemption provided by Section 408 of the Companies Act 2006.

In accordance with FRS 101, the following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period); and
 - (iv) paragraphs 76 and 79(d) of IAS 40 'Investment Property'
- 101p8(g) – The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d) (statement of cash flows)
 - (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
 - (iii) 16 (statement of compliance with all IFRS)
 - (iv) 38A (requirement for minimum of two primary statements, including cash flow statements)
 - (v) 38B-D (additional comparative information),
 - (vi) 40A-D (requirements for a third statement of financial position)
 - (vii) 111 (cash flow statement information); and
 - (viii) 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations'

The preparation of financial statements 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 financial statements, are disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES CONTINUED

Since the Company's previous annual financial statements for the year ended 31 January 2017, the following pronouncements are now effective and have been adopted by the Company:

- Amendment to IAS 1 'Presentation of Financial Statements', on disclosure initiative effective periods beginning on or after 1 January 2016
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation – effective periods beginning on or after 1 January 2016

There has been no material effect on the Company's financial statements following the introduction of the above. No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 January 2018 have had a material impact on the Company.

The Company has not applied the following new standard, amendments and interpretations for which adoption is not mandatory for the year ending 31 January 2018 and/or which have not yet been endorsed by the EU:

- IFRS 16 'Leases' (IFRS 16) – effective periods beginning on or after 1 January 2019
- Amendments to IFRS 2 'Share-based Payment' on classification and measurement of share-based payments – effective periods beginning on or after 1 January 2018

With the exception of IFRS 16, the Company has concluded its evaluation of the impact of these pronouncements but at this stage does not expect there to be any material impact on the financial statements.

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts unless the underlying asset has a low value or the lease term is 12 months or less. On adoption, lease agreements will give rise to both a right-of-use asset and a lease liability for future lease payables. Depreciation of the right-of-use asset will be recognised together with interest on the lease liability, resulting in a front loading of total charge in the Income Statement.

As at 31 January 2018, the Company had non-cancellable operating lease commitments of £2,588,000 (see note 19). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify as short-term or low-value leases. The new requirement to recognise a right-of-use asset and related lease liability is expected to have a significant impact on the amounts recognised in the Company's financial statements. Management is currently assessing the potential impact and at this stage it is not practicable to provide a reasonable estimate of the financial effect until this review is complete.

Foreign currencies

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

Transactions in foreign currencies, which are those other than the functional currency of the Company, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the Balance Sheet date. All unhedged exchange differences are recognised in the Income Statement for the period within administration expenses.

Further disclosures of the Group's financial risk management policies are included in note 1 to the consolidated financial statements of the Group, which are presented separately from these financial statements.

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 after deduction of any estimated residual value. The principal annual rates are:

Plant, equipment and vehicles	Between 5% and 33%
Computer hardware	33%

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment. In accordance with IAS 39, the Company has adopted the cost-based approach for subsequent changes in the value of contingent consideration which represent a financial liability or asset. These are treated as part of the cost or a reduction in the cost of the investment.

Impairment of non-financial assets

Property, plant and equipment are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. Where impairment triggers are identified, the recoverable amount of the relevant asset or group of assets within a cash-generating unit is determined, being the higher of value in use and net realisable value. If the carrying amount of the asset exceeds its recoverable amount an impairment loss is calculated. Any impairment is recognised in the Income Statement in the year in which it occurs. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets and liabilities – measurement basis

Financial assets and liabilities are recognised on the date on which the Company becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Financial assets and liabilities are initially recognised at fair value plus transaction costs and are continually reviewed for impairment going forward. Any impairment of a financial asset is charged to the Income Statement when incurred. Financial assets are derecognised when the Company'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 as 'loans and receivables' according to the purpose for which the asset was acquired. This category includes:

- '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 Company provides goods directly to a customer, or advances money, with no intention of trading the loan or receivable. Subsequent to initial recognition, loans and receivables are included in the Balance Sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in the carrying amount recognised in the Income Statement within distribution and selling or administration expenses; and
- 'cash at bank and in hand' – this comprises deposits repayable on demand with banks and financial institutions, bank balances and cash in hand.

The Company'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 Company receives goods or services directly from a payable or supplier, or borrows money, with no intention of trading the liability. This category includes:

- 'creditors' – these are typically non-interest bearing and following initial recognition are included in the Balance Sheet at amortised cost using the effective interest method;
- 'bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs and subsequently held at amortised cost using the effective interest method; and
- 'borrowings' – these are recorded initially at the fair value, net of direct issue costs, and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are accounted for 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. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Derivative financial instruments and hedge accounting – measurement basis

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES CONTINUED

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

The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within administration expenses. Amounts accumulated in equity are released to the Income Statement when the hedged item affects the Income Statement, and are also classified in the Income Statement within administration expenses.

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

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

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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.

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 – retirement benefit obligations

Walker Greenbank Group operates both defined benefit and defined contribution pension schemes for the benefit of its employees. Further details of these schemes are included in note 23 of the consolidated financial statements of the Group.

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

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 retained earnings.

Employee benefits – share-based payments under Long-Term Incentive Plans ('LTIPs')

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

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

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

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

Employee benefits – short-term bonus plans

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

Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution is set by the Board on a regular basis so long as sufficient funds are available.

Share premium

Incremental costs directly attributable to the issue of new ordinary shares or options 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. The EBT is treated as an agent of the Company and as such EBT transactions are treated as being those of the Company.

Taxation including deferred tax

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company 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.

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 Company'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 assets are recognised only to the extent it is probable that future taxable profits will be available against which temporary differences can be utilised. 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES CONTINUED

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The estimates and judgements 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) Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment whenever impairment triggers are apparent. The recoverable amounts of cash-generating units are determined based on value in use ('VIU') calculations. These calculations require use of estimates of future sales, margins and other operating and administration expenses, and of discount rates. The carrying values of the non-financial assets are not considered to be sensitive due to the nature of the assets.

b) Deferred tax recognition

The Company considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the Long-Term Incentive Plan. The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of the Company, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of LTIP payment awards. Further disclosures relating to the amount of deferred tax asset recognised and other relevant disclosures are included in note 8. The Company considers the sensitivity on deferred tax recognition to be based on profits generated by the Company and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

c) Long-term incentive plan payment awards

The Company has granted awards to Executive Directors and senior management which include vesting conditions relating to the future financial performance of the Group as measured by adjusted profit before tax ('PBT') and the relative performance of the Group's Total Shareholder Return ('TSR') against comparator companies. The fair value of the awards granted is charged against the Income Statement over the vesting period; the amount of that charge, including the national insurance component of the charge, is dependent upon the Company's estimates of how many awards will ultimately vest, which is linked directly to its estimates regarding future PBT and TSR achievement.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

d) Contingent consideration on business combinations

For business combinations, the Company estimates the fair value of the consideration transferred, which includes assumptions about the future performance of the business acquired and an appropriate discount rate to determine the fair value of any contingent consideration. Judgement is also applied in determining whether any future payments should be classified as contingent consideration or as remuneration for future services.

The fair value of the contingent consideration recognised in business combinations is reassessed at each reporting date, using updated inputs and assumptions based on the latest financial forecasts for the relevant business. Judgement is applied as to whether changes should be applied at the acquisition date or as post-acquisition changes. Fair value movements with respect to changes in the financial liability or asset are treated as part of the cost or a reduction of the cost of the investment. Unwinding of the discounting is recognised within finance costs in the Income Statement.

3. AUDITORS' REMUNERATION

	2018 £000	2017 £000
Audit fee – fees payable to the Company's auditor for the audit of the Parent Company and the consolidation of the Group financial statements	58	58
Corporate finance services	-	536
	58	594

4. EMPLOYEE INFORMATION

	2018 £000	2017 £000
Wages and salaries	1,393	1,648
Social security costs	300	292
Other pension costs	66	87
Share-based payment awards, including NIC thereon	413	445
Employee benefit expense	2,172	2,472

	2018 Number	2017 Number
The average monthly number of employees (including Directors) during the year		
Corporate and administration	12	12

5. PROPERTY, PLANT AND EQUIPMENT

	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost			
1 February 2016 and 31 January 2017	90	34	124
Additions	-	-	-
31 January 2018	90	34	124
Accumulated depreciation			
1 February 2016	89	31	120
Charge	1	2	3
31 January 2017	90	33	123
Charge	-	1	1
31 January 2018	90	34	124
Net book amount			
31 January 2018	-	-	-
31 January 2017	-	1	1
31 January 2016	1	3	4

The total depreciation expense of £517 (2017: £3,000) is included in administration expenses.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6. INVESTMENTS

Shares in subsidiary undertakings:	Note	2018 £000	2017 (Restated) £000
Cost			
At 1 February		85,553	45,660
Assignment of receivable to subsidiary	6(a)	-	3,432
Acquisition of Globaltex 2015 Limited	6(b)	(4,047)	36,194
Disposal of dormant subsidiaries	6(c)	(1,062)	-
IFRS 2 cost relating to share-based payments		154	267
At 31 January		80,598	85,553
Provision for impairment			
At 1 February		(1,038)	(1,038)
Disposal of dormant subsidiaries	6(c)	1,038	-
At 31 January		-	(1,038)
Net book amount at 31 January		80,598	84,515

a) Assignment of receivable to subsidiary

On 11 May 2016, the Company and its wholly owned subsidiary, Abaris Holdings Limited ('Abaris'), entered into a Deed of Assignment, assigning to Abaris absolutely and with full title guarantee the inter-company balance of US\$5 million payable to the Company by its US subsidiary (the 'Receivable'). The Receivable was always intended to be equity to help fund the US business with no expectation of payment. In consideration, Abaris made an allotment against the fair value of the Receivable and issued to the Company 2,400,000 ordinary shares of £1 each at a premium of £0.43 per share. Consequently, the Company de-recognised the Receivable and recorded an investment of £3,432,000 (US\$5 million).

b) Acquisition of Globaltex 2015 Limited

On 12 October 2016, the Company conditionally acquired 100% of the issued share capital of Globaltex 2015 Limited, a company registered in the UK, for an initial cash consideration of £25,000,000 and a contingent consideration of up to £17,500,000, in aggregate, payable in the Company's shares linked to the performance of the acquired business over a four-year period, giving a total potential consideration of up to £42,500,000 excluding working capital adjustments. The completion date for the transaction was 31 October 2016.

In the prior year, the Directors made an initial assessment of the fair values of the acquired assets and liabilities and contingent consideration, resulting in an investment in Globaltex 2015 Limited of £35,239,000 being created in the Company Balance Sheet.

As disclosed in note 32 of the consolidated financial statements of the Group, adjustments were made this year, increasing the contingent consideration and the purchase consideration for Clarke & Clarke by £617,000 and £338,000 respectively. These are being reflected within the carrying value of goodwill at the Group level. Consequently, net adjustments of £955,000 have been made by the Company, increasing contingent consideration, other creditors and investments which are shown as a prior year restatement of the 2017 Company Balance Sheet. The 2017 net assets of the Company are unaffected by these adjustments.

As a result of the challenging performance targets and prevailing market conditions, the performance target for the period ended 31 January 2018 has not been achieved. It is not considered likely that the performance targets for the remaining two years will be achieved; therefore, there has been a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 reduction in the cost of investment. There has also been a charge of £405,000 recognised in respect of the unwind of the contingent consideration payable for Clarke & Clarke. Therefore the estimated fair value of the assumed probability adjusted contingent consideration at 31 January 2018 was £nil (2017: £5,946,000), which is classified at Level 3 in the fair value hierarchy.

c) Disposal of dormant subsidiaries

During the year, the Company disposed of 19 (2017: seven) dormant subsidiaries, all of which were wholly owned and did not trade in any of the periods presented.

Year ended 31 January 2018

Name of subsidiary undertaking	Date of dissolution	Cost at 1 February 2017 £000	Provision for impairment at 1 February 2017 £000	Net book value written off £000
Alkar Display Limited*	28 February 2017	-	-	-
Boyle and Son Limited*	28 February 2017	-	-	-
Bryant Corporation Limited	28 February 2017	1,000	(1,000)	-
Forestand Limited	28 February 2017	50	(38)	12
G Johnson (Cirencester) Limited**	28 February 2017	-	-	-
G Johnson Bros Limited	28 February 2017	-	-	-
Greenbank Engineering Overseas Limited**	Dormant (in liquidation)	-	-	-
Harris Fabrics Limited*	28 February 2017	-	-	-
Melody Wallcoverings Limited*	28 February 2017	-	-	-
Pepys Wallpapers Limited*	28 February 2017	-	-	-
Prestake Limited*	28 February 2017	-	-	-
W.G. Strike1 Limited*	1 March 2017	-	-	-
W.G. Strike2 Limited*	6 May 2017	-	-	-
W.G. Strike3 Limited*	1 March 2017	-	-	-
W.G. Strike4 Limited*	1 March 2017	-	-	-
W.G. Strike5 Limited*	1 March 2017	-	-	-
W.G. Strike6 Limited*	1 March 2017	-	-	-
WG Fabrics Limited	28 February 2017	12	-	12
Warner Archive Limited*	1 March 2017	-	-	-
Zoffany House Limited*	28 February 2017	-	-	-
		1,062	(1,038)	24

The net book value written off during the year has been included within the Income Statement.

Year ended 31 January 2017

Name of subsidiary undertaking disposed	Date of dissolution	Cost at 1 February 2016 £000	Provision for impairment at 1 February 2016 £000	Net book value written off £000
Alkar International Limited**	15 March 2016	-	-	-
Hampshire Medical Developments Limited**	15 March 2016	-	-	-
Old English Wallpapers Limited**	15 March 2016	-	-	-
Ortho-Med Limited**	15 March 2016	-	-	-
The Whittington Wallpaper Company Limited*	15 March 2016	-	-	-
WG Tendercare Limited**	22 March 2016	-	-	-
Whittaker & Woods Limited*	15 March 2016	-	-	-
		-	-	-

* Indicates that the shares were held by a subsidiary company.

** Indicates that the cost and net book value had already been written off in previous years.

NOTES TO THE FINANCIAL STATEMENTS

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 Company's subsidiary undertakings at 31 January 2018, all of which are wholly owned, were as follows:

Name of subsidiary undertaking	Country of incorporation and place of business	Holding	Proportion of voting rights/ shares held by the Company	Nature of business
Abaris Holdings Limited	UK	Ordinary shares	100%	Luxury interior furnishings
Globaltex 2015 Limited	UK	Ordinary shares	100%	Holding company
Globaltex Limited*, trading as Clarke & Clarke	UK	Ordinary shares	100%	Luxury interior furnishings
Arthur Sanderson & Sons SARL*	France	Ordinary shares	100%	Luxury interior furnishings
Abaris Trading Company B.V.*	Netherlands	Ordinary shares	100%	Sales support
Walker Greenbank Inc*	US	Ordinary shares	100%	Luxury interior furnishings
Clarke & Clarke Inc*	US	Ordinary shares	100%	Sales support
Abaris (Overseas) Holdings Limited*	UK	Ordinary shares	100%	Dormant
Anstey Wallpaper Company Limited*	UK	Ordinary shares	100%	Dormant
Anthology Fabrics and Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Arthur Sanderson & Sons Limited*	UK	Ordinary shares	100%	Dormant
Barracks Fabric Printing Company Limited*	UK	Ordinary shares	100%	Dormant
Cirka Limited*	UK	Ordinary shares	100%	Dormant
Design Edition Limited*	UK	Ordinary shares	100%	Dormant
Greenbank Engineering Overseas Limited	UK	Ordinary shares	100%	Dormant (in liquidation)
Harlequin Fabrics & Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Morris & Co. (Artworkers) Limited*	UK	Ordinary shares	100%	Dormant
Sanderson of London Limited*	UK	Ordinary shares	100%	Dormant
Scion Fabrics & Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Scion Living Limited*	UK	Ordinary shares	100%	Dormant
Standfast Dyers and Printers Limited*	UK	Ordinary shares	100%	Dormant
Strines Textiles Limited*	UK	Ordinary shares	100%	Dormant
Style Library Limited*	UK	Ordinary shares	100%	Dormant
Walker Greenbank Distribution Limited*	UK	Ordinary shares	100%	Dormant
William Morris Wallpapers Limited*	UK	Ordinary shares	100%	Dormant
Zoffany Limited*	UK	Ordinary shares	100%	Dormant

Registered offices of the Company's related undertakings, all of which are wholly owned, are as follows:

Name of subsidiary undertaking	Registered office
Arthur Sanderson & Sons SARL*	19 Rue de Mail, Paris, 75002, France
Abaris Trading Company B.V.*	Postbus 372, 1970 AJ IJMUIDEN, Netherlands
Walker Greenbank Inc*	800 Huyler Street, Teterboro, New Jersey, 07608, USA
Clarke & Clarke Inc*	2416 Camino Oleada, San Clemente, California, 92673, USA
Greenbank Engineering Overseas Limited	Seneca House/Links Point, Amy Johnson Way, Blackpool, Lancashire, FY4 2FF, UK
All undertakings other than the ones listed above	Chalfont House, Oxford Road, Denham, UB9 4DX, UK

* Indicates that the shares are held by a subsidiary company.

7. TRADE AND OTHER RECEIVABLES

Current	2018 £000	2017 £000
Corporation tax	-	22
Other taxes and social security	1,028	1,461
Other receivables	229	370
	1,257	1,853

8. DEFERRED INCOME TAX

A net deferred tax asset of £49,000 (2017: £260,000) is recognised in respect of future deductions for LTIP payments.

	2018 £000	2017 £000
Temporary differences on LTIP payments	49	260

The deferred tax asset on LTIP payments is expected to unwind after more than one year.

At 31 January 2018 the Company had gross unused UK tax losses of £3,225,000 (2017: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2018 of £649,000 (2017: £613,000) relating to UK 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.

	2018 £000	2017 £000
Unutilised tax losses - UK	548	548
Other deductible temporary differences - UK	101	65
	649	613

There are also unutilised capital tax losses at 31 January 2018 of £4,881,000 (2017: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

The deferred tax balance at 31 January 2018 included within these financial statements has been calculated at a rate of 17%, as this is the rate at which the majority of the balances are expected to unwind.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 and became substantively enacted in the Finance Bill 2016 on 6 September 2016 to reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

9. DERIVATIVE FINANCIAL INSTRUMENTS

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.

The Company enters into monthly forward foreign exchange contracts with a third party to buy sterling and sell US dollars. The Group designates these contracts as cash flow hedges of the foreign currency risk arising from the highly probable future forecast sales transactions. As at the reporting date, there were no US dollar forward exchange contracts (2017: none).

The amounts deferred in equity are released into the Income Statement in the period or periods during which the hedged forecast transactions impact the Income Statement, which is normally within one month of the Balance Sheet date.

The Brands make more purchases from the Eurozone than sales made to the Eurozone. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of the purchases. The Group considers that the level of this exposure will reduce over the next 12 months. As at the reporting date there were no euro forward foreign currency contracts (2017: none).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Swap foreign exchange contracts

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

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

As at the reporting date, there were no US dollar swap contracts (2017: none) and no euro swap contracts (2017: none).

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 (Restated) £000
Bank term loan (note 11)	-	199
Bank overdraft	1,164	116
Trade creditors	166	276
Amounts owed to subsidiary undertakings	8,431	13,737
Other creditors	105	1,093
Accruals	1,944	1,449
	11,810	16,870

Amounts owed to subsidiary undertakings are non-interest bearing and are unsecured. These loans are payable by the Company on demand should payment be required, but have no fixed date of repayment.

There is a set-off arrangement for bank accounts held with the UK clearing bank, and accordingly the amount stated as bank overdraft represents the net of accounts in funds and in overdraft.

Restatement of the year ended 31 January 2017 is explained in note 6(b).

As disclosed in note 6(c), the Company disposed of 19 (2017: seven) dormant subsidiaries. During the year, this led to distributions in-specie received by the Company amounting to £4,410,000 (2017: £nil). These distributions by disposed subsidiaries related to inter-company balances held with the Company.

The distributions in-specie received by the Company are included within the Income Statement and adjusted to derecognise the respective amounts owed by the Company (£4,410,000).

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £000	2017 £000
Current		
Term loan	-	200
Committed facility	-	(1)
	-	199
Non-current		
Term loan	-	-
Committed facility	-	-
	-	-
Total borrowings	-	199

In December 2015, the Group entered into a £12,500,000 multi-currency revolving credit facility with Barclays Bank PLC for a five-year period and cancelled existing Receivables facilities. The agreement also includes a £10,000,000 accordion facility option to further increase available credit which provides substantial headroom for future growth. An initial bank arrangement fee of £100,000 and an additional £40,000 is amortised over the life of the loan. Following full settlement of a five-year variable rate Term Loan in July 2017, total facilities from Barclays Bank PLC comprise of the revolving credit facility secured on the Group's freehold property which may be drawn down in either sterling or euro.

The total Barclays Bank PLC facilities are capped at £22,500,000 (2017: £22,700,000); the utilisation of the facilities at 31 January 2018 was £9,500,000 (2017: £6,825,000). The revolving credit facility bears interest at a variable rate based on a margin above LIBOR (for sterling loans) or the EURIBOR (for euro loans).

Under the Barclays Bank PLC facilities, the Group is subject to compliance of two financial covenants, being interest cover and leverage. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to Barclays Bank PLC that it was in full compliance with its covenants throughout each of the periods presented and expects to be for the remaining term of the agreement.

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

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

31 January 2018

	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	-	-	-	-
Creditors: amounts falling due within one year	11,810	-	-	-
Provision for other liabilities and charges	-	-	-	-
	11,810	-	-	-

31 January 2017

	Less than 1 year (Restated) £000	Between 1 to 2 years (Restated) £000	Between 2 to 5 years (Restated) £000	Over 5 years £000
Borrowings	200	-	-	-
Creditors: amounts falling due within one year	16,670	-	-	-
Provision for other liabilities and charges	2,708	1,507	1,731	-
	19,578	1,507	1,731	-

Restatement of the year ended 31 January 2017 is explained in note 6(b).

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

	2018 £000	2017 £000
Sterling	-	199

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

12. PROVISION FOR OTHER LIABILITIES AND CHARGES

Contingent liability arising on business combination:	2018 £000	2017 (Restated) £000
At 1 February	5,946	-
Provision on acquisition of Clarke & Clarke	-	5,765
Payment of first tranche of contingent liability	(2,304)	-
Fair value adjustment to contingent liability	(4,047)	-
Unwind of discount	405	181
At 31 January	-	5,946

Analysis of total contingent liability:	2018 £000	2017 (Restated) £000
Non-current	-	3,238
Current	-	2,708
Total	-	5,946

Restatement of the year ended 31 January 2017 is explained in note 6(b).

13. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 January 2018	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	-	-	-	-
Cash at bank and in hand	-	-	-	-
Total	-	-	-	-

31 January 2018	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Derivative financial instruments	-	-	-	-
Borrowings	-	-	-	-
Creditors: amounts falling due within one year	-	11,810	-	11,810
Provision for other liabilities	-	-	-	-
Total	-	11,810	-	11,810

31 January 2017	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	370	-	-	370
Cash at bank and in hand	-	-	-	-
Total	370	-	-	370

31 January 2017	Liabilities at fair value £000	Other financial liabilities (Restated) £000	Derivatives used for hedging £000	Total (Restated) £000
Liabilities as per Balance Sheet				
Derivative financial instruments	-	-	-	-
Borrowings	-	200	-	200
Creditors: amounts falling due within one year	-	16,671	-	16,671
Provision for other liabilities	-	5,946	-	5,946
Total	-	22,817	-	22,817

Restatement of the year ended 31 January 2017 is explained in note 6(b).

14. CALLED UP SHARE CAPITAL

Ordinary shares of 1p each:	Number of shares	£
Called up and fully paid:		
31 January 2018	70,895,511	708,955
31 January 2017	69,551,678	695,517
31 January 2016	60,172,521	601,725

On 31 May 2017, 421,218 shares vested under the Company's LTIP. To satisfy the vesting, 227,247 shares of 1 pence each were allotted at par value and 4,909 shares were issued from the Walker Greenbank PLC EBT.

On 26 June 2017, the Company issued 1,116,586 ordinary shares of 1 pence each at an issue price of 206.25 pence per share in respect of the first tranche of the performance-related Clarke & Clarke earn-out consideration for the period ended 31 January 2017.

Following these transactions, Walker Greenbank's issued ordinary share capital with voting rights at 31 January 2018 consists of 70,895,511 (2017: 69,551,678) ordinary shares of which no (2017: nil) ordinary shares are held in treasury and no (2017: 4,909) ordinary shares are held by the Walker Greenbank PLC EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

In order to finance the initial cash consideration to acquire 100% of the issued share capital of Clarke & Clarke, a placing of a total of 8,947,369 new ordinary shares of 1 pence each in the Company was announced on 12 October 2016. These shares, which represented approximately 12.9% of the Company's issued ordinary share capital on admission to trading on AIM (excluding treasury shares), were placed at a price of 190.0 pence per share, raising proceeds of approximately £17,000,000.

On 16 May 2016, 773,393 shares vested under the Company's Long-Term Incentive Plan. To satisfy the vesting, 431,788 shares of 1 pence each were allotted at par value.

The market value of shares held by the EBT at 31 January 2018 was £nil (2017: £10,000). The total number of shares held in the EBT at the year-end represented 0% (2017: 0.01%) of the issued shares.

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

Long-Term Incentive Plans ('LTIPs')

The Group operates an LTIP. There have been 11 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 26 of the consolidated financial statements of the Group, which are separately included within the Annual Report and Accounts.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

15. CAPITAL RESERVE

Capital reserve represents:	£000
Capital redemption reserve on capital restructurings	41,888
At 31 January 2018 and 2017	41,888

16. DIVIDENDS

During the year, the Group has paid a final dividend of 3.06p (£2,169,000) for the financial year ended 31 January 2017 (2017: 2.45p, £1,485,000); and an interim dividend of 0.69p (£489,000) for the year to 31 January 2018 (2017: 0.55p, £333,000).

The Directors recommend the payment of a final dividend of 3.68p per share (2017: 3.06p per share) which will be payable on 10 August 2018 to shareholders on the register at 21 July 2018, giving a cost of £2,588,000 (2017: £2,169,000). This brings the total dividend for the year to 4.37p (2017: 3.61p).

17. CONTINGENT LIABILITY

The Company is party to a cross-guarantee relating to the borrowings of its subsidiary undertakings in the UK under funding arrangements with Barclays Bank PLC.

18. RELATED PARTY TRANSACTIONS

The Company made contributions to the Walker Greenbank Group Personal Pension Plan of £28,000 for the year ended 31 January 2018 (2017: £49,000).

19. LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Company for certain office properties. Land and building leases are negotiated for an average of 14 years (2017: 14 years) and rentals are fixed for an average of five years (2017: five years). Other leases are negotiated for an average term of three years (2017: three years) and rentals are fixed for an average of three years (2017: three years).

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

	Land and buildings 2018 £000	Other 2018 £000	Total 2018 £000	Land and buildings 2017 £000	Other 2017 £000	Total 2017 £000
Within one year	421	10	431	421	10	431
Between one and five years	1,684	4	1,688	1,684	15	1,699
Over five years	469	–	469	1,312	–	1,312
	2,574	14	2,588	3,417	25	3,442

Other leases include hire of motor vehicles.

FIVE YEAR RECORD

	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000
Revenue	78,434	83,373	87,839	92,373	108,764
Overseas revenue by location of customer	28,244	27,923	30,330	36,309	44,157
Underlying profit from operations	6,543	7,335	8,202	9,842	12,381
Profit from operations	6,543	7,335	8,202	7,859	14,037
Underlying EBITDA	8,903	9,684	10,155	12,164	14,885
Underlying profit before income tax	5,495	6,329	7,338	9,129	11,533
Capital expenditure	4,753	3,250	2,510	6,768	3,497
Earnings per ordinary share	8.63p	8.60p	9.79p	8.55p	16.70p
Average number of employees	592	640	649	681	686
Dividends paid in year	900	1,144	1,444	1,818	2,659
Shareholders' funds	26,852	26,937	35,284	51,293	61,612
Dividend per share					
- Final (prior year end) - paid	1.25p	1.57p	1.96p	2.45p	3.06p
- Interim (current year end) - paid	0.28p	0.35p	0.44p	0.55p	0.69p
- Final (current year end) - proposed	-	1.96p	2.45p	3.06p	3.68p

SHAREHOLDER INFORMATION

Financial calendar

Annual General Meeting	27 June 2018
Announcement of half-year results	October 2018

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NOTES

NOTES

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