

# WALKER GREENBANK PLC

Annual Report and Accounts 2019

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2019

# 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 2019.

£113.3m

GROUP  
REVENUE  
2018: £112.2m  
+1.0%

£9.5m

GROUP ADJUSTED  
UNDERLYING PBT\*\*  
2018: £12.7m  
-25.2%

8.6%

GROUP ADJUSTED  
UNDERLYING  
OPERATING MARGIN  
2018: 11.6%  
-30BPS

£11.6m

CASH INFLOW FROM  
OPERATING ACTIVITIES  
2018: £4.5m  
+156.3%

10.80p

ADJUSTED  
UNDERLYING EPS  
2018: 14.77p  
-26.9%

3.24p

DIVIDEND PER SHARE  
2018: 4.37p  
-25.9%

## Financial

- Revenue up 1.0% to £113.3m (2018: £112.2m\*), reflecting a difficult trading environment particularly in the UK
  - Licence income up 103.1% following one-off H&M collaboration
  - US sales growth up 9.0% in constant currency, 7.4% in reportable currency
- In line with expectations, adjusted underlying\*\* PBT was down 25.2% at £9.5m (2018: £12.7m\*)
- Adjusted underlying\*\* earnings per share down 26.9% at 10.80p (2018: 14.77p\*)
- Statutory profit before tax down 51.4% at £6.3m (2018: £13.0m\*)
- Statutory profit after tax down 57.1% at £5.1m (2018: £11.9m\*)
- Net funds of £0.4m (2018: net debt £5.3m)
- Full year dividend payout ratio maintained with a proposed final dividend of 2.55p (2018: 3.68p), giving a total dividend of 3.24p (2018: 4.37p) and reflecting the reduction in profits

## Operational

- Board reshaped for the next stage of development, including the appointment of Lisa Montague as the new CEO
- Operational efficiency programmes already under way including integration of back offices
- Continued focus on licensing and international growth
- Direct model introduced in Russia and in Germany

\* The financial period ended 31 January 2018 has been restated for IFRS 15 'Revenue from Contracts with Customers', on a like-for-like basis with the current period.

\*\* Adjusted underlying profit before tax excludes accounting charges relating to share-based incentives, defined benefit charge and non-underlying items.

**INTERIM EXECUTIVE CHAIRMAN'S STATEMENT**

# PROGRESS ON OUR STRATEGY

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The Group benefits from owning a portfolio of market-leading brands, an extensive design archive and a range of manufacturing facilities producing high-quality products.

**T**hese annual results are my first as a Director of the Company and, following my six months in the role of Interim Executive Chairman, I would like to take this opportunity to share my thoughts on the Group. I would also like to give a warm welcome to Lisa Montague, who joined the Company last month as an Executive Director and became Chief Executive Officer from 10 April 2019.

Walker Greenbank benefits from owning a portfolio of market-leading brands well known both in the UK and internationally, an extensive design archive and a range of manufacturing facilities producing high-quality products. As a business, Walker Greenbank has good cash flow generation and opportunities to scale. These foundations, taken together with the business' significant design capabilities and inherent 'IP',

mean that Walker Greenbank has the capability to capitalise on the opportunities in the market and drive growth.

In 2018, uncertain market conditions in our core UK market, driven by a lack of consumer confidence, resulted in the Group delivering a performance for the financial year ended 31 January 2019 below that of the prior year, with adjusted underlying profit from operations falling by 25.2% to £9.5 million (financial year ended 31 January 2018 ('FY18'): £12.7 million). Whilst good progress continued to be made in some international markets and in licensing income, overall sales in the UK fell, driven by a weakening in the performance of the Brands, which had a consequential negative impact on our manufacturing performance.

### Strategic development

The strategy outlined in the 2018 Annual Report has continued to be in place. However, the Board recognises that the markets in which the Group operates are changing rapidly. In the year ahead, under new leadership, both the business and financial strategy will be revisited and, where appropriate, revised with a view to enabling the Group to take advantage of the numerous opportunities presented by these changing markets.

Ultimately the business needs to become more focused and flexible, as well as understanding better the role of each of its brands in meeting the developing requirements of the consumer. The interiors market is changing and the demand for ready-made product is on the rise. Crucially, the role of digital, both in terms of purchasing and manufacturing, is evolving quickly. Whilst several strategic initiatives are under way, the Board believes that a wider review of the Group's strategy is appropriate, which will be led by Lisa Montague as the new Chief Executive Officer.

As well as reviewing the Group's strategy, there are a number of benefits to be had from a greater focus on operational efficiencies. This work has already begun with the integration under way of the Style Library (comprising Sanderson, Morris & Co., Harlequin, Zoffany, Scion and Anthology) and Clarke & Clarke support functions, as well as a range of actions currently being undertaken to reduce the 'cost to serve' of our traditional retail markets. The importance of cost control, stock efficiency and value-creating investment are being embraced by the leadership team.

### Board changes

During the year there have been significant changes to the Board, at both the Executive and Non-executive level.

In October 2018, John Sach stood down as Chief Executive Officer. John joined the business in 1994, becoming Group Finance Director in 1999 and Chief Executive Officer in 2004. John played a pivotal role in the Group's development during more than 20 years, and he leaves with the Board's appreciation and best wishes.

Fiona Goldsmith, a Non-executive Director since 2008 and Chair of the Audit Committee, stepped down from the Board in June 2018 and, as announced on 5 March 2019, Terry Stannard, who joined the Board in 2007 and became Chairman in 2009, stepped down with effect from 10 April 2019. The Board would like to thank both Fiona and Terry for their valuable contributions and their unwavering commitment to the business over a long period of time.

### NEW APPOINTMENTS

#### DIANNE THOMPSON

#### LISA MONTAGUE

I joined the Board in April 2018 as a Non-executive Director and Chairman of the Audit Committee and in October 2018 following the departure of John Sach became Interim Executive Chairman whilst the Group progressed the recruitment of a new Chief Executive Officer. After a wide-ranging search led by independent executive search consultants, Lisa Montague was appointed. As a result of Lisa becoming Chief Executive Officer on 10 April 2019, I returned to being a Non-executive Director.

Lisa brings significant experience of leading and developing UK and international brand-based businesses with manufacturing and multi-channel distribution. From 2003-2009 she was Chief Operating Officer of Mulberry Group plc after which she became Chief Executive Officer of the Madrid-based international fashion brand Loewe, a Spanish luxury fashion house owned by the LVMH Group, where she led global growth for seven years. Lisa was most recently Chief Executive Officer of Aspal of London, the multi-channel leather goods brand.

## INTERIM EXECUTIVE CHAIRMAN'S STATEMENT CONTINUED

In November 2018 we also welcomed Vijay Thakrar to the Board as a Non-executive Director and the Chairman of the Audit Committee. Vijay was formerly a partner at EY and Deloitte where he advised listed brand-based companies. In 2012, as head of Deloitte's practice for small and mid-cap quoted companies, Vijay became a Non-executive Director of the Quoted Companies Alliance, which provides corporate governance and other support to mid/small cap companies.

In January 2019, we were delighted to announce the appointment of Dame Dianne Thompson as Chairman Designate, with her role as Chairman effective from 10 April 2019. Dianne is hugely experienced in sales and marketing with an extensive track record in operational management in consumer businesses. From 2000-2014, Dianne was Chief Executive of Camelot Group plc, the UK National Lottery provider, having started her career at ICI Paints. Dianne is currently a Non-executive Director of Next Plc.

These changes complete the reshaping of the Group's Board of Directors and we look forward to working together in the interests of all stakeholders.

### Dividend

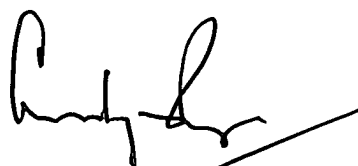
With a view to maintaining the prior year's dividend payout ratio, the Directors recommend the payment of a final dividend of 2.55p per share (2018: 3.68p) which subject to shareholder approval at the Company's Annual General Meeting will be payable on 9 August 2019 to shareholders on the register as at 19 July 2019. This brings the total dividend for the year to 3.24p per share (2018: 4.37p).

### People

The success of any business is built on its people and on behalf of the Board I would like to thank all of our colleagues for their continued hard work and dedication.

### Current trading and outlook

In our international markets, trading is marginally ahead of last year, whereas in the Group's core market in the UK trading conditions remain challenging and the outlook is uncertain. To mitigate difficult trading we remain focused on growing revenue and cost-saving initiatives. At this very early stage of the new financial year the Group continues to trade in line with the Board's expectations.



**Christopher Rogers**

Interim Executive Chairman  
9 April 2019

## OPERATING REVIEW

Licensing income is a key part of our strategy and an important developing income stream for the Group.

**T**otal sales\* for the year ended 31 January 2019 increased 1.0% to £113.3 million (FY18: £112.2 million) with adjusted underlying profit from operations decreasing by 25.2% to £9.5 million (FY18: £12.7 million).

### The Brands

Total Brands comprise Sanderson, Morris & Co., Harlequin, Zoffany, Scion, Anthology, Clarke & Clarke and Studio G. The Brands segment includes the licensing income derived from the brands as well as global trading from our brands, including our overseas subsidiaries in the US, France, Russia and Germany.

Total Brand sales were down 0.5% in reportable currency during the year to £93.3 million. In the UK, our largest market, sales were down 6.5% to £46.3 million. The modest improvement seen in the first nine weeks of the second half of the year was not sustained as a result of the weak UK consumer environment leading to a further deterioration in sales during the key autumn selling season. Within the Brands, Clarke & Clarke, positioned at the more affordable end of our target markets, was boosted by the launch of a number of homewares ranges and has performed strongly during the period growing 10.4% in reportable currency, 10.9% in constant currency. Likewise Morris & Co. grew 11.4% in reportable currency, 12.5% in constant currency year on year, but all the remaining brands registered year-on-year declines.

International Brand sales were down 1.5% in reportable currency, down 1.0% in constant currency, to £40.5 million.

Sales in the US, the Group's second largest market, were up 7.4% in reportable currency, up 9.0% in constant currency, compared with the same period last year, to £14.6 million. This growth has been driven by initiatives implemented over the last 18 months including the opening of our second direct showroom in Chicago in October 2017 and increasing the number of dedicated sales representatives. The route to market for Clarke & Clarke products in the US is through the Robert Allen Duralee Group ('RADG'). In February 2019 RADG went into Chapter 11 and whilst RADG continues to trade under Chapter 11 protection, we have started to see a deterioration in sales of Clarke & Clarke products in the US. We continue to monitor the position closely.

	Year ended 31 January		Change	
	2019	2018*	Reported	Constant currency
Total Brand sales	<b>£93.3m</b>	£93.8m	(0.5%)	(0.3%)
Comprising:				
Licensing	<b>£6.5m</b>	£3.2m	103.1%	103.1%
UK Brand product sales	<b>£46.3m</b>	£49.5m	(6.5%)	n/a
International	<b>£40.5m</b>	£41.1m	(1.5%)	(1.0%)
- US	<b>£14.6m</b>	£13.6m	7.4%	9.0%
- Western Europe	<b>£11.9m</b>	£12.3m	(3.3%)	(3.9%)
- Rest of the World	<b>£14.0m</b>	£15.1m	(7.3%)	(7.4%)

\* The financial results reflect the Group's adoption of IFRS 15 'Revenue from Contracts with Customers' from the start of the financial year on a fully retrospective basis. Accordingly, the prior year comparative numbers have been restated to enable an accurate comparison of performance.

## OPERATING REVIEW CONTINUED

Brand sales in Western Europe at £11.9 million were down 3.3% in reportable currency, down 3.9% in constant currency, compared with the same period last year and sales in the Rest of the World at £14.0 million were down 7.3% in reportable currency, down 7.4% in constant currency driven by market conditions.

As from the start of the new financial year, Lee Clarke has stepped down as full-time Chief Executive Officer of Clarke & Clarke, but remains with the Group as an adviser. Steve Forder, Managing Director, now reports directly to the Group Chief Executive Officer.

### Licensing

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 new territories. An additional benefit of our licensing strategy is that it helps create greater consumer awareness of our portfolio of brands.

During the year we signed additional licensing agreements with Uniqlo, the Japanese casualwear designer; Radley, the London-based accessories brand; and our largest single apparel collaboration to date with H&M, the global fashion brand. H&M collaborated with Morris & Co. to produce an extensive collection of women's and men's wear.

This collection was well received by consumers, with some items selling out online within days of the launch. High-margin licensing revenue was up £3.2 million to £6.5 million, benefiting from apparel contracts, particularly the very successful collaboration with H&M.

Some licensing agreements, such as bedding and towelling, have recurring income for a number of years whereas other agreements, primarily collaborations in apparel, are generally one-off in nature but can lead to repeat business. For the year ending 31 January 2020, licensing revenue is expected to be lower and closer to historic levels.

### Manufacturing

Total Manufacturing sales (including £12.9 million of internal revenue which is eliminated at a Group level) fell by 1.5% to £32.9 million, compared with the previous full year, with statutory operating profit remaining flat at £0.8 million for the division. UK third party sales fell by 0.4% year on year and this was despite new customers and a greater proportion of initial printing of new collections. Sales to our own Group Brands fell by 14.1% as a result of lower Group Brand product sales in the period. The focus on third party export delivered excellent growth of 43.4% and now accounts for 17.4% of total manufacturing sales.



**Anstey Wallpaper Company ('Anstey')**

Sales at Anstey, our wallpaper printing and paint tinting business, grew 1.9% to £18.3 million. Third party sales in the UK were up 7.7%, third party export sales were up 52.6% and internal wallcovering sales to our own Group Brands fell by 13.0%. Export sales to the US and Europe have benefited from an increase in the number of overseas customers, and the recognition of Anstey's premium print technologies, world-class excellence in manufacturing, customer service and quality and innovation.

Our new in-house paint tinting and distribution for our Sanderson and Zoffany brands in partnership with global paint manufacturer PPG continues to develop. The financial year ended 31 January 2019 was a year of transition from paint manufacturer Bradite to PPG and this impacted overall paint sales which fell by 3.2%. The transition is now complete and our strategy for the current financial year is to start to grow the category.

**Standfast & Barracks ('Standfast')**

Standfast, our fabric printing factory, saw a decrease in sales of 5.1% to £14.6 million. Third party sales in the UK fell 8.6%; third party export sales grew strongly by 36.0%; whilst sales to our own Group Brands decreased by 13.7%. Standfast's mix of digital print, which generates a higher margin as a proportion of total sales value, increased further to 58% by value compared with 50% in FY18.

Standfast continues to exploit its extensive archive and original artwork, using a large design studio which reinterprets antique, heritage and classic design into modern contemporary prints. This approach has been particularly successful in overseas markets such as the US, Europe, South Africa and Australasia.

Representation in the US and exhibiting at the German Heimtextil and Italian Proposte trade shows have helped to drive significant growth of fabric prints abroad.

**Brexit**

As referred to in our Principal risks section of our Annual Report and Accounts, we are aware of the current uncertainties that surround Brexit. We continue to dynamically assess risks and plan mitigation in order to minimise the impact of the UK's exit from the European Union ('EU').

**Christopher Rogers**

Interim Executive Chairman  
9 April 2019

## BUSINESS MODEL AND STRATEGY

# BEAUTIFUL, ELEGANT INTERIORS

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The Directors present their Strategic Report on the Group for the year ended 31 January 2019.

**W**alker 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 85 countries worldwide. The Company derives

significant licensing income from the use of its designs in lifestyle products such as bed linen, 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 Operating Review on page 5, which when taken together with the Interim Executive Chairman's Statement, the Chief Financial Officer's Review and the information provided on pages 8 to 21, form the Directors' Strategic Report for the year ended 31 January 2019.

## **THE STRATEGY COMPRISES FIVE PILLARS:**

### **P.10**

#### **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.11**

#### **PRODUCT CATEGORY EXTENSION**

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

### **P.12**

#### **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.14**

#### **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.15**

#### **ACQUISITION**

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

## STRATEGY IN ACTION

# INTERNATIONAL EXPANSION

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

**W**e 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, Dubai, Russia and Germany. 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.

# 85

WE SELL IN  
85 INTERNATIONAL  
MARKETS

## PRODUCT CATEGORY EXTENSION

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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 curtains, bedding and furniture.

We have 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.

Additionally, we have expanded our finished goods sales channel with the introduction of an online offering, which includes a selection of wallpapers, paints, cushions and bedding.

# 66

NEW COLLECTIONS  
LAUNCHED DURING  
THE YEAR

**STRATEGY IN ACTION** CONTINUED

## 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 delivered new and exciting collaborations with a number of world-renowned brands, including apparel labels H&M, Uniqlo and Radley; products include bags, ready-to-wear fashion items and gift accessories for the Morris & Co., Sanderson and Scion brands. These collaborations have resulted in increased exposure to the brands across premium retail spaces and luxury fashion magazines and news titles.

### H&M

In autumn 2018 Morris & Co. collaborated with fashion brand H&M to launch a range of ready-to-wear women's and men's clothing including tailored coats, knitted jumpers, shirts, dresses and scarfs. Iconic Morris & Co. designs used in the collection include Pimpernel, Brer Rabbit, Lily Leaf and Marigold, which generated not only a significant licensing income but also an increase in brand awareness.

### Uniqlo

Japanese apparel retailer Uniqlo launched its second Studio Sanderson collection in spring 2019 to include a new range of women's and children's clothing in Sanderson's famous florals. Concurrently the inaugural launch of Scion baby for Uniqlo featured a selection of bodysuits and dresses in Scion's colourful designs. Both collections were available online and throughout Uniqlo's 1,900 stores worldwide.

### Radley

English brand Radley collaborated with Sanderson to launch a range of bags and purses for autumn/winter 2018. The range of embossed and screen-printed leather bags featured Sanderson's Roslyn print.

# £6.5m

LICENSING INCOME  
Constant currency growth  
during the year +103.1%

## STRATEGY IN ACTION CONTINUED

# MANUFACTURING INNOVATION

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We manufacture for the industry, with approximately 60% of our total production being for third party customers.

Our UK manufacturing base, comprising 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 60% of our total production being for third party customers. Both factories have extensive archives and design capabilities with the strategy to grow third party overseas business.

Working in partnership with PPG, the global US-based paints and coating company, in September 2017 Anstey moved into the paints market capitalising on 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. In 2018 Style Library streamlined its product offer; relaunched the Sanderson paint brand; introduced over 50 new colours to the Zoffany palette; started tinting Sanderson in UK merchant stores; and made paint available for sale through our own website direct to consumers.

Standfast continues to produce original artwork and exploit its extensive archive. It uses its unique design studio which reinterprets antique, heritage and classic design into modern contemporary prints. This approach has been particularly successful in foreign markets where a custom bespoke design service has been well received. Capitalising on digital printing technologies has allowed Standfast to sell a unique service proposition: unique design, digital print, low minimums and fast to market which underpins its growth strategy.



## ACQUISITION

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

**C**larke & Clarke has added significantly to our product offering, customer base and our presence in the US market. The acquisition has provided revenue growth opportunities, strengthened our sourcing expertise and capabilities and has been materially earnings enhancing.

We believe in time there will be further opportunities to consolidate the fragmented market in which we operate.

£24.3m

CLARKE & CLARKE  
contribution to revenue

# CHIEF FINANCIAL OFFICER'S REVIEW

Full year dividend payout ratio maintained giving a total dividend of 3.24p per share.

## Income statement

The Interim Executive Chairman's Statement and Operating Review provide an analysis of the key factors impacting our revenue and 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.

Operating profit fell by 51.7% to £6,588,000 due to an increase in non-underlying items explained below and uncertain market conditions in our UK markets as explained in the Interim Executive Chairman's Statement.

### Newly adopted accounting standards

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15') from 1 February 2018. These have resulted in changes in accounting policies and, where applicable, adjustments to the amounts recognised in the Group's financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the financial year to enable an accurate comparison of performance. Note 1 to the accounts describes the impact of the Group adopting IFRS 15.

In summary, adjustments were required in relation to:

- (i) Fixed minimum guaranteed income amounts receivable under multi-year licensing agreements from licensing partners have been recognised from the point the licence and hence control has transferred to the licensee, rather than in the period in which it is earned. This is provided there are no further performance obligations to be satisfied.
- (ii) Consideration received from the sale of marketing materials and additional services to support the sale of the Group's core products have been classified within 'net other income'. These were previously deducted from distribution costs as a contribution to marketing expense.
- (iii) Carriage recoveries relating to the delivery of goods have been classified within 'revenue'. These were previously deducted from distribution costs.
- (iv) Other items including provision for customer returns where the customer has a right to return an item within a fixed determinable period, and without penalty.

IFRS 16 'Leases' will be adopted from 1 February 2019, for the first time. There will be no restatement of comparatives and it is not expected to have a material impact on either cash flows or adjusted profit before tax or how the business is managed.

**Underlying profit before tax**

Statutory profit before tax of £6,308,000 (2018: £12,982,000) includes non-underlying charges of £3,260,000 (2018: credits £1,251,000) as set out below.

	Year ended 31 January	
	2019 £000	2018 £000
<b>Statutory profit before tax</b>	<b>6,308</b>	12,982
Amortisation of acquired intangible assets	(1,016)	(1,016)
Unwind of the fair value uplift adjustment on inventory	-	(182)
Unwind of discount on contingent consideration	-	(405)
Fair value adjustment to contingent consideration	-	4,047
Total acquisition-related costs	(1,016)	2,444
Standfast flood-related costs	-	(1,125)
Standfast flood insurance reimbursements	-	1,342
Standfast net other income	-	217
Restructuring and reorganisation costs	(1,723)	(701)
Anstey fire-related costs	(85)	(709)
Anstey fire insurance reimbursements	650	-
Anstey net other income/(costs)	565	(709)
Guaranteed Minimum Pension ('GMP') equalisation	(1,086)	-
<b>Total non-underlying (charge)/credit included in profit before tax</b>	<b>(3,260)</b>	1,251
<b>Underlying profit before tax</b>	<b>9,568</b>	11,731
LTIP accounting credit/(charge)	661	(413)
Net defined benefit pension charge	(573)	(573)
<b>Adjusted underlying profit before tax excluding LTIP and defined benefit pension charge</b>	<b>9,480</b>	12,717

Acquisition-related costs incurred were in respect of the acquisition of Clarke & Clarke, which completed on 31 October 2016. This comprises the amortisation of intangible assets of £1,016,000.

Restructuring and reorganisation costs of £1,723,000 reflect the rationalisation of certain operational and support functions. These costs mainly comprise professional fees, employee severance, property termination and asset writedown costs associated with the reorganisation process.

Anstey net other income comprises proceeds of £650,000 from the reimbursement of plant and equipment repair and related costs following a machine fire.

**Long-Term Incentive Plan ('LTIP')**

There was no new award of shares during the financial year under the Long-Term Incentive Plan ('LTIP'). There was a credit of £661,000 (2018: charge £413,000) in the Income Statement relating to LTIP awards. The credit in the year is driven by a reduction to the Company's share price and a reduction in the vesting assumption for future awards.

**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 1 July 2005 respectively.

The charge during the year was £573,000 (2018: £573,000). There is an additional non-underlying charge of £1,086,000 (2018: £nil) as a result of equalising Guaranteed Minimum Pensions ('GMP') in the Group's pension schemes following a ruling in the High Court which has been recognised as a past-service charge.

**Pension deficit**

The pension deficit increased during the year driven by the impact of GMP equalisation and the change in demographic assumptions i.e. post-retirement mortality. The impact of these factors is shown as follows:

	2019 £000
Deficit at beginning of the year	(7,298)
Scheme expenses	(410)
Interest cost	(1,786)
Expected return on plan assets	1,623
Contributions	1,990
Return on scheme assets	894
Experience adjustments on benefit obligation	(529)
Past service cost	(1,086)
Actuarial loss from the change in demographic assumptions	(3,061)
Gross deficit at the end of the year	(9,663)

The Company has agreed a Recovery Plan to pay contributions of between £1,500,000 and £1,900,000 per year to eliminate the funding shortfall by October 2026.

**Current taxation**

There was a corporation tax charge of £1,684,000 (2018: £1,830,000) which has been driven by the decrease in underlying profit.

**Deferred taxation**

There was a deferred tax credit of £477,000 (2018: credit £775,000) 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.

## CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

### Earnings per share

Basic reported EPS for the year was 7.19p (2018: 16.95p). 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 10.80p (2018: 14.77p).

### Operating cash flow and net funds

The Group generated net cash inflow from operating activities during the year of £11,552,000 (2018: £4,508,000) including working capital inflow of £2,600,000 compared with the prior year achieved through a combination of tighter inventory and debtor management.

Capital expenditure was £3,002,000 (2018: £3,497,000) and includes the purchase of a digital pigment printer at our fabric printing factory in line with the Group's strategy to continue to invest in innovative printing techniques and development costs relating to the design of new collections for the Brands. The depreciation and amortisation charge during the period was £4,565,000 (2018: £4,092,000).

The Group made additional payments to the pension schemes of £1,580,000 (2018: £1,521,000) to reduce the deficit, part of the ongoing planned reduction, along with £410,000 (2018: £386,000) of pension fund scheme expenses.

Overall tax paid during the year was £784,000 (2018: £2,231,000) which reflects a reduction in the Group's tax charge driven by a reduction in the Group's profits. The effective tax rate ('ETR') has risen to 19.1% from 8.1% as the prior year non-underlying items included the non-underlying net other income that was not taxable and reversal of deferred tax on contingent consideration.

The Group had net funds as at 31 January 2019 of £434,000 (2018: net debt £5,263,000). Average debt during the year varies due to the timing and seasonality of revenues and investment in products. The average monthly net debt decreased by £3,035,000 to £8,211,000 (2018: £11,246,000) as a result of the Group utilising less of its 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. Under these facilities there was borrowing headroom of £17,500,000 (2018: £12,237,000).

The total facilities have a current limit of £22.50 million (2018: £22.50 million).

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

### Dividends

During the year, the Group paid a final dividend for the year ended 31 January 2018 of 3.68p per share and an interim dividend of 0.69p per share.

With a view to maintaining the prior year's dividend payout ratio of 30%, the Directors have recommended the payment of a final dividend of 2.55p per share (2018: 3.68p) which, subject to shareholder approval at the Company's Annual General Meeting, will be payable on 9 August 2019 to shareholders on the register on 19 July 2019. This brings the total dividend for the year to 3.24p per share (2018: 4.37p).

### Going concern

The Directors are confident that, after having made appropriate enquiries, 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 £476,000 (2018: £nil), which is a collective assessment of the risk against non-specific receivables.



**Mike Gant**

Chief Financial Officer  
9 April 2019

# KEY PERFORMANCE INDICATORS

The KPIs for the business are primarily financial.

REVENUE (£MILLION)	
19	113
18	112*
17	92
16	88

Total current year revenue.

REVENUE GROWTH (%)	
19	+1.0
18	+21.4*
17	+5.2
16	+5.3

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

ADJUSTED EARNINGS PER SHARE (PENCE)	
19	10.80
18	14.77*
17	13.67
16	11.93

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.

ADJUSTED OPERATING MARGIN (%) (BEFORE LTIP)	
19	8.6
18	11.6*
17	11.5
16	10.4

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

AVERAGE GEARING (%)	
19	13.5
18	18.2
17	5.9
16	11.1

Average net debt for the year divided by total equity.

YEAR END GEARING (%)	
19	-0.7
18	8.5
17	10.4
16	-6.5

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

\* The financial period ended 31 January 2018 has been restated for IFRS 15 'Revenue from Contracts with Customers', on a like-for-like basis with the current period.

# 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, impact of Brexit and changes in consumer discretionary spending.
- **Financial** – availability of bank borrowing and costs of borrowing, taxation and pension fund liability.
- **Operational** – market penetration, international expansion and information security (IT systems, cyber risk and General Data Protection Regulation).

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 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. Disabled persons are given full and fair consideration for employment where an appropriate vacancy occurs, having regard to their particular aptitudes and abilities.

Whenever possible, arrangements are made for the continuing employment of persons who have become disabled during service and for appropriate training of all disabled employees, who are given equal consideration with all other employees in promotion and career development.

## Environment

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

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

## Impact of the UK's exit process from the European Union

In relation to Brexit, the Group has identified significant risks that could materially affect the business. These include supply chain disruption; availability of raw materials; default WTO tariffs; non-tariff barriers including chemicals registration and CE marking; difficulties in attracting and retaining employees from within the EU; increased administration on tax, tariffs and customs; impact of foreign exchange rates; as well as a tightening of the property market.

We continue to dynamically assess risks and plan mitigation in order to minimise the impact of the UK's exit from the EU.

This report was approved by the Board of Directors on 9 April 2019 and signed on its behalf by



**Christopher Rogers**  
Interim Executive Chairman

## VIABILITY STATEMENT

The Group meets its day-to-day working capital requirements through its bank facilities of up to £17.5 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	CHANGE	CONTROLS TO MITIGATE
<b>MARKETPLACE</b>		
<b>Trading environment</b> The Group operates in major international markets which have experienced headwinds and there are ongoing changes in the EU and 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.	↑	The Group continues to focus on strong cost control including cost re-engineering to try to ensure that it remains well positioned to deal with an uncertain environment. Focus on product diversification through licensing opportunities, new product categories including ready-made curtains, bedding and furniture all help to strengthen our product offering. The Group offers a well-balanced, diverse product range to meet the demands of different customers. Clarke & Clarke, which is at the affordable end of the market, accelerates the Group's market penetration strategy. The Group is broad based and the design teams constantly monitor trends within and outside our marketplace.
<b>Competition</b> 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 including in-house paint tinting and distribution. There is focus on product extension through global recognition of the Group's heritage brands and contemporary design excellence, broadening the product range including selling finished products online 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 Russia helps to increase our international sales channels. We are continuing to make progress with consumer e-commerce development.
<b>FINANCIAL</b>		
<b>Foreign exchange</b> 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 monitors 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 EU. 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.
<b>Pension funding</b> 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.
<b>OPERATIONAL</b>		
<b>Recruitment and retention of key employees</b> 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 and accordingly the Group focuses on attracting and retaining employees. In addition, the Group offers competitive remuneration packages including long-term incentive schemes designed to retain key individuals.
<b>Reputation risk</b> 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.
<b>Acquisition risk</b> 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.
<b>Major Incident or disaster such as a fire/flood</b>	→	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.
<b>IT</b> 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 help to reduce the overall risk.

# BUSINESS UNITS OVERVIEW

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**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.

**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  
William 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.

**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, wall coverings, paints and furniture pieces are celebrated by interior designers and architects around the world for their artistry, integrity and authenticity.

**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 to complement its wallpaper collections.

**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.

**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. Twenty years  
on and with its vision holding  
true, the company distributes  
fabrics and wallcoverings to over  
85 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  
season's trends. Its accessible  
pricing and quality products  
mean customers have come to  
rely on the expert service  
provided by Studio G.

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

Standfast & Barracks proudly  
produces 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.

**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. The company has  
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.

INTRODUCING THE

# BOARD OF DIRECTORS

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## **DAME DIANNE THOMPSON** **NON-EXECUTIVE CHAIRMAN**

### **Terms of appointment**

Dianne joined the Board in February 2019 initially as a Non-executive Director. In April 2019 following the appointment of the new Chief Executive Officer, Dianne became the Non-executive Chairman. She is a highly experienced sales and marketing executive and is currently a Non-executive Director of Next Plc.

From 2000 until 2014, Dianne was chief executive of Camelot Group plc, the UK National Lottery provider. Prior to that role, she held marketing and general management positions in a number of consumer and building materials businesses including Signet Group plc, Sandvik Saws & Tools Ltd and ICI Paints.

### **Committee membership**

Audit Committee  
Remuneration Committee  
Nomination Committee

## **CHRISTOPHER ROGERS** **NON-EXECUTIVE DIRECTOR**

### **Terms of appointment**

Christopher joined the Board in April 2018 as a Non-executive Director and Chair of the Company's Audit Committee. In October 2018, on the departure of the CEO, Christopher became Interim Executive Chairman and held this role until April 2019 before returning to being a Non-executive Director and Chair of the Remuneration Committee.

Other Non-executive positions held include Senior Independent Director at Travis Perkins plc, the builders' merchant and home improvement business, and Chair of the Audit Committee at Kerry Plc, the international taste and nutrition company, and Viro Energy Plc, a company that distributes and markets Shell-branded fuels and lubricants to retail and commercial customers in Africa. Christopher was an executive director of Whitbread plc for 11 years from 2005, first as Group Finance Director for seven years and then as Global MD of Costa Coffee, where he grew the brand internationally to become the world's second largest coffee shop chain.

### **Committee membership**

Audit Committee  
Remuneration Committee  
Nomination Committee

## **VIJAY THAKRAR** **NON-EXECUTIVE DIRECTOR**

### **Terms of appointment**

Vijay joined the Board as a Non-executive Director in November 2018 and became Chairman of the Audit Committee. He is a chartered accountant and, until 2016, was a partner at Deloitte advising listed brand-based companies. He is now a Non-executive Director at public and private businesses including meat alternative company Quorn Foods, sustainable building products group Alumasc plc and MK Dons Football Club Sports & Education Trust.

### **Committee membership**

Audit Committee  
Remuneration Committee  
Nomination Committee

## **LISA MONTAGUE** **CHIEF EXECUTIVE OFFICER**

### **Terms of appointment**

Lisa Montague joined the Group in March 2019 as an Executive Director and became Chief Executive Officer on 10 April 2019.

Lisa is a highly experienced luxury goods executive, with previous roles at Madrid-based international fashion brand Loewe SA, a Spanish luxury fashion house owned by the LVMH Group, Aspal of London Group Ltd and Mulberry Group plc. She has significant experience of leading and developing UK and international brand-based businesses with manufacturing and multi-channel distribution.

## **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.

## **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.

## **TERRY STANNARD** **NON-EXECUTIVE DIRECTOR**

### **Terms of appointment**

Terry joined the Board as a Non-executive Director in September 2007 and was Non-executive Chairman from January 2009 to October 2018. He was Chairman of the Audit Committee from October 2018 until an additional Non-executive Director was appointed in November 2018. Terry stepped down from the Board in April 2019. He has particular expertise in international brand-based businesses. From a marketing background he went on to run businesses in Asia Pacific and Europe at United Biscuits plc, was a divisional CEO at Hillsdown Holdings plc and CEO at Terranova Foods plc and Uniq plc. Since 2001, he has held a wide range of Non-executive Chair and Director appointments at both quoted and unquoted businesses.

### **Committee membership**

Audit Committee  
Remuneration Committee  
Nomination Committee

# CORPORATE GOVERNANCE STATEMENT

## Introduction from the Chairman

All members of the Board recognise the importance of good governance in reducing risk and adding value to our business. Delivering growth and long-term shareholder value with effective and efficient decision-making is of high importance to the Board.

In 2018 it became a requirement for all AIM companies to adopt a recognised Corporate Governance Code and the Board adopted the QCA Code in June 2018. The QCA Code includes 10 principles that focus on the pursuit of medium to long-term value for shareholders. How the Company has applied these principles is detailed in the Corporate Governance section of the Company's website at [www.walkergreenbank.com](http://www.walkergreenbank.com).

The Company has complied with the recommendations of the QCA Code with the exception of the departures identified and explained below.

This report, together with the information contained in the Audit Committee report, the Report of the Directors and the Directors Remuneration report explains the corporate governance framework within which the Group operates.

## The Board

The Company is supervised by the Board of Directors. The Board comprises Executive and Non-executive Directors. The balance of skills, experience and independence has been evaluated during the year, and, as detailed within the Interim Executive Chairman's Statement on pages 2 to 4, both Executive and Non-executive positions have been refreshed. Whilst the recruitment of a new Chief Executive Officer was undertaken, Christopher Rogers became Interim Executive Chairman, and so for the period 10 October 2018 to 10 April 2019, the role of Chairman and Chief Executive were combined.

From 10 April 2019, Christopher returns to a Non-executive role, Dianne Thompson becomes Non-executive Chairman and Lisa Montague Chief Executive Officer. The 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, is therefore clarified.

## Board composition

The Board of Directors who served during the year ended 31 January 2019 and their attendance at meetings is shown in the adjacent table. Biographical details of the current Board are given on page 29.

## 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. The schedule of matters reserved to the Board is available on the Company's website.

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.

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

Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors.

During the year, new Non-executive Directors joined the Board. Christopher Rogers joined in April 2018 and became Chair of the Audit Committee when Fiona Goldsmith left the Company in June 2018. Vijay Thakrar joined the Board in November 2018 and became Chair of the Audit Committee. Terry Stannard has served on all three Committees and up to 10 April 2019 chairs the Remuneration Committee.

## Board performance and evaluation

With the new appointments made to the Board during the year, there has been no formal Board evaluation process undertaken. The Board continually reflects on its performance and will initiate a formal review process in the year ahead.



### Attendance at meetings of the Board and its Committees

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Total number of meetings</b>	<b>13</b>	<b>3</b>	<b>3</b>	<b>4</b>
<b>Meetings attended:</b>				
T Stannard	12/13	3/3	3/3	4/4
F Goldsmith	5/5	1/1	2/2	1/1
C Rogers	10/10	2/2	2/2	3/3
V Thakrar	2/2	1/1	0/0	1/1
J Sach	8/8	-	-	1/1
M Gant	13/13	-	-	-

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

### 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 Committees are composed of the Non-executive Directors; however, whilst Christopher Rogers acted as Interim Executive Chairman, by reason of his knowledge and experience, and taking into consideration the short-term tenure of his Executive role, the other Committee member(s) requested he remained on the Committees for the interim period. Details of the composition of each of the Committees are included on page 33 of the Report of the Directors.

The Company Secretary acts as secretary to the Committees. The Board is satisfied that the Committees discharged their responsibilities appropriately.

### Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Board reviews its AIM obligations with its Nominated Advisor annually. In addition, the Directors have direct access to the advice and services of the Company Secretary.

### Independent Directors

The Board considers that each<sup>1</sup> of the Non-executive Directors bring an independent judgement to bear. Non-executive Directors are expected to dedicate a minimum of 25 days per year, plus Committee duties. The Non-executive Directors' other time commitments are reviewed regularly.

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').

Further details of each of the independent Directors are set out on page 29.

### Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, including consideration of the skills, knowledge and experience of the Board members. The Committee also considers the re-election of Directors retiring by rotation, manages succession planning and selects potential new Board candidates. The HR Director is invited to attend meetings, when appropriate. Where necessary, external search consultants are used to ensure that a wide range of candidates is considered. During the year, Warren Partners was engaged to assist with identification and selection of new Directors. Where new Board appointments are considered, the search for candidates is conducted, and appointments are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

### Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration policy and the application of the policy in relation to the Executive Directors' remuneration. In framing its policy, the Remuneration Committee may seek advice from external remuneration consultants and does take 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 Board, but no Director is involved in any decisions relating to their own remuneration. Further details of the work of the Committee is contained in the Directors' Remuneration Report on page 36.

### Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including the appropriateness of any judgements and estimates taken in preparing the financial statements, internal and external audit functions and internal financial control. Further details of the work of the Committee is contained in the Audit Committee report on page 40.

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 and that all Directors retire for re-election at least every third year. In line with best practice, the Board has decided to adopt voluntarily the practice that all continuing Directors submit themselves for re-election annually.

<sup>1</sup> Christopher Rogers performed an Executive role from 10 October 2018 to 10 April 2019. After careful review the Board considers that due to the short-term tenure of the role, this has not affected his independence of judgement.

# CORPORATE GOVERNANCE STATEMENT

## CONTINUED

### 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.

There is 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](http://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.

# 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 2019. The Strategic Report on pages 2 to 18 is incorporated by reference and deemed to form part of this report.

## Group result

The profit before taxation amounted to £6,308,000 (2018: £12,982,000), and profit after tax £5,101,000 (2018: £11,927,000).

## Dividends

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

The Directors recommend payment of a final ordinary dividend of 2.55p per share, amounting to £1,810,079 (excluding dividends on shares held by the Employee Benefit Trust) which will be recognised in the financial statements for the following year (2018: 3.68p per share). Subject to shareholders' approval at the Annual General Meeting ('AGM'), the final dividend is expected to be paid on 9 August 2019 to shareholders on the register at 19 July 2019.

## 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.

## Directors

The Board of Directors who served during the year ended 31 January 2019 and up to the date of reporting are as follows:

Name	Position	Date	Committees <sup>1</sup>
Terry Stannard	Non-executive Director and Chairman	From 01.02.2018 to 10.10.2018	<b>R, N, A</b>
	Non-executive Director	From 10.10.2018 to 27.11.2018	<b>R, N, A</b>
	Non-executive Director	From 27.11.2018 to 10.04.2018	<b>R, N, A</b>
Fiona Goldsmith	Non-executive Director	From 01.02.2018 to 27.06.2018	<b>R, N, A</b>
Christopher Rogers	Non-executive Director	From 30.04.2018 to 27.06.2018	<b>R, N, A</b>
	Non-executive Director	From 27.06.2018 to 10.10.2018	<b>R, N, A</b>
	Executive Chairman	From 10.10.2018 to 10.04.2019	<b>R, N, A</b>
	Non-executive Director	From 10.04.2019	<b>R, N, A</b>
Mike Gant	Executive Director, CFO	From 01.02.2018	
John Sach	Executive Director, CEO	From 01.02.2018 to 10.10.2018	<b>N</b>
Vijay Thakrar	Non-executive Director	From 27.11.2018	<b>R, N, A</b>
Dianne Thompson	Non-executive Director	From 01.02.2019	<b>R, N, A</b>
	Non-executive Chairman	From 10.04.2019	<b>R, N, A</b>
Lisa Montague	Executive Director	From 11.03.2019	
	Executive Director, CEO	From 10.04.2019	

<sup>1</sup> Bold type denotes Chair.

## Post Balance Sheet events

On 1 February 2019 Dame Dianne Thompson joined the Board as a Non-executive Director and becomes Chairman of the Board, effective 10 April 2019.

On 11 March 2019 Lisa Montague joined the Board as Executive Director and becomes Chief Executive Officer with effect from 10 April 2019. On 10 April 2019 Christopher Rogers, having fulfilled an Interim Executive Chairman role, returns to a Non-executive Director position.

On 10 April 2019, Terry Stannard retires from the Board.

## 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 20 and in note 2 to the financial statements.

## Research and development

The Group continues to invest in its products to retain and enhance its market position. Details of the Group's expenditure on collection design development costs are set out in note 14 of the financial statements.

# REPORT OF THE DIRECTORS

## CONTINUED

Details of the Directors' service contracts are set out in the Directors' Remuneration Report on pages 36 to 39, 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 29.

### 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 should retire as Directors by rotation and that each Director stand for re-election at least every third year. At the 2019 AGM all of the Directors will retire and will offer themselves for re-election.

### 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 22 to the consolidated financial statements.

### Political donations

The Group has not made any political donations (2018: nil).

### Annual General Meeting

The AGM will be held on 14 June 2019. The notice convening the meeting will be sent to shareholders by way of a separate circular. Explanatory notes on each resolution to be proposed at the meeting will accompany the circular.

### Share capital

The Company's issued capital consists of 70,983,505 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 2017, the Directors were authorised to allot ordinary shares up to a nominal value of £229,520 and were further authorised to make market purchases of up to 6,955,168 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 24 to the consolidated financial statements.

### Substantial shareholdings

As at 7 March 2019, the Company was aware of the following substantial shareholdings in its ordinary share capital. The percentages are calculated from the 70,983,505 ordinary 1p shares allotted, called and fully paid up. Comparatives at 7 March 2018 are shown.

Octopus Investments 11.77% (2018: 12.86%), Schroder Investment Management 8.08% (2018: 8.09%), Investec Wealth & Investment 7.59% (2018: 13.71%), Ennismore Fund Management 5.59% (2018: 0%), Killick & Co 5.26% (2018: 3.45%), FIL Investment International 4.54% (2018: 0.04%), Revera Asset Management 4.39 % (2018: 0.11%), Charles Stanley 3.62% (2018: 1.92%), Brown Shipley Asset Management 3.31% (2018: 3.50%).

### Independent auditors

PricewaterhouseCoopers LLP have expressed their 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

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 EU and the Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK 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 EU have been followed for the Group financial statements and UK 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 UK 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 UK Generally Accepted Accounting Practice (UK 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 EU, 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 Report of the Directors 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  
9 April 2019

**Registered Office**  
Chalfont House  
Oxford Road  
Denham, UB9 4DX

Registered number 61880

# DIRECTORS' REMUNERATION REPORT

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.

## Introduction from the Chairman

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2019.

The aim of this report is to provide shareholders with the information to understand the remuneration policy and its linkage to the Group's financial performance. The Remuneration Committee seeks to achieve a fair outcome in reward that is linked to the Group's immediate and long-term results strategy delivery.

## Remuneration Committee

The members of the Remuneration Committee during the financial year are detailed below:

Dates	Chairman	Members	
From 01.02.18 to 14.05.18	Terry Stannard	Fiona Goldsmith	
From 15.05.18 to 26.06.18	Terry Stannard	Fiona Goldsmith	Christopher Rogers
From 27.06.18 to 05.12.18	Terry Stannard	Christopher Rogers <sup>1</sup>	
From 06.12.18 to 31.01.19	Terry Stannard	Christopher Rogers	Vijay Thakrar

<sup>1</sup> Christopher Rogers became Interim Executive Chairman with effect from 10 October 2018; by reason of his knowledge and experience, and taking into consideration the short-term tenure of his Executive role, the other Committee member(s) requested he remained on the Committee for the period.

The number of meetings held during the year and the attendance at each meeting is shown in the table on page 31 of the Corporate Governance Statement.

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. In making remuneration decisions, the Committee considers the Group's overall performance against its long-term goals.

The Committee is comprised of the Non-executive Directors. The Chief Executive Officer is invited to attend meetings of the Committee, where relevant, 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 keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice from the HR Director and external advisers, when it considers it is appropriate. Aon Hewitt was retained during the financial year to provide independent advice to the Committee.

## Remuneration policy

The Group's remuneration policy is designed to ensure that the main elements of the remuneration package are linked to the Group's annual and long-term strategy, are appropriate in quantum and capable of attracting, motivating and retaining Executive Directors and senior managers. The policy aims to reward Executive Directors and senior managers by offering them competitive remuneration packages which are prudently constructed, sufficiently stretching and linked to long-term profitability.

In particular, the Committee strives to ensure that remuneration packages are:

- aligned with the Group's strategic plan;
- aligned with shareholder interests;
- measured against stretching targets;
- competitive and sufficiently flexible to support the recruitment and needs of the business;
- paid in a combination of cash and shares; and
- linked to performance measured over annual and three-year performance periods.

The performance measurement of the Executive Directors and the determination of their annual remuneration package, including performance targets, are undertaken by the Remuneration Committee.

## Summary of components of Executive Directors' remuneration

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.

## 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 healthcare benefits and a company car or car allowance.

#### **Annual performance-related bonus**

The Executive Directors' remuneration package includes a performance-related bonus with maximum bonus potential of 100% of basic salary. 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 April and July, the Company's underlying profit for the year was below expectations and as a result, for the year ended 31 January 2019, the Committee determined that the maximum bonus potential be capped at 10% of basic salary based on the achievement of the lower forecast adjusted PBT of £9.5 million.

For his tenure as Executive Chairman, Christopher Rogers did not partake in the annual performance-related bonus. On achievement of specific personal objectives primarily focused on Board restructure, he was eligible to receive up to 100% of the base salary earned whilst performing the Executive Chairman role.

The performance measures and bonus targets for FY2020 are under review.

#### **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:

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

A summary of the performance conditions attaching to outstanding awards can be found on pages 38 and 39. To the extent that these performance conditions are not met at the end of the vesting period, the options will lapse.

As announced in April and July, the Company's underlying profit for the year was below expectations and, as a result, the Committee determined that it would be inappropriate to set performance targets below that of previous expectations. There was therefore no grant made under the LTIP in 2018.

The performance conditions of any grant in FY2020 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 3.6%.

#### **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.

Mike Gant is a member of a Group Flexible Retirement Plan ('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.

The contract for the Interim Executive Chairman position was a bespoke flexible combination of basic salary and bonus that operated from 10 October 2018 and ended on 10 April 2019 on the completion of key objectives.

#### **Termination payments**

John Sach resigned effective 31 October 2018 and detail of the compensation he received is shown in the table overleaf.

#### **Non-executive Directors**

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

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' REMUNERATION REPORT

## CONTINUED

The following table summarises the total gross remuneration for the reporting period of the Directors who served during the period to 31 January 2019.

Year to 31 January 2019	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	2019 total £000
<b>Executive Directors</b>								
J Sach (up to 31.10.18)	214	-	348	45	2	-	28	637
M Gant	228	23	-	44	14	-	29	338
C Rogers <sup>1</sup> (from 10.10.18)	58	47	-	-	-	-	-	105
<b>Non-executive Directors</b>								
T Stannard	65	-	-	-	-	-	-	65
C Rogers (from 30.04.18 to 09.10.18)	21	-	-	-	-	-	-	21
V Thakrar (from 27.11.18)	9	-	-	-	-	-	-	9
F Goldsmith (up to 27.06.18)	14	-	-	-	-	-	-	14
	609	70	348	89	16	-	57	1,189

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
<b>Executive Directors</b>								
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
<b>Non-executive Directors</b>								
T Stannard	71	-	-	-	-	-	-	71
F Goldsmith	33	-	-	-	-	-	-	33
	734	-	214	432	7	-	80	1,467

<sup>1</sup> The total bonus earned by the Interim Executive Chairman for the period of his tenure from 10 October 2018 to 10 April 2019 amounted to £76,563, and will be paid at the completion of his contract.

### Directors' pension entitlements

Accrued annual pension benefits for John Sach at 31 October 2018 were £15,626 (2018: £14,875).

### Directors' share interests

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

	1p ordinary shares 31 January 2019 number	1p ordinary shares 31 January 2018 number
M Gant	87,610	67,949
T Stannard	80,526	80,526
C Rogers	22,500	0
V Thakrar	7,500	0

There have been no changes in the interests set out above between 31 January 2019 and 10 April 2019.

### Directors' LTIP awards

	Date of grant	Share price at grant	Maximum awards at 1 February 2018	Granted in year	Exercised in year	Lapsed in year	Maximum awards at 31 January 2019
M Gant	26/05/2015	197.0p	159,898		37,096	122,802	0
	01/12/2016	204.5p	167,395				167,395
	21/08/2017	224.5p	132,991				132,991
			460,284	0	37,096	122,802	300,386



The LTIP awards granted in 2015 vested on 26 May 2018. The performance conditions attached to this award were based both on compound growth in adjusted EPS<sup>1</sup> 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 was on a sliding scale, with no vesting unless the Company reached at least median position within the comparator group. The performance of the Company over the three-year measurement period resulted in a vesting level of 23.2% of the total awards granted. The share price on the vesting date was 117.5p.

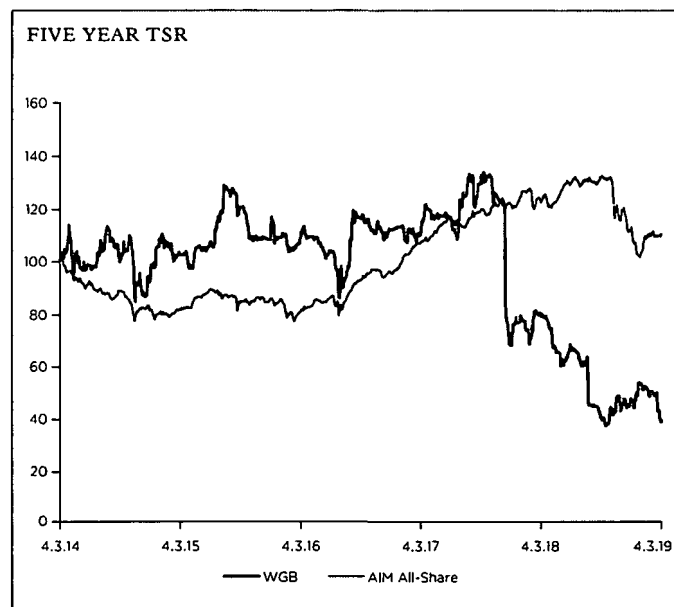
The performance conditions for the 2016 and 2017 awards are also a mixture of compound growth in relative TSR against a comparator group of AIM companies, and an EPS measurement. The EPS element is based on an absolute adjusted EPS<sup>1</sup> for the periods ending 31 January 2019 and 2020 respectively. The performance thresholds are not disclosed as they are considered commercially sensitive but represent outperformance to the market consensus current at the dates of grant. 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 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 145.5p and a low of 64.0p during the financial year ended 31 January 2019. The average share price during the financial year was 100.1p. The share price on 1 February 2018 was 129.5p and on 31 January 2019 it was 86.5p.

<sup>1</sup> Excludes accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items.

#### Total Shareholder Return index for the five financial years ending 31 January 2019



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

**Terry Stannard**  
Chairman of the Remuneration Committee  
9 April 2019

# AUDIT COMMITTEE REPORT

## Membership

The Committee is comprised solely of independent Directors, being myself as Chairman and the other Non-executive Directors, Dianne Thompson and Christopher Rogers. Terry Stannard was an Audit Committee member until he stepped down from the Board as a Non-executive Director on 10 April 2019. The Board is satisfied that I have significant and relevant experience to chair the Audit Committee in line with the Code.

## Roles and responsibilities

The role of the Committee is to support the Board in carrying out its responsibilities for oversight and governance of the Group's financial reporting, its key internal controls/risk management systems and the relationship with the external auditors. In this context, the Audit Committee's responsibilities are to:

- monitor the integrity of the financial statements of the Company, reviewing any significant reporting issues and judgements they contain;
- review the clarity of disclosure and information contained in the Annual Report and Accounts;
- challenge management on the effectiveness of the Group's internal control and risk management systems;
- oversee the relationship with the external auditors, reviewing performance and advising the Board on their appointment, independence and remuneration;
- monitor the statutory audit of the Annual Report and financial statements; and
- 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 the spring and autumn, being the appropriate time to review the Annual Report and Accounts and the interim report respectively, and also in January to review the year to date and plan for the year ahead. At meetings the findings of the external audit are discussed and key risks are reviewed with management and the auditors, including how management is mitigating key risks.

Each meeting is attended by the Committee's members as well as, by invitation, the Executive Directors and the external auditors. A record of meeting attendance by Committee members is set out in the Corporate Governance report on page 31.

At each meeting, 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.

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 reviewed the Annual and interim reports, including 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. In reaching this conclusion, the Committee gave due regard to a report prepared by the external auditors which included significant reporting and accounting matters, summarised below, as well as reports prepared by, and discussions with, the Executive Directors and the management team.

## Key accounting estimates and judgements

The major accounting issues discussed by the Committee with the auditors and management in relation to the performance in the financial year to 31 January 2019 were as follows:

### Inventory

Due to the significant quantum of stocks 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.

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 43 to 47.

### Non-underlying income and expenses

The Committee reviewed the appropriateness of management's split of income and expenses in the Consolidated Income Statement between underlying and non-underlying and the relevant disclosures to provide sufficient transparency. Items that are both material and whose nature is sufficient to warrant separate disclosure and identification as non-underlying were discussed with the auditors. Non-underlying items typically include amounts in relation to acquisitions, unexpected external events, significant restructuring and reorganisation or material one-off accounting charges.

**Adoption of new accounting standards IFRS 15 and IFRS 9**  
The Committee considered management's adoption of the new accounting standards of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments', which have been audited by PwC.

IFRS 15 has been adopted on a fully retrospective basis and the prior year results have been restated enabling the comparability of the financial information presented. This has resulted in material reclassifications in the presentation in the Consolidated Income Statements without a net profit impact. The impact of adopting IFRS 15 in the current year to revenue is an increase of £3,426,000 and an increase of £64,000 to profit.

IFRS 9 has been adopted on a modified retrospective basis. The impact of adopting this accounting standard, has been booked in the current financial year and the prior year results have not been restated. The key difference is for trade receivables, where provisioning is on an 'expected credit loss' basis rather than an 'incurred loss' basis. The impact is a larger provision of £479,000 as all debts are considered for their potential loss, rather than only those with indicators such as being overdue.

### Internal controls and risk management

Management has an ongoing process to identify, evaluate and manage the risks faced by the Group. The Committee reviews and discusses this process with management. 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.

### 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 in discharging this responsibility, including the scope of the audit and terms of engagement, the auditors' performance in executing the audit, their independence and objectivity and their remuneration.

The external auditors report to the Committee on actions taken to comply with professional and regulatory requirements, including independence, and are required to rotate the lead audit partner every five years.

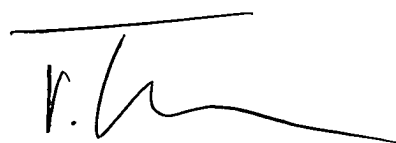
PwC provide a range of other services which include tax compliance and advisory services.

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 pre-approve. The policy is available on the website.

Any non-audit fees above £10,000 per engagement must be pre-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.

At its meetings, the Committee had discussions with the external auditors on audit planning, fees, accounting policies, audit findings and internal controls. This included a review with the auditors and management on how management is addressing control recommendations made by the auditors. 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 they be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting.



**Vijay Thakrar**  
Audit Committee Chairman  
9 April 2019

# 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 2019 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 International Financial Reporting Standards ('IFRSs') as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice (UK 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 2019; 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: £475,000 (2018: £625,000), based on 5% of adjusted underlying profit before tax.
  - Overall Company materiality: £431,000 (2018: £409,000), based on 0.5% of total assets.

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, Style Library (excluding Clarke & Clarke), Clarke & Clarke, Anstey manufacturing and Standfast manufacturing;
  - In addition, the Group engagement team audited certain centralised functions, including those covering corporate taxation, goodwill and intangible asset impairment assessments; and
  - The components on which audits of the complete financial information and centralised work were performed accounted for 90% of Group revenue and 92% of adjusted underlying profit before tax.
- 

Our key audit matter is:

- Adequacy of inventory provision.
-

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC

## CONTINUED

### 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 16, the critical accounting estimates and judgements in note 3 to the accounts on page 67, and note 17 (Inventories).

We have understood and challenged the appropriateness of management's provisioning method and reviewed the consistency of application.

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 discontinued, the inventory age and the inventory sales history. There is additional management judgement overlay in relation to the inventory provision based on specific factors.

We performed 'look back' testing on the prior year inventory provision to establish how accurate the provision was and considered historical sales to support management's conclusions.

We agreed that the Group has consistently applied the provisioning methodology and that this has been accurately calculated.

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

### 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.

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, Style Library (excluding Clarke & Clarke), Clarke & Clarke, Anstey manufacturing and Standfast manufacturing.

In addition, the Group engagement team audited certain centralised functions, including those covering corporate taxation, goodwill and intangible asset impairment assessments.

The components on which audits of the complete financial information and centralised work were performed accounted for 90% of Group revenue and 92% of adjusted underlying profit before tax.

### 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	£475,000 (2018: £625,000).	£431,000 (2018: £409,000).
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. 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, 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 £300,000 and £400,000. 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 it misstatements identified during our audit above £50,000 (Group audit) (2018: £50,000) and £50,000 (Company audit) (2018: £50,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the UK may withdraw from the EU, are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC

## CONTINUED

### **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 2019 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 35, 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.

**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](http://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  
9 April 2019



# CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 JANUARY 2019

	Note	2019			2018 (restated)		
		Underlying £000	Non- underlying (note 6) £000	Total £000	Underlying £000	Non- underlying (note 6) £000	Total £000
Revenue	4,5(a)	113,286	-	113,286	112,185	-	112,185
Cost of sales		(45,312)	(436)	(45,748)	(44,031)	(182)	(44,213)
Gross profit/(loss)		67,974	(436)	67,538	68,154	(182)	67,972
Net operating expenses:							
Distribution and selling expenses		(23,054)	-	(23,054)	(23,594)	-	(23,594)
Administration expenses		(40,683)	(2,824)	(43,507)	(39,299)	(2,426)	(41,725)
Net other income	7	5,611	-	5,611	6,730	4,264	10,994
<b>Profit/(loss) from operations</b>	4-8	<b>9,848</b>	<b>(3,260)</b>	<b>6,588</b>	<b>11,991</b>	<b>1,656</b>	<b>13,647</b>
Finance costs	9	(280)	-	(280)	(260)	(405)	(665)
<b>Profit/(loss) before tax</b>		<b>9,568</b>	<b>(3,260)</b>	<b>6,308</b>	<b>11,731</b>	<b>1,251</b>	<b>12,982</b>
Tax (expense)/income	12	(1,799)	592	(1,207)	(2,513)	1,458	(1,055)
<b>Profit/(loss) for the year attributable to owners of the parent</b>		<b>7,769</b>	<b>(2,668)</b>	<b>5,101</b>	<b>9,218</b>	<b>2,709</b>	<b>11,927</b>
Earnings per share - Basic	13			<b>7.19p</b>			16.95p
Earnings per share - Diluted	13			<b>7.19p</b>			16.84p
Adjusted earnings per share - Basic	13			<b>10.80p</b>			14.77p
Adjusted earnings per share - Diluted	13			<b>10.80p</b>			14.68p

All of the activities of the Group are continuing operations.

The notes on pages 53 to 91 form an integral part of the consolidated financial statements.

The 2018 comparative has been restated for the adoption of IFRS 15 and as an opportunity to adjust cost classification for certain items.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**YEAR ENDED 31 JANUARY 2019**

	Note	2019 £000	2018 (restated) £000
<b>Profit for the year</b>		<b>5,101</b>	<b>11,927</b>
<b>Other comprehensive (expense)/income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit pension schemes	22	(2,696)	(1,219)
Corporation tax credits recognised in equity		63	234
Increase/(reduction) of deferred tax asset relating to pension scheme liability		402	-
<b>Total items that will not be reclassified to profit or loss</b>		<b>(2,231)</b>	<b>(985)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation (losses)/gains		116	(97)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>116</b>	<b>(97)</b>
<b>Other comprehensive expense for the year, net of tax</b>		<b>(2,115)</b>	<b>(1,082)</b>
<b>Total comprehensive income for the year attributable to the owners of the parent</b>		<b>2,986</b>	<b>10,845</b>

The notes on pages 53 to 91 form an integral part of the consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

AT 31 JANUARY 2019

	Note	2019 £000	2018 (restated) £000
<b>Non-current assets</b>			
Intangible assets	14	30,816	31,780
Property, plant and equipment	15	15,227	15,962
		<b>46,043</b>	47,742
<b>Current assets</b>			
Inventories	17	28,020	29,497
Trade and other receivables	18	18,857	21,324
Cash and cash equivalents	19	2,415	1,295
		<b>49,292</b>	52,116
<b>Total assets</b>		<b>95,335</b>	99,858
<b>Current liabilities</b>			
Trade and other payables	20	(21,839)	(22,360)
Borrowings	21	(1,981)	(6,558)
		<b>(23,820)</b>	(28,918)
<b>Net current assets</b>		<b>25,472</b>	23,198
<b>Non-current liabilities</b>			
Deferred income tax liabilities	16	(970)	(1,849)
Retirement benefit obligation	22	(9,663)	(7,298)
		<b>(10,633)</b>	(9,147)
<b>Total liabilities</b>		<b>(34,453)</b>	(38,065)
<b>Net assets</b>		<b>60,882</b>	61,793
<b>Equity</b>			
Share capital	24	710	709
Share premium account		18,682	18,682
Foreign currency translation reserve		(409)	(525)
Retained earnings		1,392	2,420
Other reserves		40,507	40,507
<b>Total equity</b>		<b>60,882</b>	61,793

Restatement of the year ended 31 January 2018 is explained in note 1.

The financial statements on pages 48 to 101 were approved by the Board of Directors on 9 April 2019 and signed on its behalf by



**Christopher Rogers**  
Director



**Mike Gant**  
Director

Registered number 61880

# CONSOLIDATED CASH FLOW STATEMENT

## YEAR ENDED 31 JANUARY 2019

	Note	2019 £000	2018 (restated) £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	12,629	6,984
Interest paid		(293)	(245)
Corporation tax paid		(784)	(2,231)
Net cash generated from operating activities		11,552	4,508
<b>Cash flows from investing activities</b>			
Interest received		23	2
Purchase of intangible assets	14	(709)	(861)
Purchase of property, plant and equipment	15	(2,293)	(2,636)
Proceeds from disposal of property, plant and equipment		220	-
Insurance proceeds relating to investing activities		-	1,785
Net cash used in investing activities		(2,759)	(1,710)
<b>Cash flows from financing activities</b>			
Repayment of term loan	28	-	(200)
Dividends paid to Company's shareholders		(3,102)	(2,659)
Net cash (used in)/generated from financing activities		(3,102)	(2,859)
Net increase/(decrease) in cash and cash equivalents		5,691	(61)
<b>Cash and cash equivalents and bank overdraft at beginning of year</b>		(5,263)	(5,110)
Effect of exchange rate fluctuations on cash held		6	(92)
<b>Cash and cash equivalents and bank overdraft at end of year</b>	28	434	(5,263)

The notes on pages 53 to 91 form an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2019

	Attributable to owners of the parent						
	Share capital (note 24) £000	Share premium account £000	Retained earnings/ (accumulated losses) £000	Other reserves			Total equity £000
				Capital reserve (note 25) £000	Merger reserve £000	Foreign currency translation reserve £000	
<b>Balance at 1 February 2017</b>	<b>696</b>	<b>16,390</b>	<b>(5,872)</b>	<b>43,457</b>	<b>(2,950)</b>	<b>(428)</b>	<b>51,293</b>
Impact of adopting IFRS 15 (note 1)	-	-	231	-	-	-	231
Impact of other adjustments (note 1)	-	-	(224)	-	-	-	(224)
<b>Restated balance 1 February 2017</b>	<b>696</b>	<b>16,390</b>	<b>(5,865)</b>	<b>43,457</b>	<b>(2,950)</b>	<b>(428)</b>	<b>51,300</b>
Profit for the year	-	-	11,927	-	-	-	11,927
<b>Other comprehensive income/(expense):</b>							
Remeasurement of defined benefit pension schemes (note 22)	-	-	(1,219)	-	-	-	(1,219)
Corporation tax credits recognised in equity	-	-	234	-	-	-	234
Deferred tax relating to pension scheme liability	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	(97)	(97)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>10,942</b>	<b>-</b>	<b>-</b>	<b>(97)</b>	<b>10,845</b>
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)
<b>Balance at 31 January 2018</b>	<b>709</b>	<b>18,682</b>	<b>2,420</b>	<b>43,457</b>	<b>(2,950)</b>	<b>(525)</b>	<b>61,793</b>

	Attributable to owners of the parent						
	Share capital (note 24) £000	Share premium account £000	Retained earnings/ (accumulated losses) £000	Other reserves			Total equity £000
				Capital reserve (note 25) £000	Merger reserve £000	Foreign currency translation reserve £000	
<b>Balance at 1 February 2018</b>	<b>709</b>	<b>18,682</b>	<b>2,420</b>	<b>43,457</b>	<b>(2,950)</b>	<b>(525)</b>	<b>61,793</b>
Profit for the year	-	-	5,101	-	-	-	5,101
<b>Other comprehensive income/(expense):</b>							
Remeasurement of defined benefit pension schemes (note 22)	-	-	(2,696)	-	-	-	(2,696)
Corporation tax credits recognised in equity	-	-	63	-	-	-	63
Deferred tax relating to pension scheme liability	-	-	402	-	-	-	402
Currency translation differences	-	-	-	-	-	116	116
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2,870</b>	<b>-</b>	<b>-</b>	<b>116</b>	<b>2,986</b>
Transactions with owners, recognised directly in equity:							
Dividends	-	-	(3,102)	-	-	-	(3,102)
Allotment of share capital	1	-	-	-	-	-	1
Long-term incentive plan charge	-	-	(661)	-	-	-	(661)
Long-term incentive plan vesting	-	-	(135)	-	-	-	(135)
Related tax movements on long-term incentive plan	-	-	-	-	-	-	-
<b>Balance at 31 January 2019</b>	<b>710</b>	<b>18,682</b>	<b>1,392</b>	<b>43,457</b>	<b>(2,950)</b>	<b>(409)</b>	<b>60,882</b>

# 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 Brand's turnover is sourced in-house from the Group's own specialist manufacturing facilities of Standfast & Barracks, the fabric printing business situated in Lancaster, and Anstey Wallpaper Company, situated in Loughborough. The manufacturing businesses produce for other interior furnishing businesses both in the UK and throughout the world. The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is registered and domiciled in the UK. 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 21.

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.

### 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, significant restructuring and reorganisation or material one-off accounting charges.

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'.

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 2018 or ending on 31 January 2019.

### Adoption of new and revised accounting standards and interpretations

Since the Group's previous annual financial statements for the year ended 31 January 2018, the Group has applied IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'.

The Group has not applied the following new standard for which adoption is not mandatory for the year ending 31 January 2019:

— IFRS 16 'Leases' ('IFRS 16') – effective periods beginning on or after 1 January 2019.

### IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' is effective from 1 January 2018 and the Group has prepared the 2019 Group financial statements in accordance with the requirements of this new standard. The Group has elected to apply the standard fully retrospectively and has restated comparatives where appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

The Group derives its revenue principally from the following:

- Design, manufacture and sale of home furnishings e.g. wallpaper, fabrics and ancillary interior products.
- Licensing arrangements. These comprise a combination of both minimum guaranteed incomes and time and sales-based royalties receivable from licensing partners under contracts for the licensing of our products and designs.

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.

IFRS 15 is based on the core principle that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) each performance obligation is satisfied

IFRS 15 supersedes the previous revenue recognition guidance including IAS 18 'Revenue' and IAS 11 'Construction Contracts'.

The following revenue streams for the Group have been identified as being impacted by the adoption of the new standard:

Area	Previous treatment	New treatment under IFRS 15
Fixed minimum guaranteed income amounts receivable under multi-year licensing agreements from licensing partners which are invoiced either annually or in advance.	The Group recognises this income in the period in which it is earned.	The fixed minimum guaranteed amounts are recognised from the point the licence and hence control has transferred to the licensee, provided there are no further performance obligations to fulfil, and the recoverability of the income is deemed highly probable. The income will be recognised as revenue and accrued income will reduce as the balance is settled.
Consideration received from the sale of marketing materials and additional services to support the sale of the Group's core products.	In most cases, these were deducted from distribution costs as a contribution to marketing expense.	The Group now classifies these within 'net other income', as these represent income from the supply of non-core products and services.
Where the customer is charged for carriage costs relating to the delivery of the supply of goods, and the terms of carriage are contractual.	These were deducted from distribution costs.	These are now classified within 'revenue' as these are contractual sales of distinct services with a separate performance obligation from which consideration is received.
Provisions for customer returns where the customer has a right to return an item within a fixed determinable period, and without penalty.	The sales and cost of sales elements of these provisions were netted off within distribution costs. There was no liability or asset recognised for return provisions.	Revenue and cost of sales are adjusted for expected returns values, which are estimated on historical returns experience. A refund liability is recognised within 'trade and other payables', and the asset to be recovered is recognised within stock. The validity of the historical data and assumptions and estimates are assessed at each reporting date.

### Impact of adopting IFRS 15

The impact of adopting IFRS 15 on the Group's financial results and position for the 12 months ending 31 January 2019 and 31 January 2018 are presented below. In accordance with the transition provisions of IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2018 financial period.

### Income Statement - Impact of adopting IFRS 15 for 31 January 2019 and 31 January 2018

	Note	12 months to 31 January 2019			12 months to 31 January 2018			
		Previous accounting £000	IFRS 15 impact £000	IFRS 15 basis £000	As published £000	IFRS 15 impact £000	Other adjustments £000	Restated £000
Revenue	a,b,c	109,860	3,426	113,286	108,764	3,337	84	112,185
Cost of sales	c	(45,748)	-	(45,748)	(43,490)	-	(723)	(44,213)
Gross profit/(loss)		64,112	3,426	67,538	65,274	3,337	(639)	67,972
<i>Net operating expenses:</i>								
Distribution and selling expenses	d	(14,063)	(8,991)	(23,054)	(15,415)	(8,877)	698	(23,594)
Administration expenses	e	(43,505)	(2)	(43,507)	(41,155)	3	(573)	(41,725)
Net other income	d	-	5,611	5,611	5,333	5,661	-	10,994
<b>Profit from operations</b>		<b>6,544</b>	<b>44</b>	<b>6,588</b>	<b>14,037</b>	<b>124</b>	<b>(514)</b>	<b>13,647</b>
Net defined benefit pension charge	e	-	-	-	(573)	-	573	-
Finance costs	f	(300)	20	(280)	(680)	15	-	(665)
<b>Profit before tax</b>		<b>6,244</b>	<b>64</b>	<b>6,308</b>	<b>12,784</b>	<b>139</b>	<b>59</b>	<b>12,982</b>
Tax expense	g	(1,207)	-	(1,207)	(1,031)	(24)	-	(1,055)
<b>Profit for the period attributable to owners of the parent</b>		<b>5,037</b>	<b>64</b>	<b>5,101</b>	<b>11,753</b>	<b>115</b>	<b>59</b>	<b>11,927</b>

- Increase in revenue of £3,426,000 (2018: £3,337,000) from the reclassification of carriage recoveries from distribution and selling expenses to revenues £3,380,000 (2018: £3,216,000), and the recognition of future fixed minimum guaranteed amounts for contracts launched in the period where performance obligations are satisfied: £46,000 (2018: £121,000).
- Increase in revenue of £nil (2018: £84,000) from other revenue recognition adjustments.
- Decrease in cost of sales of £nil (2018: £723,000) from the reclassification of carriage inwards costs from distribution and selling expenses to cost of sales of £nil (2018: £698,000), and other revenue recognition adjustments of £nil (2018: £25,000).
- Increase in distribution and selling expenses of £8,991,000 (2018: £8,179,000) from the reclassification of carriage recoveries to revenues of £3,380,000 (2018: £3,216,000), consideration received from the sale of marketing materials and additional services to net other income of £5,611,000 (2018: £5,661,000), and the reclassification of carriage inwards costs to cost of sales of £nil (2018: £698,000).
- Increase/(decrease) in administration expenses of (£2,000) (2018: £3,000) representing exchange (gain)/loss movements on revenue from future fixed minimum guaranteed amounts, and £nil (2018: £573,000) for reclassification of the net defined pension charge.
- Decrease in finance costs of £20,000 (2018: £15,000) as a result of the discount income unwinding on accelerated revenues from future fixed minimum guaranteed amounts.
- Corporation and deferred tax impacts of IFRS 15 adjustments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

The impact of adopting IFRS 15 on the Group's financial position at 31 January 2019 and 1 February 2018 (date of initial application) are presented as follows:

		Cumulative to 31 January 2019			Cumulative to 31 January 2018			
Note		Previous accounting €000	IFRS 15 impact €000	IFRS 15 basis €000	As published €000	IFRS 15 impact €000	Other adjustments €000	Restated €000
<b>Assets</b>								
<b>Current assets</b>								
Inventories	a	28,020	-	28,020	29,378	-	119	29,497
Trade and other receivables	a,b	18,423	434	18,857	21,238	370	(284)	21,324
Cash and cash equivalents		2,415	-	2,415	1,295	-	-	1,295
<b>Total current assets</b>		<b>48,858</b>	<b>434</b>	<b>49,292</b>	<b>51,911</b>	<b>370</b>	<b>(165)</b>	<b>52,116</b>
<b>Non-current liabilities</b>								
Deferred income tax liabilities	c	(946)	(24)	(970)	(1,825)	(24)	-	(1,849)
<b>Equity</b>								
Share capital		710	-	710	709	-	-	709
Share premium account		18,682	-	18,682	18,682	-	-	18,682
Foreign currency translation reserve		(409)	-	(409)	(525)	-	-	(525)
Retained earnings/(accumulated losses)	a,d	982	410	1,392	2,239	346	(165)	2,420
Other reserves		40,507	-	40,507	40,507	-	-	40,507
<b>Total equity</b>		<b>60,472</b>	<b>410</b>	<b>60,882</b>	<b>61,612</b>	<b>346</b>	<b>(165)</b>	<b>61,793</b>

- a. Other adjustments in the comparative year represent revenue recognition cut-off adjustments for inventories of £119,000 and trade and other receivables (£284,000) with a net impact on cumulative retained earnings of £165,000.
- b. Cumulative increase in trade and other receivables of £434,000 (2018: £370,000) as a result of IFRS 15 accrued income for accelerated licensing revenue on future fixed minimum guaranteed amounts £398,000 (2018: £352,000), the discount unwinding on accelerated incomes £35,000 (2018: £15,000), and the exchange difference income/(expense) on accelerated incomes £1,000 (2018: £3,000).
- c. Deferred tax impact on IFRS 15 adjustments from transitioning, and restatement of the prior year.
- d. Cumulative net increase in retained earnings and equity of £410,000 (2018: £346,000) as per notes b and c.

### Cash flows

The adjustments to the Income Statement and Balance Sheet described above do not affect the cash balances, but do alter the categorisation of some items, principally within monetary working capital movements.

### IFRS 9 'Financial Instruments'

The Group has adopted IFRS 9 'Financial Instruments' with effect from 1 February 2018 and has prepared the consolidated financial statements in accordance with the requirements of this new standard.

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.

IFRS 9 brings together the classification and measurement, impairment and hedge accounting aspects of the International Accounting Standards Board's ('IASB's') project to replace IAS 39.

The adoption of IFRS 9 'Financial Instruments' from 1 February 2018 has resulted in changes in accounting policies and in the amounts recognised in the financial statements in relation to impairment of trade receivables that are held on a hold-to-collect business model. The introduction of an expected loss impairment model has had a significant effect based on the expected loss model and management's assessment of the level of credit risk implicit in the Group's trade receivables. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

### Classification and measurement

IFRS 9 amends the classification and measurement of financial assets:

- Financial assets are either measured at amortised cost, fair value through other comprehensive income ('FVTOCI') or fair value through profit or loss ('FVTPL');
- Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL; and
- All investments in equity instruments are measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in other comprehensive income ('OCI'). Dividends are recognised in profit or loss.

There has been no recategorisation required of Group's assets on adoption of the new standard.

### Impairment

The new impairment model in IFRS 9 is based on an 'expected loss' model rather than an 'incurred loss' model. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity should account for expected credit losses and changes in those expected credit losses. A simplified impairment model is applicable to trade and other contractual receivables with maturities that are less than 12 months. For trade and other contractual receivables with maturity longer than 12 months, entities have a choice of applying the complex three-stage model or the simplified model. For the year ending 31 January 2019, the Group has applied the simplified approach to the recognition of lifetime expected credit losses for its trade receivables and has, in turn, recognised a loss allowance of £888,000 for these assets (note 18).

### IFRS 16 'Leases'

IFRS 16 will be effective for the first time in the Group's consolidated financial statements for the year ended 31 January 2020. 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. The standard will primarily affect the accounting for the Group's operating leases. The application of IFRS 16 will result in the recognition of additional assets and liabilities in the consolidated balance sheet. In addition, it will replace the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities. The Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will perform impairment testing on the right-of-use asset.

The Group will apply the standard from its effective date using the modified retrospective approach and will therefore recognise the cumulative effect of adopting IFRS 16 as an adjustment to the opening balance of retained earnings at 1 February 2019, with no restatement of comparative information.

As at 31 January 2019, the Group has non-cancellable operating lease commitments of £10,077,000 (see note 29). 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. Management has assessed the impact of adopting the new standard, and estimates that a right-of-use asset and lease liability of £10,842,000 will be recognised from 1 February 2019.

In addition, a number of exposure drafts of new or amended standards and interpretations have been announced by the 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 IFRSs 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 92 to 108).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

#### **Basis of consolidation**

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

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

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

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree. Any acquisition costs are expensed as incurred. The identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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 ('CGUs') for the purpose of impairment testing. The allocation is made to those CGUs 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 CGU, 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 10 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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.

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. Trade receivables are recognised initially at the amount of consideration that is unconditional. 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.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 January 2019 or 1 February 2019 respectively and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

We use historical credit loss experience for trade receivables to estimate the lifetime expected credit losses as relevant. We apply specific fixed provision rates depending on the number of days that a receivable is past due. We group historical credit loss experience for different customer segments being customer rating and type of customer. 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.

- '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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

#### **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 is designated and qualifies as cash flow hedges is recognised in equity.

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

Derivatives that do not qualify for hedge accounting under IAS 39 '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 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.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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, which is 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 2019, the average sterling to US dollar translation rate applied by the Group was £1: US\$1.33. If the rate had been £1: US\$1.23 with all other variables held constant, profit before tax would have been lower by £96,000. If the rate had been £1: US\$1.43 with all other variables held constant, profit before tax would have been higher by £82,000.

For the year ended 31 January 2019, the average sterling to euro translation rate applied by the Group was £1: €1.13. If the rate had been £1: €1.03 with all other variables held constant, profit before tax would have been higher by £267,000. If the rate had been £1: €1.23 with all other variables held constant, profit before tax would have been lower by £224,000.

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 2019, 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 £43,000 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.

Prior to accepting new customers, an independent credit check is obtained. Based on this information individual credit limits and payment terms are established. If no independent credit ratings are available, customers are asked to pay on a pro forma basis until creditworthiness can be established. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for its customers. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 2. FINANCIAL RISK MANAGEMENT CONTINUED

#### Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

#### 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 23.

During the year the Group had facilities with Barclays Bank PLC which are disclosed in note 23.

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 2019 and 2018 were as follows:

	Year ended 31 January	
	2019 £000	2018 (restated) £000
Average net debt	8,211	11,246
Total equity	60,882	61,793
Average net debt to adjusted capital ratio	13.5%	18.2%
Year end net (funds)/debt to adjusted capital ratio	(0.7)%	8.5%

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 22.

In the current year, following a High Court judgement in October 2018, the estimated costs of equalising UK pension benefits for men and women in relation to Guaranteed Minimum Pensions ('GMP') has been recognised as a past service charge.

#### 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 14 and 15.

The Group makes provision for impairment in the carrying amount of its inventories and marketing materials. The nature of the Group's products are exposed to changes in taste and attitudes from time to time, which can affect the demand for those products. The Group has skilled and experienced management who utilise historical sales information, and exercise their judgement, in making estimates about the extent of provisions necessary based on the realisable value of inventory and expected future benefit to the Group of marketing materials taking into account the estimated price and volume of future sales or usage, less the further costs of sale and holding costs. Further disclosures relating to the effect on the Income Statement of the establishment and reversal of such provisions against inventory are included in note 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.

#### 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 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 12 and the amount of deferred tax liability recognised and other relevant disclosures are included in note 16. The Group considers the sensitivity on deferred tax recognition to be based on profits generated by the Group and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

#### 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 36 to 39 and in note 24.

#### 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, France, Russia and Germany.
- 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 2019	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK revenue	46,324	14,307	-	60,631
International revenue	40,461	5,726	-	46,187
Licence revenue	6,468	-	-	6,468
Revenue – external	93,253	20,033	-	113,286
Revenue – internal	-	12,900	(12,900)	-
Total revenue	93,253	32,933	(12,900)	113,286
Profit/(loss) from operations	10,759	827	(4,998)	6,588
Net finance costs	-	-	(280)	(280)
Profit/(loss) before tax	10,759	827	(5,278)	6,308
Tax charge	-	-	(1,207)	(1,207)
Profit/(loss) for the year	10,759	827	(6,485)	5,101

Year ended 31 January 2018 (restated)	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK revenue	49,507	14,369	-	63,876
International revenue	41,077	3,993	-	45,070
Licence revenue	3,239	-	-	3,239
Revenue - external	93,823	18,362	-	112,185
Revenue - internal	-	15,014	(15,014)	-
<b>Total revenue</b>	<b>93,823</b>	<b>33,376</b>	<b>(15,014)</b>	<b>112,185</b>
Profit/(loss) from operations	12,468	797	382	13,647
Net finance costs	-	-	(665)	(665)
Profit/(loss) before tax	12,468	797	(283)	12,982
Tax charge	-	-	(1,055)	(1,055)
<b>Profit/(loss) for the year</b>	<b>12,468</b>	<b>797</b>	<b>(1,338)</b>	<b>11,927</b>

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 Enil (2018: £1,069,000) are included within 'eliminations and unallocated'.

Tax charges have not been allocated to a segment.

#### 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	2019 £000	2018 (restated) £000
Western Europe	11,921	12,286
US	14,587	13,642
Rest of the World	13,953	15,149
	<b>40,461</b>	<b>41,077</b>

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	2019 £000	2018 (restated) £000
Harlequin, incorporating Anthology and Scion	27,856	31,742
Sanderson, incorporating Morris & Co.	23,089	24,191
Zoffany	10,926	12,053
Clarke & Clarke, incorporating Studio G	24,327	22,026
Other brands	587	572
Licensing	6,468	3,239
	<b>93,253</b>	<b>93,823</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 4. SEGMENTAL ANALYSIS CONTINUED

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

Manufacturing revenue analysis	2019 £000	2018 £000
Standfast	14,643	15,423
Anstey	18,290	17,953
	32,933	33,376

### 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 2019	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Depreciation and impairments	1,635	1,257	-	2,892
Amortisation	644	13	1,016	1,673
Impairment losses - trade receivables	1,317	228	-	1,545
Reversal of impairment losses - trade receivables	(870)	(150)	-	(1,020)
Net impairment losses - inventory	1,355	96	-	1,451
LTIP payment credit	-	-	(661)	(661)

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)
Net impairment losses - inventory	381	259	-	640
LTIP payment charges	-	-	413	413

### 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 2019	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	46,522	20,520	28,293	95,335
Liabilities	(13,928)	(6,506)	(14,019)	(34,453)
Total net assets	32,594	14,014	14,274	60,882
Capital expenditure - intangible assets	709	-	-	709
Capital expenditure - property, plant and equipment	1,056	1,237	-	2,293

Year ended 31 January 2018 (restated)	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	51,420	19,573	28,865	99,858
Liabilities	(13,980)	(6,253)	(17,832)	(38,065)
Total net assets	37,440	13,320	11,033	61,793
Capital expenditure - intangible assets	559	143	159	861
Capital expenditure - property, plant and equipment	1,876	561	199	2,636

**e) Additional entity-wide disclosures**

Revenue by geographical location of customers	2019 £000	2018 (restated) £000
United Kingdom	65,072	65,654
Western Europe	14,077	14,001
US	17,503	15,778
Rest of the World	16,634	16,752
	113,286	112,185

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

Non-current assets by geographical territory	2019 £000	2018 £000
United Kingdom	45,252	46,932
Western Europe	200	210
US	591	600
	46,043	47,742

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

**5. (A) ANALYSIS OF REVENUE BY CATEGORY**

	2019 £000	2018 (restated) £000
Sale of goods	106,818	108,946
Licence royalty income	6,468	3,239
	113,286	112,185

**(B) ANALYSIS OF EXPENSE BY NATURE**

	2019 £000	2018 (restated) £000
Changes in inventories of finished goods and work in progress	(4,611)	(5,356)
Raw materials and consumables used	42,035	42,183
Employee benefit expense	26,872	27,241
Depreciation and amortisation charges	3,549	3,076
Transportation expenses	4,014	3,604
Advertising costs	2,695	2,089
Other selling costs	14,267	14,768
Establishment costs	6,032	5,564
Operating lease payments	3,111	2,995
Repairs and maintenance	1,304	1,026
Other expenses	10,006	9,734
Total cost of sales, distribution and selling costs and administration expenses included within underlying results	109,049	106,924



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 6. 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	2019 £000	2018 £000
(i) Acquisition related:			
Amortisation of acquired intangible assets		(1,016)	(1,016)
Unwind of the fair value uplift adjustment on inventory	a	-	(182)
Unwind of discount on contingent consideration	b	-	(405)
Fair value adjustment to contingent consideration	c	-	4,047
		(1,016)	2,444
(ii) Standfast flood:			
Incremental costs, inventory loss and property, plant and equipment impairments		-	(1,125)
Insurance reimbursements		-	1,342
	d	-	217
(iii) Restructuring and reorganisation costs	e	(1,723)	(701)
(iv) Anstey fire:			
Incremental cost and property, plant and equipment repairs		(85)	(709)
Insurance reimbursements		650	-
	f	565	(709)
(v) GMP equalisation	g	(1,086)	-
Total non-underlying items included in profit before tax		(3,260)	1,251
Tax on non-underlying items		592	1,458
Total impact of non-underlying items on profit after tax		(2,668)	2,709

Costs detailed in a - c below relate to costs incurred on the acquisition of Clarke & Clarke, which completed on 31 October 2016 (see note 30).

- 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 £nil cost (2018: £182,000) in respect of unwind of the fair value uplift adjustment is considered an exceptional cost of sale. The fair value uplift has been fully unwound during the prior year.
- A charge of £nil (2018: £405,000) has been recognised in respect of unwind of the contingent consideration on acquisition.
- As a result of the challenging performance targets and prevailing market conditions, the performance target for the period ended 31 January 2018 was not achieved. It was not considered likely that the performance targets for the remaining years would be achieved; therefore, there was a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 credit to the Income Statement, in other income.
- Other income of £nil. The 2018 income of £217,000 comprises proceeds arising from reimbursement of costs to replace impaired plant and equipment and intangible assets.
- Restructuring and reorganisation costs relate to the reorganisation of the Group and comprise the rationalisation of certain operational and support functions. These costs mainly comprise property termination and asset impairment costs associated with the Clarke & Clarke Haslingden site exit of £961,000 (2018: £nil); compensation for loss of office and associated costs to the former Chief Executive Officer of £407,000 (2018: £nil) as well as a further £355,000 (2018: £701,000) in respect of other employee severance and professional fees associated with the reorganisation process.
- Anstey fire-related net other income of £565,000 (2018: net costs (£709,000)) comprise proceeds arising from reimbursement of repair costs in respect of plant and equipment and related costs following a minor fire, less repair costs of £85,000 (2018: £709,000).
- Following a High Court judgement in October 2018, the estimated costs of equalising UK pension benefits for men and women in relation to GMP has been recognised as a past-service charge.

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'.

## 7. NET OTHER INCOME

Net other income comprises consideration received from the sale of marketing materials and additional services of £5,611,000 (2018: £5,661,000), and business interruption reimbursements to cover loss of profits of £nil (2018: £1,069,000). In addition, there was non-underlying net other income of £nil (2018: £4,264,000) as per note 6.

## 8. GROUP PROFIT FROM OPERATIONS

	2019 £000	2018 (restated) £000
<b>Group profit from operations is stated after charging/(crediting):</b>		
Depreciation and impairments of property, plant and equipment	2,892	2,450
Amortisation of intangibles	657	626
Amortisation of acquired intangibles	1,016	1,016
Cost of inventories recognised as expense in cost of sales	37,424	36,827
Unwind of the fair value uplift adjustment on inventory	-	182
Net impairment of inventories	1,451	640
Impairment of trade receivables	1,545	214
Reversal of impairment of trade receivables	(1,020)	(45)
Net foreign exchange (gains)/losses	(192)	(139)
(Gains)/losses on sale of fixed assets	(36)	-
Operating lease rentals:		
— Hire of motor vehicles and plant and machinery	783	693
— Land and buildings	2,328	2,302

	2019 £000	2018 (restated) £000
<b>Auditors' remuneration:</b>		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	60	58
Fees payable to the Company's auditors for other services: audit of the Company's subsidiaries pursuant to legislation	150	149
Taxation services	34	114
Payroll-related services	11	11
	255	332

## 9. FINANCE COSTS

	2019 £000	2018 (restated) £000
<b>Interest income:</b>		
Interest received on bank deposits	23	2
<b>Interest expense:</b>		
Interest payable on bank borrowings	(293)	(245)
Amortisation of issue costs of bank loans	(30)	(32)
Unwind of discount on accelerated licensing income	20	15
Total finance costs	(303)	(262)
<b>Net finance costs excluding non-underlying items</b>	<b>(280)</b>	<b>(260)</b>
Unwind of discount on contingent consideration (note 6)	-	(405)
<b>Net finance costs including non-underlying items</b>	<b>(280)</b>	<b>(665)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 10. 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	2019 total £000	2018 total £000
<b>Executive Directors:</b>									
John Sach (resigned 31 October 2018)	214	-	45	2	261	28	348	<b>637</b>	553
Mike Gant	228	23	44	14	309	29	-	<b>338</b>	465
Fiona Holmes (resigned 14 August 2017)	-	-	-	-	-	-	-	-	345
Christopher Rogers (from 10 October 2018)	58	47	-	-	105	-	-	<b>105</b>	-
<b>Non-executive Directors:</b>									
Christopher Rogers (from 30 April 2018 to 9 October 2018)	21	-	-	-	21	-	-	<b>21</b>	-
Vijay Thakrar (appointed 27 November 2018)	9	-	-	-	9	-	-	<b>9</b>	-
Terry Stannard	65	-	-	-	65	-	-	<b>65</b>	71
Fiona Goldsmith (resigned 27 June 2018)	14	-	-	-	14	-	-	<b>14</b>	33
	609	70	89	16	784	57	348	<b>1,189</b>	1,467

The total bonus earned by the Interim Executive Chairman for the period of his tenure from 10 October 2018 to 10 April 2019 amounted to £76,563 and will be paid at the completion of his contract.

Retirement benefits were accruing to one Director (2018: one) under a defined benefit scheme, who is the highest paid Director. Accrued annual pension benefits at the year end were £15,626 (2018: £14,875). Benefits are accruing under defined contribution schemes for two Directors (2018: two Directors).

Further information on the remuneration of the Directors is included in the Directors' Remuneration Report set out on pages 36 to 39.

### 11. EMPLOYEE INFORMATION

	2019 £000	2018 £000
Wages and salaries	<b>23,737</b>	23,346
Social security costs	<b>2,509</b>	2,461
Other pension costs	<b>1,287</b>	1,021
LTIP awards, including NIC thereon	<b>(661)</b>	413
Employee benefit expense	<b>26,872</b>	27,241

The average monthly number of employees (including Directors) during the year	2019 £000	2018 £000
Brands, including warehousing	<b>339</b>	337
Manufacturing	<b>283</b>	292
Overseas	<b>38</b>	38
Corporate and administration	<b>24</b>	22
	<b>684</b>	689

### Compensation of key management personnel

	2019 £000	2018 £000
Short-term employee benefits (including short-term incentives)	<b>3,349</b>	3,635
Post-employment benefits (including pension costs)	<b>178</b>	188
LTIP awards	<b>(661)</b>	413
	<b>2,866</b>	4,236

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

**12. TAX EXPENSE**

	2019 £000	2018 (restated) £000
Current tax:		
— UK current tax	1,372	1,745
— UK adjustments in respect of prior years	304	85
— overseas, current tax	8	–
Corporation tax	1,684	1,830
Deferred tax:		
— current year	(283)	(795)
— adjustments in respect of prior years	(221)	37
— effect of changes in corporation tax rates	27	(17)
Deferred tax	(477)	(775)
Total tax charge for the year	1,207	1,055

Reconciliation of total tax charge for the year	2019 £000	2018 (restated) £000
Profit on ordinary activities before tax	6,308	12,982
Tax on profit on ordinary activities at 19% (2018: 19%)	1,198	2,467
Non-deductible expenditure	122	72
Parent and overseas losses and temporary timing differences not recognised	–	(36)
Income not subject to tax	(40)	(795)
Permanent differences in respect of share options	(93)	170
Adjustments in respect of prior years	83	121
Reversal of acquisition-related deferred tax	–	(927)
Movement in deferred tax not recognised	(97)	–
Effect of changes in corporation tax rates	34	(17)
Total tax charge for year	1,207	1,055

**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 (2018: £3.2 million).

The deferred tax balance at 31 January 2019 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 13. EARNINGS PER SHARE

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held in the EBT and those held in treasury (note 24), 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 difficult marketplace impacting the profitability of the Group, PBT performance criteria within LTIPs 10 and 11 are not being met and as a consequence these LTIP awards are not dilutive.

	2019			2018 (restated)		
	Earnings £000	Weighted average number of shares 000s	Per share amount pence	Earnings £000	Weighted average number of shares 000s	Per share amount pence
<b>Basic earnings per share</b>	<b>5,101</b>	<b>70,955</b>	<b>7.19</b>	11,927	70,376	16.95
<b>Effect of dilutive securities:</b>						
Shares under LTIP		-			428	
<b>Diluted earnings per share</b>	<b>5,101</b>	<b>70,955</b>	<b>7.19</b>	11,927	70,804	16.84
<b>Adjusted basic and diluted earnings per share:</b>						
Add back LTIP accounting (credit)/charge	(661)			413		
Add back net defined benefit pension charge	573			573		
Non-underlying items (note 6)	3,260			(1,251)		
Tax effect of non-underlying items and other add backs	(609)			(1,269)		
<b>Adjusted basic earnings per share</b>	<b>7,664</b>	<b>70,995</b>	<b>10.80</b>	10,393	70,376	14.77
<b>Adjusted diluted earnings per share</b>	<b>7,664</b>	<b>70,995</b>	<b>10.80</b>	10,393	70,804	14.68

On 29 May 2018, 142,238 shares vested under the Company's LTIP. To satisfy the vesting, 87,994 shares of 1p each were allotted at par value.

Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 70,983,505 (2018: 70,895,511) ordinary shares of which no (2018: nil) ordinary shares are held in treasury and no (2018: nil) 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.

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

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

The market value of shares held by the EBT at 31 January 2019 was £nil (2018: £nil). The total number of shares held in the EBT at the year end represented 0% (2018: 0%) of the issued shares.

**14. INTANGIBLE ASSETS**

	Goodwill £000 (a)	Arthur Sanderson and William Morris Archive £000 (b)	Collection design £000	Brand £000	Customer- related intangibles £000	Software £000	Total £000
<b>Cost</b>							
1 February 2017	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
Additions	-	-	659	-	-	50	709
Disposals	-	-	-	-	-	-	-
31 January 2019	17,091	4,300	4,404	5,566	4,427	3,031	38,819
<b>Accumulated amortisation</b>							
1 February 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
Charge	-	-	339	278	738	318	1,673
Disposal	-	-	-	-	-	-	-
31 January 2019	841	-	2,732	650	1,724	2,056	8,003
<b>Net book amount</b>							
<b>31 January 2019</b>	<b>16,250</b>	<b>4,300</b>	<b>1,672</b>	<b>4,916</b>	<b>2,703</b>	<b>975</b>	<b>30,816</b>
31 January 2018	16,250	4,300	1,352	5,194	3,441	1,243	31,780
31 January 2017	16,250	4,300	1,058	5,472	4,179	1,302	32,561

- a. 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.
- b. The Arthur Sanderson and William Morris Archive was purchased as part of the acquisition of Arthur Sanderson & Sons on 29 August 2003. It comprises an historical record of unique designs that are used to generate royalty income in the business.

The total amortisation expense of £1,673,000 (2018: £1,642,000) is split between administration expenses £644,000 (2018: £613,000), distribution and selling costs £13,000 (2018: £13,000) and £1,016,000 (2018: £1,016,000) in non-underlying items. The amount included in non-underlying items relates to the amortisation of acquired intangible assets.

**Impairment tests for goodwill and Arthur Sanderson and William Morris Archive**

Within the total carrying value of goodwill at year end of £16,250,000 (2018: £16,250,000), £15,691,000 (2018: £15,691,000) is attributable to the Brands segment and £559,000 (2018: £559,000) to the Manufacturing segment.

The carrying value of the Archive at the year end of £4,300,000 (2018: £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 (2018: £nil).

In assessing whether an impairment of goodwill is required the carrying value of the 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 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 9.73% (2018: 10.63%). The discount rate used is the same across all segments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 14. INTANGIBLE ASSETS CONTINUED

The Group has used formally approved budgets for the first two years (2018: 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% (2018: 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 9.73% (2018: 10.63%) 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 2019.

### 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £000	Leasehold improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
<b>Cost</b>					
1 February 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
Additions	161	-	2,085	47	2,293
Disposals	-	-	(267)	-	(267)
Currency movements	-	-	36	6	42
31 January 2019	6,030	557	35,791	2,342	44,720
<b>Accumulated depreciation and impairment</b>					
1 February 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
Charge	104	-	2,384	179	2,667
Impairments	-	-	225	-	225
Disposals	-	-	(83)	-	(83)
Currency movements	-	-	(11)	5	(6)
31 January 2019	2,096	78	25,340	1,979	29,493
<b>Net book amount</b>					
<b>31 January 2019</b>	<b>3,934</b>	<b>479</b>	<b>10,451</b>	<b>363</b>	<b>15,227</b>
31 January 2018	3,877	479	11,112	494	15,962
31 January 2017	3,818	451	11,253	323	15,845

The total depreciation expense of £2,667,000 (2018: £2,450,000) has been allocated to the following categories: administration expenses £2,619,000 (2018: £2,399,000) and distribution and selling costs £48,000 (2018: £51,000).

The net book amount of freehold land and buildings comprises	2019 £000	2018 £000
Freehold land	450	450
Freehold buildings	3,484	3,427
Net book amount	3,934	3,877

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 £3,934,000 (2018: £3,877,000).

#### Assets under construction

Included in property, plant and equipment at 31 January 2019 was an amount of £nil (2018: £nil) relating to expenditure for assets in the course of construction.

#### 16. DEFERRED INCOME TAX

A net deferred tax liability of £970,000 (2018: £1,849,000) is recognised in respect of future deductions for LTIP payments and other temporary differences.

	2019 £000	2018 (restated) £000
Taxable temporary differences on property, plant and equipment	(1,146)	(1,484)
Taxable temporary differences on intangible assets	(1,503)	(1,662)
Other temporary differences	17	(6)
Temporary differences on LTIP payments	(1)	49
	(2,633)	(3,103)
Retirement benefit obligations	1,663	1,254
	(970)	(1,849)

A deferred tax credit of £402,000 (2018: £nil) arising on retirement benefit obligations has been recognised within the Statement of Comprehensive Income.

At 31 January 2019 the Group had gross unused UK tax losses of £3,225,000 (2018: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2019 of £557,000 (2018: £649,000) 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 (2018: £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 (2018: £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.

	2019 £000	2018 £000
Unutilised tax losses - UK	548	548
Unutilised tax losses - overseas	473	368
Other deductible temporary differences - UK	9	101
	1,030	1,017

There are also unutilised capital tax losses at 31 January 2019 of £4,881,000 (2018: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 16. DEFERRED INCOME TAX CONTINUED

Movements on the deferred income tax account are as follows:

Net deferred tax asset/(liability)	2019 £000	2018 (restated) £000
At 1 February	(1,849)	(2,573)
Income Statement charge	477	752
Tax credit/(charge) relating to components of other comprehensive income	402	-
Tax charged directly to equity	-	(28)
At 31 January	(970)	(1,849)

### 17. INVENTORIES

	2019 £000	2018 (restated) £000
Raw materials	2,892	2,757
Work in progress	1,584	1,311
Finished goods	23,544	25,429
	28,020	29,497

The cost of inventories recognised as an expense and included in cost of sales amounted to £37,424,000 (2018: £36,827,000).

### 18. TRADE AND OTHER RECEIVABLES

Current	2019 £000	2018 (restated) £000
Trade receivables	13,351	14,212
Less: provision for impairment of trade receivables	(888)	(353)
Net trade receivables	12,463	13,859
Corporation tax	432	1,270
Other taxes and social security	1,063	879
Accrued accelerated licensing income	434	371
Other receivables	686	400
Marketing materials	891	1,963
Prepayments	2,888	2,582
	18,857	21,324

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, accrued accelerated licensing income and marketing materials.

The only financial asset that is subject to IFRS 9's new expected credit loss model is trade receivables for sales of inventory.

The IFRS 9 simplified approach has been applied to measure lifetime expected credit losses for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 January 2019 or 1 February 2019 respectively and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On this basis, the total loss allowance for trade receivables as at 31 January 2019 (on adoption of IFRS 9) is determined as follows:

£000	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Trade receivables	10,606	1,346	794	369	236	13,351
Loss allowance	378	61	43	220	186	888

As a result of adopting IFRS 9, the Directors believe that in the current economic environment there is objective evidence of credit deterioration and an impairment of £476,000 (2018: £nil) is required, 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.

### Credit quality of financial assets

#### (i) Not past due

Included in the Group's trade receivable balances are receivables with a carrying value of £10,606,000 (2018: £11,524,000) which are not past due. Under the expected credit loss model a provision is held for the lifetime credit loss on these balances of £378,000 (2018: nil). 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

Included in the Group's trade receivable balances are receivables with a carrying value of £2,225,000 (2018: £2,022,000) 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, but an expected credit loss provision has been made of £98,000 (2018: nil).

#### (iii) Past due – individually impaired

As at 31 January 2019, trade receivables of £520,000 (2018: £666,000) were individually determined to be impaired and provided for. The amount of the provision was £412,000 (2018: £353,000). 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:

	2019 £000	2018 (restated) £000
United Kingdom	6,931	8,174
Western Europe	2,311	3,165
US	1,476	1,070
Rest of the World	1,745	1,450
	<b>12,463</b>	<b>13,859</b>

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

	2019 £000	2018 (restated) £000
Sterling	9,790	11,235
US dollars	1,145	584
Euros	2,401	2,568
Other	247	243
	<b>13,583</b>	<b>14,630</b>

The closing loss allowances for trade receivables as at 31 January 2019 reconcile to the opening loss allowances as follows:

	Lifetime ECL £000	Credit Impaired £000	2019 £000	2018 incurred £000
At 31 January 2018 – calculated under IAS 39	-	(353)	(353)	(198)
Amounts restated from adoption of IFRS 9	(142)	-	(142)	-
Opening loss allowance as at 1 February 2019 – under IFRS 9	(142)	(353)	(495)	(198)
Increase in allowance recognised in Income Statement	(1,133)	(412)	(1,545)	(214)
Receivables written off in the year as uncollectible	-	132	132	14
Unused amounts reversed	799	221	1,020	45
At 31 January	(476)	(412)	(888)	(353)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 18. TRADE AND OTHER RECEIVABLES CONTINUED

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

The Group was required to revise its impairment methodology under IFRS 9, and has therefore applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

### 19. CASH AND CASH EQUIVALENTS

	2019 £000	2018 £000
Cash at bank and in hand	2,415	1,295

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 23 represent the net of accounts in funds and in overdraft.

### 20. TRADE AND OTHER PAYABLES

	2019 £000	2018 £000
Trade payables	13,354	14,805
Other taxes and social security	1,775	1,482
Other payables and deferred revenue	64	576
Accruals	6,646	5,497
	21,839	22,360

### 21. BORROWINGS

	2019 £000	2018 £000
Bank overdraft	1,981	6,558
<b>Total borrowings</b>	<b>1,981</b>	<b>6,558</b>

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 the revolving credit facility secured on the Group's freehold property which may be drawn down in either sterling or euros.

The total Barclays Bank PLC facilities are capped at £22,500,000 (2018: £22,500,000); the utilisation of the facilities at 31 January 2019 was £1,981,000 (2018: £6,558,000). 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 2019	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	1,981	-	-	-
Trade and other payables	21,839	-	-	-
	23,820	-	-	-
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	-	-	-
	28,918	-	-	-

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

	2019 £000	2018 £000
Sterling	1,981	6,558

## 22. 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 £484,000 (2018: £350,000). There are no outstanding or prepaid contributions at 31 January 2019 (2018: 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, although deferred members still in service have a salary link to their benefits. This disclosure excludes any defined contribution assets and liabilities.

The Group's contributions to the schemes for the year beginning 1 February 2019 are expected to be £1,951,000.

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 2019, based on membership data at 5 April 2018, updated to take account of benefit outgo since 5 April 2018, using actuarial assumptions at 31 January 2019. The major assumptions used by the actuary were (in nominal terms) as follows:

	2019	2018
Discount rate	2.50%	2.50%
Inflation assumption (RPI)	3.15%	3.15%
Inflation assumption (CPI)	2.15%	2.15%
Rate of increase in salaries	3.15%	3.15%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	3.00%	3.00%
Rate of increase to pensions (in excess of GMP) in deferment	2.15%	2.15%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 22. RETIREMENT BENEFIT OBLIGATION CONTINUED

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

	2019	2018
Non-pensioner male currently 45	23.0	23.0
Pensioner male currently 65	21.9	21.9
Non-pensioner female currently 45	25.4	25.5
Pensioner female currently 65	24.2	24.2

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:

	2019 £000	2018 £000
Equities, absolute return and property	26,407	11,709
Gilts	67	42,040
Fixed interest bonds	16,375	5,343
Liability driven investment	16,519	-
Insured annuities	866	868
Cash and cash equivalents	6,608	5,579
Fair value of scheme assets	66,842	65,539

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 £2,517,000 (2018: gain of £2,229,000).

	2019 £000	2018 £000
Present value of funded obligations	(76,505)	(72,837)
Fair value of scheme assets	66,842	65,539
Deficit in funded scheme	(9,663)	(7,298)
Net liability in Balance Sheet	9,663	7,298

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

	2019 £000	2018 £000
Benefit obligation at beginning of year	72,837	71,914
Interest cost	1,786	1,976
Remeasurement losses/(gains) - changes in financial assumptions	-	2,802
Remeasurement losses/(gains) - changes in demographic assumptions	3,061	(1,032)
Remeasurement losses/(gains) - experience	529	(111)
Benefits paid	(2,794)	(2,712)
Past service cost	1,086	-
Benefit obligation at end of year	76,505	72,837

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

	2019 £000	2018 £000
Fair value of plan assets at beginning of year	65,539	64,501
Interest income on scheme assets	1,623	1,789
Return on assets, excluding interest income	894	440
Contributions by employers	1,990	1,907
Benefits paid	(2,794)	(2,712)
Scheme administrative cost	(410)	(386)
Fair value of scheme assets at end of year	66,842	65,539

**Analysis of amounts charged against profits**

**Amounts recognised in the Income Statement in respect of defined benefit retirement plans are as follows:**

	2019 £000	2018 £000
Expected return on pension scheme assets	1,623	1,789
Interest on pension scheme liabilities	(1,786)	(1,976)
Scheme expenses met by the Group	(410)	(386)
Service cost including current and past service costs and settlements	(1,086)	-
Net charge	(1,659)	(573)

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

	2019 £000	2018 £000
Net remeasurement – financial	-	(2,802)
Net remeasurement – demographic	(3,061)	1,032
Net remeasurement – experience	(529)	111
Return on assets, excluding interest income	894	440
Total remeasurement of the net defined benefit liability	(2,696)	(1,219)

**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 2019 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 2019 (£m)		Impact on scheme liabilities 2018 (£m)	
		Increase	Decrease	Increase	Decrease
Discount rate	0.25% movement	(3.0)	3.1	(3.0)	3.3
Rate of inflation (RPI) <sup>1</sup>	0.25% movement	1.3	(1.3)	1.5	(1.4)
Rate of inflation (CPI) <sup>1</sup>	0.25% movement	(0.6)	0.6	0.7	(0.6)
Assumed life expectancy	1 year movement	3.6	(3.5)	3.7	(3.7)

<sup>1</sup> With corresponding changes to the salary and pension increase assumptions.

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

**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 16 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 23. FINANCIAL INSTRUMENTS

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

31 January 2019	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
<b>Assets as per Balance Sheet</b>				
Trade and other receivables	13,583	-	-	13,583
Cash and cash equivalents	2,415	-	-	2,415
<b>Total</b>	<b>15,998</b>	<b>-</b>	<b>-</b>	<b>15,998</b>

31 January 2019	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
<b>Liabilities as per Balance Sheet</b>				
Borrowings	-	1,981	-	1,981
Trade and other payables	-	21,839	-	21,839
<b>Total</b>	<b>-</b>	<b>23,820</b>	<b>-</b>	<b>23,820</b>

31 January 2018	Loans and receivables (restated) £000	Assets at fair value £000	Derivatives used for hedging £000	Total (restated) £000
<b>Assets as per Balance Sheet</b>				
Trade and other receivables	14,630	-	-	14,630
Cash and cash equivalents	1,295	-	-	1,295
<b>Total</b>	<b>15,925</b>	<b>-</b>	<b>-</b>	<b>15,925</b>

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

### Offsetting of financial assets and liabilities

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

31 January 2019	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
Cash and cash equivalents	8,277	(8,277)	-
Bank overdraft	(9,500)	8,277	(1,223)

31 January 2018	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
Cash and cash equivalents	3,521	(3,521)	-
Bank overdraft	(9,500)	3,521	(5,979)

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.

## 24. SHARE CAPITAL

Ordinary shares of 1p each:	Number of shares	£
Authorised share capital: 1 February 2017, 31 January 2018 and 31 January 2019	85,000,000	850,000
Allotted and fully paid:		
<b>31 January 2019</b>	<b>70,983,505</b>	<b>709,835</b>
31 January 2018	70,895,511	708,955
1 February 2017	69,551,678	695,517

On 29 May 2018, 142,238 shares vested under the Company's LTIP. To satisfy the vesting, 87,994 shares of 1p each were allotted at par value.

Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 70,983,505 (2018: 70,895,511) ordinary shares of which no (2018: nil) ordinary shares are held in treasury and no (2018: nil) 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.

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

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

The market value of shares held by the EBT at 31 January 2019 was £nil (2018: £nil). The total number of shares held in the EBT at the year end represented 0% (2018: 0%) 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.

### 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, with the third, fourth, fifth, sixth, seventh, eighth and ninth 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 PBT achieved for the relevant year or the Group's TSR during the vesting period within a comparator group. Details are set out below:

	Award Ten	Award Ten	Award Eleven	Award Eleven
Grant date of awards	1 Dec 2016	1 Dec 2016	21 August 2017	21 August 2017
Grant date fair value of award (pence per award)	119.33	195.70	136.57	213.92
Vesting date of awards	30 Nov 2019	30 Nov 2019	20 Aug 2020	20 Aug 2020
Maximum number of awards	362,189	362,189	323,811	323,811
Vesting condition based on	TSR with PBT floor	EPS	TSR with PBT floor	EPS
Relevant date for determination of vesting conditions	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 36 to 39.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 24. SHARE CAPITAL CONTINUED

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:

	2019 number	2018 number
At 1 February	1,888,902	2,040,488
Granted	-	647,622
Exercised	(142,238)	(421,218)
Lapsed	(725,298)	(377,990)
<b>At 31 January</b>	<b>1,021,366</b>	<b>1,888,902</b>

### 25. 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 restructuring	41,888
<b>At 31 January 2019 and 2018</b>	<b>43,457</b>

### 26. DIVIDENDS

During the year, the Group has paid a final dividend of 3.68p (£2,612,000) for the financial year ended 31 January 2018 (2018: 3.06p, £2,169,000); and an interim dividend of 0.69p (£490,000) for the year to 31 January 2019 (2018: 0.69p, £490,000).

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 2.55p per share (2018: 3.68p per share) which will be payable on 9 August 2019 to shareholders on the register at 19 July 2019, giving a cost of £1,810,000 (2018: £2,588,000). This brings the total dividend for the year to 3.24p (2018: 4.37p).

**27. CASH GENERATED FROM OPERATIONS**

	2019 £000	2018 (restated) £000
<b>Profit before tax</b>	<b>6,308</b>	12,982
Defined benefit pension charge	1,659	573
Net finance costs	280	665
Depreciation and impairment of property, plant and equipment	2,892	2,450
Amortisation	1,673	1,642
Gain on disposal of fixed assets	(36)	-
Insurance reimbursements	(650)	(2,411)
Release of contingent consideration	-	(4,047)
(Credit)/charge for LTIP recognised in equity	(661)	434
LTIP vesting	(135)	(404)
Unrealised foreign exchange gains included in operating profit	27	108
Defined benefit pension cash contributions	(1,990)	(1,907)
<b>Cash generated from/(used in) operating activities pre-insurance proceeds</b>	<b>9,367</b>	10,085
Insurance proceeds relating to operating activities	650	2,126
<b>Cash generated from operating activities post-insurance proceeds</b>	<b>10,017</b>	12,211
<b>Changes in working capital:</b>		
Decrease/(increase) in inventories	1,477	985
Decrease/(increase) in trade and other receivables	1,744	(2,405)
(Decrease)/increase in trade and other payables	(609)	(3,807)
<b>Cash generated from operations</b>	<b>12,629</b>	6,984

**28. ANALYSIS OF NET FUNDS**

	1 February 2018 £000	Cash flow £000	Other non-cash changes £000	31 January 2019 £000
Cash and cash equivalents	1,295	1,114	6	<b>2,415</b>
Bank overdraft	(6,558)	4,577	-	<b>(1,981)</b>
Cash and cash equivalents and bank overdraft	(5,263)	5,691	6	<b>434</b>
<b>(Net debt)/net funds</b>	<b>(5,263)</b>	<b>5,691</b>	<b>6</b>	<b>434</b>

Other non-cash changes are exchange gains/(losses) from the retranslation of bank balances held in non-sterling bank accounts.

**29. COMMITMENTS****a) Capital commitments**

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

	2019 £000	2018 £000
Property, plant and equipment	-	125

**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 (2018: 14 years) and rentals are fixed for an average of five years (2018: five years). Other leases are negotiated for an average term of three years (2018: three years) and rentals are fixed for an average of three years (2018: three years).

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

	Land and buildings 2019 £000	Other 2019 £000	Total 2019 £000	Land and buildings 2018 £000	Other 2018 £000	Total 2018 £000
Within one year	2,173	671	2,844	2,239	441	2,680
Between one and five years	5,967	993	6,960	7,470	660	8,130
Over five years	216	57	273	1,837	-	1,837
	<b>8,356</b>	<b>1,721</b>	<b>10,077</b>	<b>11,546</b>	<b>1,101</b>	<b>12,647</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 30. 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 1p 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 206.25p 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.

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 targets for the period ended 31 January 2018 and 31 January 2019 have not been achieved. It is not considered likely that the performance target for the remaining one year 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 the period ended 31 January 2018. There was also a charge of £405,000 recognised in respect of the unwind of the contingent consideration payable for Clarke & Clarke in the period ended 31 January 2018. Therefore the estimated fair value of the assumed probability adjusted contingent consideration at 31 January 2019 was Enil (2018: Enil), which is classified as Level 3 in the fair value hierarchy.

### 31. PRINCIPAL SUBSIDIARY UNDERTAKINGS

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

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
Style Library GmbH	Germany	Thurn-und-Taxis Platz 6 60313, Frankfurt am Maine, Germany
Style Library (Rus) LLC	Russia	Room 46, Floor 8, Building 1, 16A Leningradskoe shosse, Moscow 125171, The Russian Federation

\* Shares held by subsidiary company.

Investments in Group companies are ordinary shares.

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

For a full list of subsidiary companies refer to note 6 to the financial statements of the Company as an entity (pages 101 to 103).

**32. EVENTS AFTER THE REPORTING PERIOD**

On 1 February 2019, the Group appointed Dame Dianne Thompson as a Non-executive Director and Chairman Designate.

On 12 February 2019, the Robert Allen Duralée Group ('RADG') filed for Chapter 11 in the US. RADG continues to trade as at the date of these accounts.

On 4 March 2019, the Group announced the proposal to restructure Clarke & Clarke with the view to integrating some departments into the Style Library business unit. This will include a proposal to change the location, structure and number of teams within Clarke & Clarke with the view to integrating these areas into the Style Library. As part of this proposal there will be a number of redundancies together with the closure of the Haslingden warehouse.

On 11 March 2019, the Group appointed Lisa Montague as an Executive Director and she became Chief Executive Officer on 10 April 2019.

On 10 April 2019, Dame Dianne Thompson became Non-executive Chairman and Christopher Rogers, the Interim Executive Chairman, returned to his role as Non-executive Director. On the same date Terry Stannard stepped down from his role as a Non-executive Director of the Company.

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

**YEAR ENDED 31 JANUARY 2019**

	2019 £000	2018 £000
<b>Profit for the year</b>	<b>3,105</b>	6,633
<b>Total comprehensive income for the year</b>	<b>3,105</b>	6,633

The notes on pages 95 to 108 form an integral part of these financial statements.

# COMPANY BALANCE SHEET

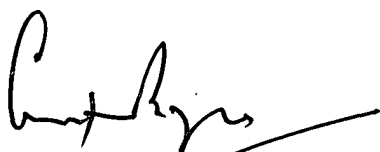
AT 31 JANUARY 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Investments	6	80,441	80,598
		<b>80,441</b>	80,598
<b>Current assets</b>			
Trade and other receivables	7	1,535	1,257
Cash and cash equivalents		4,276	-
Deferred income tax assets	8	-	49
		<b>5,811</b>	1,306
Creditors: amounts falling due within one year	10	(16,950)	(11,810)
<b>Net current liabilities</b>		<b>(11,139)</b>	(10,504)
<b>Total assets less current liabilities</b>		<b>69,302</b>	70,094
<b>Net assets</b>		<b>69,302</b>	70,094
<b>Capital and reserves</b>			
Called up share capital	14	710	709
Share premium account		18,682	18,682
Retained earnings		8,022	8,815
Capital reserve	15	41,888	41,888
<b>Total shareholders' funds</b>		<b>69,302</b>	70,094

A profit of £3,105,000 (2018: £6,633,000) has been included within these financial statements.

Restatement of the year ended 31 January 2018 is explained in note 6a).

The financial statements on pages 92 to 108 were approved by the Board of Directors on 9 April 2019 and signed on its behalf by



**Christopher Rogers**  
Director



**Mike Gant**  
Director

Registered number 61880

# COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2019

	Called up share capital £000	Share premium account £000	Retained earnings £000	Capital reserve (note 15) £000	Total shareholders' funds £000
<b>Balance at 1 February 2017</b>	<b>696</b>	<b>16,390</b>	<b>4,839</b>	<b>41,888</b>	<b>63,813</b>
Profit for the year	-	-	6,633	-	6,633
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>6,633</b>	<b>-</b>	<b>6,633</b>
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)
<b>Balance at 31 January 2018</b>	<b>709</b>	<b>18,682</b>	<b>8,815</b>	<b>41,888</b>	<b>70,094</b>
Profit for the year	-	-	3,105	-	3,105
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>3,105</b>	<b>-</b>	<b>3,105</b>
Transactions with owners, recognised directly in equity:					
Dividends	-	-	(3,102)	-	(3,102)
Allotment of share capital	1	-	-	-	1
Long-term incentive plan charge	-	-	(661)	-	(661)
Long-term incentive plan vesting	-	-	(135)	-	(135)
Related tax movements on long-term incentive plan	-	-	-	-	-
<b>Balance at 31 January 2019</b>	<b>710</b>	<b>18,682</b>	<b>8,022</b>	<b>41,888</b>	<b>69,302</b>

# 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 IFRSs);
  - (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

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 January 2019 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 2019 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

#### IFRS 16 'Leases'

IFRS 16 will be effective for the first time in the Company's financial statements for the year ended 31 January 2020. 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. The standard will primarily affect the accounting for the Company's operating leases. The application of IFRS 16 will result in the recognition of additional assets and liabilities in the Company's Balance Sheet. In addition, it will replace the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities. The Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead the Company will perform impairment testing on the right-of-use asset.

As at 31 January 2019, the Company has non-cancellable operating lease commitments of £2,234,000 (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. Management has assessed the impact of adopting the new standard, and estimates a right-of-use asset and lease liability of £2,226,000 will be recognised from 1 February 2019.

#### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 1. ACCOUNTING POLICIES CONTINUED

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 22 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 1. ACCOUNTING POLICIES CONTINUED

#### **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**

	2019 £000	2018 £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	60	58

**4. EMPLOYEE INFORMATION**

	2019 £000	2018 £000
Wages and salaries	1,680	1,393
Social security costs	266	300
Other pension costs	69	66
Share-based payment awards, including NIC thereon	(661)	413
Employee benefit expense	1,354	2,172

	2019 number	2018 number
The average monthly number of employees (including Directors) during the year		
Corporate and administration	16	14

**5. PROPERTY, PLANT AND EQUIPMENT**

	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
<b>Cost</b>			
1 February 2017 and 31 January 2018	90	34	124
Additions	-	-	-
31 January 2019	90	34	124
<b>Accumulated depreciation</b>			
1 February 2017	90	33	123
Charge	-	1	1
31 January 2018	90	34	124
Charge	-	-	-
31 January 2019	90	34	124
<b>Net book amount</b>			
<b>31 January 2018 and 31 January 2019</b>	-	-	-
31 January 2017	-	1	1

The total depreciation expense of £nil (2018: £517) is included in administration expenses.

**6. INVESTMENTS**

Shares in subsidiary undertakings:	Note	2019 £000	2018 £000
<b>Cost</b>			
At 1 February		80,598	85,553
Acquisition of Globaltex 2015 Limited	6a)	-	(4,047)
Disposal of dormant subsidiaries	6b)	-	(1,062)
IFRS 2 cost relating to share-based payments		(157)	154
At 31 January		80,441	80,598
<b>Provision for impairment</b>			
At 1 February		-	(1,038)
Disposal of dormant subsidiaries	6b)	-	1,038
At 31 January		-	-
<b>Net book amount at 31 January</b>		<b>80,441</b>	<b>80,598</b>

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 6. INVESTMENTS CONTINUED

#### a) 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.

As a result of the challenging performance targets and prevailing market conditions, the performance target for the year ended 31 January 2018 had not been achieved. It is not considered likely that the performance targets for the remaining two years will be achieved; there was a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 reduction in the cost of investment. There was also a charge of £405,000 recognised in respect of the unwind of the contingent consideration payable for Clarke & Clarke. The estimated fair value of the assumed probability adjusted contingent consideration at 31 January 2019 was £nil (2018: £nil), which is classified at Level 3 in the fair value hierarchy.

#### b) Disposal of dormant subsidiaries

During the year, the Company disposed of one dormant subsidiary (2018: 19). The dormant disposals were all wholly owned and did not trade in any of the periods presented.

#### Year ended 31 January 2019

Name of subsidiary undertaking	Date of dissolution	Cost at 1 February 2018 £000	Provision for impairment at 1 February 2018 £000	Net book value written off £000
Greenbank Engineering Overseas Limited	21 June 2018	-	-	-

#### 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

\* 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.

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

Walker Greenbank PLC is registered and domiciled in the UK. It is the Parent Company of the Walker Greenbank Group. The Company's subsidiary undertakings at 31 January 2019, 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
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, US
Clarke & Clarke Inc*	2416 Camino Oleada, San Clemente, California, 92673, US
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

	2019 £000	2018 £000
Current		
Other taxes and social security	1,354	1,028
Other receivables	181	229
	1,535	1,257



# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 8. DEFERRED INCOME TAX

A net deferred tax asset of £nil (2018: £49,000) is recognised in respect of future deductions for LTIP payments.

	2019 £000	2018 £000
Temporary differences on LTIP payments	-	49

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

At 31 January 2019 the Company had gross unused UK tax losses of £3,225,000 (2018: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2019 of £557,000 (2018: £649,000) 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.

	2019 £000	2018 £000
Unutilised tax losses - UK	548	548
Other deductible temporary differences - UK	9	101
	557	649

There are also unutilised capital tax losses at 31 January 2019 of £4,881,000 (2018: £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 2019 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 where deemed appropriate. 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 (2018: 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 (2018: none).

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000	2018 £000
Bank overdraft	-	1,164
Trade creditors	141	166
Amounts owed to subsidiary undertakings	14,860	8,431
Other creditors	85	105
Accruals	1,864	1,944
	16,950	11,810

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.

As disclosed in note 6b), the Company disposed of one (2018: 19) dormant subsidiary. The disposal led to £nil (2018: £4,410,000) distributions in specie received by the Company. 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 of £nil (2018: £4,410,000).

## 11. BORROWINGS

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 the revolving credit facility secured on the Group's freehold property which may be drawn down in either sterling or euros.

The total Barclays Bank PLC facilities are capped at £22,500,000 (2018: £22,500,000); the utilisation of the facilities at 31 January 2019 was £9,500,000 (2018: £9,500,000). 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 2019

	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Creditors: amounts falling due within one year	16,950	-	-	-
	16,950	-	-	-

### 31 January 2018

	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Creditors: amounts falling due within one year	11,810	-	-	-
	11,810	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 12. PROVISION FOR OTHER LIABILITIES AND CHARGES

	2019 £000	2018 £000
Contingent liability arising on business combination:		
At 1 February	-	5,946
Provision on acquisition of Clarke & Clarke	-	-
Payment of first tranche of contingent liability	-	(2,304)
Fair value adjustment to contingent liability	-	(4,047)
Unwind of discount	-	405
<b>At 31 January</b>	<b>-</b>	<b>-</b>

### 13. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
<b>31 January 2019</b>				
<b>Assets as per Balance Sheet</b>				
Trade and other receivables	181	-	-	181
Cash at bank and in hand	-	4,276	-	4,276
<b>Total</b>	<b>181</b>	<b>4,276</b>	<b>-</b>	<b>4,457</b>

	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
<b>31 January 2019</b>				
<b>Liabilities as per Balance Sheet</b>				
Creditors: amounts falling due within one year	-	16,950	-	16,950
<b>Total</b>	<b>-</b>	<b>16,950</b>	<b>-</b>	<b>16,950</b>

	Loans and receivables (restated) £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
<b>31 January 2018</b>				
<b>Assets as per Balance Sheet</b>				
Trade and other receivables	229	-	-	229
Cash at bank and in hand	-	-	-	-
<b>Total</b>	<b>229</b>	<b>-</b>	<b>-</b>	<b>229</b>

	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
<b>31 January 2018</b>				
<b>Liabilities as per Balance Sheet</b>				
Creditors: amounts falling due within one year	-	11,810	-	11,810
<b>Total</b>	<b>-</b>	<b>11,810</b>	<b>-</b>	<b>11,810</b>

**14. CALLED UP SHARE CAPITAL**

Ordinary shares of 1p each	Number of shares	£
Called up and fully paid:		
<b>31 January 2019</b>	<b>70,983,505</b>	<b>709,835</b>
31 January 2018	70,895,511	708,955
31 January 2017	69,551,678	695,517

On 29 May 2018, 142,238 shares vested under the Company's LTIP. To satisfy the vesting, 87,994 shares of 1p each were allotted at par value.

Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 70,983,505 (2018: 70,895,511) ordinary shares of which no (2018: nil) ordinary shares are held in treasury and no (2018: nil) 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.

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

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

The market value of shares held by the EBT at 31 January 2019 was £nil (2018: £nil). The total number of shares held in the EBT at the year end represented 0% (2018: 0%) of the issued shares.

**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 24 of the consolidated financial statements of the Group, which are separately included within the Annual Report and Accounts.

**15. CAPITAL RESERVE**

Capital reserve represents	£000
Capital redemption reserve on capital restructuring	41,888
<b>At 31 January 2019 and 2018</b>	<b>41,888</b>

**16. DIVIDENDS**

During the year, the Group has paid a final dividend of 3.68p (£2,612,000) for the financial year ended 31 January 2018 (2018: 3.06p, £2,169,000); and an interim dividend of 0.69p (£490,000) for the year to 31 January 2019 (2018: 0.69p, £490,000).

The Directors recommend the payment of a final dividend of 2.55p per share (2018: 3.68p per share) which will be payable on 9 August 2019 to shareholders on the register at 19 July 2019, giving a cost of £1,810,000 (2018: £2,588,000). This brings the total dividend for the year to 3.24p (2018: 4.37p).

**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.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 18. RELATED PARTY TRANSACTIONS

The Company made contributions to the Walker Greenbank Group Personal Pension Plan of £30,000 for the year ended 31 January 2019 (2018: £28,000).

### 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 10 years (2018: 14 years) and rentals are fixed for an average of five years (2018: five years). Other leases are negotiated for an average term of three years (2018: three years) and rentals are fixed for an average of three years (2018: three years).

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

	Land and buildings 2019 £000	Other 2019 £000	Total 2019 £000	Land and buildings 2018 £000	Other 2018 £000	Total 2018 £000
Within one year	421	48	469	421	10	431
Between one and five years	1,684	58	1,742	1,684	4	1,688
Over five years	23	-	23	469	-	469
	2,128	106	2,234	2,574	14	2,588

Other leases include hire of motor vehicles.

## FIVE YEAR RECORD

	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000
Revenue	78,434	83,373	87,839	92,373	112,185	<b>113,286</b>
Overseas revenue by location of customer	28,244	27,923	30,330	36,309	46,531	<b>48,214</b>
Underlying profit from operations	6,543	7,335	8,202	9,842	11,991	<b>9,848</b>
Profit from operations	6,543	7,335	8,202	7,859	13,647	<b>6,588</b>
Underlying EBITDA	8,903	9,684	10,155	12,164	15,067	<b>13,397</b>
Underlying profit before income tax	5,495	6,329	7,338	9,129	11,731	<b>9,568</b>
Capital expenditure	4,753	3,250	2,510	6,768	3,497	<b>3,002</b>
Earnings per ordinary share	8.63p	8.60p	9.79p	8.55p	16.95p	<b>7.19p</b>
Average number of employees	592	640	649	681	689	<b>684</b>
Dividends paid in year	900	1,144	1,444	1,818	2,659	<b>3,102</b>
Shareholders' funds	26,852	26,937	35,284	51,293	61,793	<b>60,882</b>
Dividend per share						
- Final (prior year end) - paid	1.25p	1.57p	1.96p	2.45p	3.06p	<b>3.68p</b>
- Interim (current year end) - paid	0.28p	0.35p	0.44p	0.55p	0.69p	<b>0.69p</b>
- Final (current year end) - proposed	-	1.96p	2.45p	3.06p	3.68p	<b>2.55p</b>

## SHAREHOLDER INFORMATION

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### Financial calendar

Annual General Meeting  
Announcement of half-year results

14 June 2019  
October 2019

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# NOTES



## NOTES

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Chartered Accountants and Statutory Auditors  
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