

# Our financials

## Report of the Directors

The directors submit their annual report, together with the audited financial statements of the group for the year ended 31 January 2000.

### Group Results

The profit before taxation amounted to £386,000 (1999: £33,122,000). The directors recommend payment of a final ordinary dividend of 2.00p (1999: 2.00p) per share, amounting to £1,180,000 (1999: £1,180,000), which, with preference and "B" share dividends of £nil (1999: £67,000), leaves a deficit of £984,000 transferred from reserves (1999: £31,426,000 transferred to reserves). Subject to shareholders' approval, the final ordinary dividend will be paid on 7 July 2000 to shareholders appearing on the share register at the close of business on 12 June 2000.

### Review of the Business

The board continues to invest in the future of the fabrics and wallcoverings businesses, seeking to improve profitability whilst maintaining tight controls over costs and cash.

Further information on the business and future of the group is included in the Statement of Prospects on pages 4 and 5, the Chairman's Statement on pages 6 and 7 and in the Chief Executive's and Financial Reviews on pages 8 to 14.

On 26 May 1999, the company's deferred share capital of £1,003,312 was repurchased by the company for 1 pence and cancelled. This represented the final stage of the capital reorganisation of the company commenced in 1998.

### Directors

The board of directors as at the date of this report is set out on pages 15 and 16, together with biographical details. Details of changes in the composition of the board during the year are set out in the report on Corporate Governance on page 30. Details of directors' service contracts and those retiring at the forthcoming Annual General Meeting are set out in the Report on Directors' Remuneration on page 32.

### Research and Development

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

### Directors' Share Interests

The interests of the directors in office at 31 January 2000 in the share capital of the company were:

	1p Ord Shares 31 Jan 2000 Number	1p Ord Shares 31 Jan 1999 or date of appointment Number
P Billington	100,000	100,000
AJ Connolly	753,986	653,986
JD Sach	50,000	50,000
The Viscount Thurso	57,026	57,026

The Viscount Thurso purchased 525,000 ordinary shares in the company on 18 April 2000.

The movement in share options held by the directors during the year is shown as part of the Report on Directors' Remuneration on page 34.

None of the directors' share interests changed between 31 January 2000 and 18 April 2000.



Report of the Directors (continued)

#### Executive Share Option Schemes

No options were exercised during the year. During the year, no options over ordinary shares were granted and options over 797,378 ordinary shares have lapsed as a result of last year's disposal. Options over ordinary shares outstanding at 31 January 2000 are as shown below:

Date granted	Number of shares	Subscription price	Exercisable
14 May 1991	148,770	63.4p	14.05.94 to 13.05.01
26 May 1993	184,680	80.0p	26.05.96 to 25.05.03
10 January 1994	41,040	92.6p	10.01.97 to 09.01.04
9 February 1994	51,300	110.2p	09.02.97 to 08.02.04
4 May 1994	159,030	98.5p	04.05.97 to 03.05.04
20 June 1994	718,200	102.4p	20.06.97 to 19.06.04
13 April 1995	310,000	96.0p	13.04.98 to 12.04.05
5 July 1995	60,000	89.0p	05.07.98 to 04.07.05
1 May 1996	130,000	98.0p	01.05.99 to 30.04.06
6 November 1996	150,000	69.5p	06.11.99 to 05.11.06
23 April 1997	690,000	66.0p	23.04.00 to 22.04.07
1 May 1997	200,000	66.0p	01.05.00 to 30.04.07
7 May 1997	175,000	66.0p	07.05.00 to 06.05.07
1 December 1998	700,000	66.0p	01.12.01 to 30.11.08
	3,718,020		

#### 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.

#### Year 2000

All areas of the business are deemed to be directly or indirectly exposed to Year 2000 related problems and detailed risk assessments and risk mitigation strategies have been formalised. The directors believe that sufficient steps have been taken to counter these problems but cannot guarantee that the business will be unaffected by internal or external factors which are currently unforeseen.

The costs incurred are not deemed to be significant and have been written off to the profit and loss account as incurred.

The directors are unaware of any Year 2000 related problems which have affected the group, or its customers and suppliers, since 1 January 2000.

#### European Monetary Union

The group has changed certain financial systems to facilitate trading with companies which wish to conduct business in Euros. The cost of these changes has been expensed as incurred.

#### Pensions

The group operates defined benefit and defined contribution schemes in the UK for all qualifying employees. Further information on the schemes and details of the valuations are given in note 33 to the accounts.

#### Employees

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

#### Substantial Shareholdings

At 31 March 2000, the company had been notified of the following substantial shareholdings in its ordinary share capital: Mercury Asset Management 12.37%, Edinburgh Fund Managers 8.77%, Prudential Portfolio Managers 5.45%, Schroder Investment Managers 5.36%, M&G Group 4.93%, British Airways Pension Trustees Limited 4.17%, Morley (formerly GA) Fund Managers 3.99%, Framlington One Thousand Smallest Companies Trust Plc 3.39% and Barnard Nominees Limited 3.05%.

#### Special Business

At the Annual General Meeting ("AGM") on 5 June 2000 resolution 6 will be proposed as special business. Details of the business can be found in the notice of the AGM.

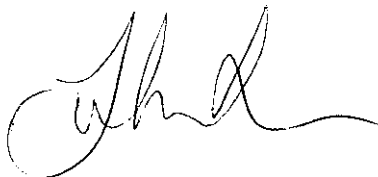
#### Payment to Suppliers

The group agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms subject to the terms and conditions being met by the supplier. The amount of trade creditors shown in the consolidated balance sheet at 31 January 2000 represents 60 days (1999: 69 days) of average purchases during the year for the group.

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

#### Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office as auditors and a resolution to re-appoint them and to authorise the directors to agree their remuneration will be put to the Annual General Meeting.



By order of the board  
John Sach  
Director & Secretary  
18 April 2000

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

# Corporate Governance

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

The company has complied with the Code's principles throughout the year, except where stated. In particular, the company has, as permitted by the London Stock Exchange, complied with provision D.2.1 on internal control by reporting on internal financial control in accordance with the guidance for directors on internal control and financial reporting that was issued in December 1994.

## 1. The Board

### Board Composition and Appointment

At the end of the year the board of directors comprised four executive directors and two non-executive directors. Mr DG Richards resigned as a non-executive director and Chairman on 26 May 1999. The Viscount Thurso was appointed Chairman in his place. Mr JD Sach was appointed as Group Finance Director on 7 September 1999. Biographies of the board members at the end of the year can be found on pages 15 and 16.

For part of the year, following the resignation of Mr DG Richards on 26 May 1999, the number of non-executive directors was reduced to two. At the present time, your board considers that two non-executives directors is sufficient given the size of the company.

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

Directors are appointed to the board following careful consideration by a Nominations Committee comprising the chairman and the other non-executive director. This committee makes recommendations to the board for approval by a majority vote. Independent training is provided for all directors newly appointed to the board.

### Re-election

The company now complies with section A.6.2 of the Code following approval by shareholders of the amendment to the Articles of Association of the company at the 1999 Annual General Meeting to provide for all directors to stand for re-election every three years.

One of the company's former non-executive directors was not appointed to hold office for a specific term and as a result the group did not comply fully with section A.6.1 of the Code. All non-executive directors now hold office for fixed terms and stand for re-election on retirement by rotation.

### Board Process

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

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

## 2. Directors' Remuneration

The details of compliance with the principles on directors' remuneration are contained in the Report on Directors' Remuneration on pages 32 to 34.

## 3. Relationship with Shareholders

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

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

#### 4. Accountability and Audit

##### Financial Reporting

The directors' responsibilities for preparing the accounts are explained on page 35 and the group's report on going concern is on page 14.

##### Internal Control

The group has adopted the transitional approach for the Code set out in the letter from the London Stock Exchange to listed companies at the end of September 1999. The board expects to have the procedures in place by December 2000 necessary to implement the guidance within "Internal Controls: guidance for directors on the Combined Code". This takes account of the time needed to put in place procedures which the board has agreed should be established.

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

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

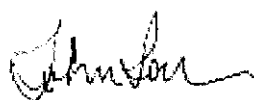
A number of the group's key functions including treasury, taxation, property, company secretarial, environmental monitoring, legal matters and insurance are dealt with centrally by the Group Finance Director.

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

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

##### Audit Committee and Auditors

The Audit Committee comprises the two non-executive directors and meets formally three times a year and whenever it is appropriate. It monitors the application of the group's accounting policies and financial reporting, and provides a forum through which the group's auditors report directly to the non-executive directors without management being present. Mr DG Richards resigned as Chairman of this Committee on 26 May 1999 and was replaced by Sir Malcolm Field.



By order of the board  
John Sach, Director & Secretary  
18 April 2000

# Report on Directors' Remuneration

## Statement of Compliance

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

## Remuneration Committee

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

## Policy on Executive Directors' Remuneration

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

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

- 1) Basic salary is determined by the remuneration committee taking into account the performance of the individual and information from external consultants.
- 2) Performance related bonuses are payable to the executive directors in office during the year and are not pensionable.
- 3) The LTIP for the executive directors was approved by the members on 26 May 1999. For the years ending 31 January 2000, 2001 and 2002 cash sums will be transferred by the company to the Walker Greenbank PLC Employee Benefit Trust to purchase a pool of shares for the LTIP, with the value in each year representing 10% of any increase in the company's market capitalisation in excess of the FT-SE Small Cap (excluding investment trusts) Index over the award year. The shares held under the LTIP will be divided into awards in equal proportions among all participants remaining in employment at the end of the award year. The shares in each award will normally only vest unconditionally in the participant if, at the end of two further financial years, the company's market capitalisation is greater than it was at the end of the relevant award year and the employee is still employed by the company.

No awards have been made for the year ended 31 January 2000.

## Directors' Pension Arrangements

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

## Directors' Service Contracts

During the year Mr JD Sach was appointed as Group Finance Director on a rolling one year contract. Each of the other executive directors has a rolling one year contract with the company. Mr AJ Connolly and Mr JD Sach will retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

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

Remuneration Excluding Share Options and Pension Contributions	Salary/ Fees £000	Benefits £000	Total excluding pensions 2000 £000	Total excluding pensions 1999 £000
<b>Executive directors</b>				
P Billington (ii)	106	1	107	36
PL Cadle (ii)	112	1	113	46
AJ Connolly (i)	158	3	161	288
JD Sach (appointed 7 September 1999)	46	2	48	—
PF Mostyn (v)	—	—	—	70
RC Smurthwaite (v)	—	—	—	84
AC Wightman (v)	—	—	—	125
<b>Non-executive directors</b>				
The Viscount Thurso (Chairman)	40	—	40	24
Sir Malcolm Field	20	—	20	25
DG Richards (resigned 26 May 1999)	17	—	17	61
	499	7	506	759

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

(ii) Remuneration in 1999 represents the period from appointment to 31 January 1999.

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

(iv) Contributions payable in respect of directors' pensions were £78,000 (1999: £95,000).

(v) In the year ended 31 January 1999 in addition to the remuneration stated above, a total of £2,876,000 of compensation for loss of office was paid to departing directors.

Directors' Pension Benefits	Accrued pension benefit at 1 February 1999 or date of appointment £000	Increase in accrued pension benefit £000	Accrued pension benefit at 31 January 2000 £000	Transfer value of increase in accrued benefit £000
P Billington	32	5	37	43
PL Cadle	19	6	25	30
AJ Connolly	5	3	8	31
JD Sach	6	1	7	4
	62	15	77	108

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

Report on Directors' Remuneration continued

#### Movements in Share Options Held by Directors

	At start* & end of the year (Number)	Option Price (pence)	Exercise dates	
			Earliest	Latest
P Billington	51,300	63.375	14.5.1994	13.5.2001
	51,300	79.950	26.5.1996	25.5.2003
	76,950	102.375	20.6.1997	19.6.2004
	30,000	66.000	23.4.2000	22.4.2007
P L Cadle	41,040	63.375	14.5.1994	13.5.2001
	30,780	98.475	4.5.1997	3.5.2004
	51,300	102.375	20.6.1997	19.6.2004
	25,000	96.000	13.4.1998	12.4.2005
	50,000	69.500	6.11.1999	5.11.2006
A J Connolly	30,000	66.000	23.4.2000	22.4.2007
	200,000	66.000	1.5.2000	30.4.2007
	700,000	66.000	1.12.2001	30.11.2008
J D Sach	51,300	110.175	9.2.1997	8.2.2004
	25,000	96.000	13.4.1998	12.4.2005
	50,000	69.500	6.11.1999	5.11.2006
	40,000	66.000	23.4.2000	22.4.2007
<b>Total</b>	<b>1,503,970</b>			

\*Later of date of appointment and start of the year.

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

The mid-market price of the ordinary shares at 31 January 2000 was 39.5p and the range during the year was 39.5p to 67.5p.



Sir Malcolm Field  
Chairman  
Remuneration Committee  
18 April 2000



## Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed; and
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

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

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

# Auditors' Report

To the Members of Walker Greenbank PLC

We have audited the financial statements on pages 38 to 63 and the directors' remuneration information on pages 33 and 34 which have been prepared under the accounting policies set out on pages 42 and 43.

## Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report including, as described on page 35, the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

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

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

We review whether the statement on pages 30 and 31 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.


## Basis of Audit Opinion

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

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

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 January 2000 and the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
10 Bricket Road  
St Albans  
Hertfordshire AL1 3JX  
18 April 2000

## Advisors

### Financial Advisors

**KPMG Corporate Finance**  
8 Salisbury Square  
London EC4Y 8BB

### Public Relations

**Citigate – Dewe Rogerson**  
3 London Wall Buildings  
London EC2M 5SY

### Stockbrokers and advisors

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

### Registrars

**IRG plc**  
Balfour House  
390-398 High Road  
Ilford  
Essex IG1 1BR

### Auditors

**PricewaterhouseCoopers**  
10 Bricket Road  
St Albans  
Hertfordshire AL1 3JX

### Bankers

**Barclays Bank plc**  
99 Hatton Garden  
London EC1N 8DN

### Wachovia Bank, NA

3333 Riverwood Parkway  
Suite 290  
Atlanta  
Georgia 30339  
USA

### Tax Advisors

**Chiltern Group plc**  
Sceptre House  
169-173 Regent Street  
London W1R 7FB

### Solicitors

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

### Shoosmiths

Lock House  
Castle Meadow Road  
Nottingham NG2 1AG

# Group Profit and Loss Account

Year ended 31 January 2000

	note	Total 2000 £000	Total 1999 £000
<b>Turnover</b>			
– Continuing operations	2, 3	49,937	52,450
– Discontinued operations	2, 3	–	21,910
		<b>49,937</b>	<b>74,360</b>
<b>Group operating profit</b>			
– Continuing operations		1,719	(2,046)
– Discontinued operations		–	2,212
		<b>1,719</b>	<b>166</b>
Share of associated undertaking's operating loss		(56)	(19)
<b>Operating profit</b>	2, 3, 8	<b>1,663</b>	<b>147</b>
Profit on sale of property	4	1,036	–
Fundamental restructuring of overseas operations (including goodwill previously written off of £975,000)	5	(2,533)	–
Profit on sale of discontinued operations (including goodwill previously written off of £4,789,000)	6	–	32,896
Amounts written off investments	7	(450)	(317)
<b>(Loss)/profit on ordinary activities before interest</b>		<b>(284)</b>	<b>32,726</b>
Net interest receivable	11	670	396
<b>Profit on ordinary activities before taxation</b>		<b>386</b>	<b>33,122</b>
Taxation on profit on ordinary activities	12	(247)	(556)
<b>Profit after taxation</b>		<b>139</b>	<b>32,566</b>
Dividends (including non-equity)	21	(1,123)	(1,140)
<b>(Deficit)/profit for the period</b>		<b>(984)</b>	<b>31,426</b>
<b>Earnings per share</b>			
– Basic and diluted	13	0.25p	36.92p
– Underlying before non-operating items	13	3.33p	1.30p
<b>Dividend per ordinary share</b>	21	<b>2.00p</b>	<b>2.00p</b>

# Balance Sheets

At 31 January 2000

	note	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
<b>Fixed assets</b>					
Goodwill	14	169	–	–	–
Tangible assets	15	15,381	12,073	7,122	6,113
Investment in own shares	16	1,573	2,023	1,573	2,023
Investment – in associated undertaking	17	–	169	–	–
– in subsidiaries	17	–	–	16,963	17,571
		17,123	14,265	25,658	25,707
<b>Current assets</b>					
Stocks	18	12,605	12,212	–	–
Debtors	19	14,351	12,793	25,205	42,389
Cash at bank and in hand		12,818	19,140	12,823	18,511
		39,774	44,145	38,028	60,900
<b>Creditors: due within one year</b>	20	(12,872)	(14,209)	(10,590)	(33,876)
<b>Net current assets</b>		26,902	29,936	27,438	27,024
<b>Total assets less current liabilities</b>		44,025	44,201	53,096	52,731
<b>Creditors: due after more than one year</b>	22	(799)	(1,153)	–	–
<b>Provisions for liabilities and charges</b>	25	(784)	(261)	(267)	(177)
<b>Net assets</b>		42,442	42,787	52,829	52,554
<b>Capital and reserves (including non-equity interests)</b>					
Share capital	26	590	1,593	590	1,593
Share premium account	27	457	457	457	457
Profit and loss account	27	662	388	9,894	9,619
Other reserves	27	40,733	40,349	41,888	40,885
<b>Shareholders' funds</b>	28	42,442	42,787	52,829	52,554

The Viscount Thurso



AJ Connolly  
Directors



These accounts were approved by the directors on 18 April 2000

# Group Cash Flow Statement

Year ended 31 January 2000

	note	2000 £000	2000 £000	1999 £000	1999 £000
<b>Net cash inflow from operating activities</b>	30		<b>1,517</b>		<b>3,845</b>
<b>Returns on investment and servicing of finance</b>					
Interest received		1,005		977	
Interest paid		(256)		(577)	
Interest element of finance lease payments		(66)		(19)	
Dividends paid on non-equity shares		-		(64)	
Dividend income (Employee Share Option Plan)		57		107	
			<b>740</b>		<b>424</b>
<b>Taxation</b>			<b>(658)</b>		<b>(1,979)</b>
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(6,283)		(3,725)	
Purchase of own shares		-		(520)	
Proceeds from share repurchase (Employee Share Option Plan)		-		1,250	
Proceeds from disposal of property		2,104		-	
Proceeds from disposal of tangible fixed assets		73		54	
			<b>(4,106)</b>		<b>(2,941)</b>
<b>Acquisitions, disposals and fundamental restructuring</b>					
Fundamental restructuring costs		(454)		-	
Costs incurred prior to the year end in respect of the post year end acquisition		(302)		-	
Loan guarantee payment on liquidation of associated undertaking		(118)		-	
Proceeds from sale of discontinued operation less exceptional disposal costs		-		63,547	
Purchase of investment in associated undertaking		-		(201)	
			<b>(874)</b>		<b>63,346</b>
<b>Equity dividends paid</b>			<b>(1,180)</b>		<b>(2,909)</b>
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>			<b>(4,561)</b>		<b>59,786</b>
<b>Management of liquid resources</b>					
Bills of exchange receivable			<b>343</b>		<b>19</b>
<b>Financing</b>					
Repayment of borrowings		(1,495)		(815)	
Principal repayments of finance lease obligations		(214)		(50)	
Repurchase of share capital		-		(40,885)	
Issue of ordinary share capital		-		77	
Proceeds from finance leases		-		1,200	
			<b>(1,709)</b>		<b>(40,473)</b>
<b>(Decrease)/increase in cash</b>	32		<b>(5,927)</b>		<b>19,332</b>

## Statement of Total Recognised Gains and Losses

Year ended 31 January 2000

	2000 £000	1999 £000
Profit for the financial year	139	32,566
Currency translation differences	(336)	3
<b>Total recognised gains and losses relating to the year</b>	<b>(197)</b>	<b>32,569</b>

## Note of Historical Cost Profit and Losses

Year ended 31 January 2000

	2000 £000	1999 £000
Profit on ordinary activities before taxation	386	33,122
Realisation of property revaluations	606	–
Difference between historical cost depreciation charge and actual depreciation charge	13	13
<b>Historical cost profit on ordinary activities before taxation</b>	<b>1,005</b>	<b>33,135</b>
<b>Historical cost (loss)/profit for the year retained after taxation and dividends</b>	<b>(365)</b>	<b>31,439</b>

## Reconciliation of Movements in Shareholders' Funds

Year ended 31 January 2000

	2000 £000	1999 £000
Profit for the financial year	139	32,566
Dividends	(1,123)	(1,140)
(Deficit)/retained profit for the year	(984)	31,426
Currency translation differences	(336)	3
Redemption of "B" shares	–	(40,885)
New share capital subscribed	–	77
Goodwill transferred to profit and loss account	975	4,769
Net reduction to shareholders' funds	(345)	(4,610)
Opening shareholders' funds	42,787	47,397
<b>Closing shareholders' funds</b>	<b>42,442</b>	<b>42,787</b>

# Notes to the Accounts

## 1 ACCOUNTING POLICIES

### Accounting Convention

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

### Basis of Consolidation

The group accounts consolidate the financial statements of the parent and its subsidiary undertakings for the year ended 31 January 2000. Sales, purchases and profits arising on trading between group undertakings are excluded.

No profit and loss account is presented for Walker Greenbank PLC as provided by Section 230 of the Companies Act 1985. £1,398,000 (1999: £51,159,000) of the profit attributable to shareholders has been dealt with in the accounts of the parent company.

### Associated Undertakings

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

### Goodwill

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

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

### Financial Instruments

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or, if hedged, at the forward contract rate. All differences are taken to the profit and loss account.

### Foreign Currency

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

### Employee Share Option Plan

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

The shares held in the consolidated balance sheet are recorded at the lower of cost or net realisable value.



#### Turnover

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

#### Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials, on a first-in, first-out basis, and direct labour, plus attributable production overheads based on a normal level of activity. Net realisable value is based on estimated selling prices less anticipated costs of disposal.

#### Pensions

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

#### Research and Development

Research and development expenditure is written off as incurred.

#### Fixed Assets

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

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

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

#### Leasing and Hire Purchase Commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the profit and loss account as incurred.

#### Deferred Taxation

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

## 2 SEGMENTAL ANALYSIS

(a) Classes of Business	Turnover	
	2000 £000	1999 £000
<b>Continuing operations:</b>		
Fabrics	21,090	22,266
Wallcoverings	27,012	28,191
Other	1,835	1,993
	<b>49,937</b>	<b>52,450</b>
<b>Discontinued operations:</b>		
Wallcoverings	-	21,910
<b>Group</b>	<b>49,937</b>	<b>74,360</b>

(b) Geographical Segments	Turnover		Operating profit/(loss)		Non-interest bearing operating net assets/(liabilities)	
	2000 £000	1999 £000	2000 £000	1999 £000	2000 £000	1999 £000
<b>By origin on continuing operations:</b>						
United Kingdom	34,772	36,252	1,833	(1,519)	29,214	26,723
Continental Europe	9,496	11,359	(533)	(476)	2,110	104
North America	5,669	4,839	419	(51)	1,184	1,101
	<b>49,937</b>	<b>52,450</b>	<b>1,719</b>	<b>(2,046)</b>	<b>32,508</b>	<b>27,928</b>
<b>By origin on discontinued operations:</b>						
United Kingdom	-	19,281	-	2,139	-	(209)
Continental Europe	-	2,629	-	73	-	63
	-	21,910	-	2,212	-	(146)
<b>Group</b>	<b>49,937</b>	<b>74,360</b>	<b>1,719</b>	<b>166</b>	<b>32,508</b>	<b>27,782</b>

<b>By destination on continuing operations:</b>		
United Kingdom	28,947	29,432
Continental Europe	12,809	15,021
North America	6,683	5,995
Rest of the World	1,498	2,002
	<b>49,937</b>	<b>52,450</b>
<b>By destination on discontinued operations:</b>		
United Kingdom	-	16,529
Continental Europe	-	3,308
North America	-	237
Rest of the World	-	1,836
	-	21,910
<b>Group</b>	<b>49,937</b>	<b>74,360</b>

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

### 3 ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	Continuing operations 2000 £000	Continuing operations 1999 £000	Discontinued operations 1999 £000	Total 1999 £000
<b>Turnover</b>	<b>49,937</b>	52,450	21,910	74,360
<b>Cost of sales</b>	<b>(23,073)</b>	(24,876)	(8,058)	(32,934)
<b>Gross profit</b>	<b>26,864</b>	27,574	13,852	41,426
<b>Net operating expenses</b>				
Distribution costs	(10,591)	(11,196)	(6,702)	(17,898)
Administrative expenses	(15,181)	(18,447)	(4,938)	(23,385)
Other operating income	627	23	-	23
<b>Group operating profit/(loss)</b>	<b>1,719</b>	(2,046)	2,212	166

Other operating income in the year includes an exceptional credit of £600,000 representing compensation for the problems caused by the company's new IT platform.

The continuing operations' operating loss in 1999 included £903,000 of non operating income representing management charges made to the discontinued businesses. It also included £2,719,000 of exceptional costs. These comprised: £1,399,000 as a result of a permanent diminution in the carrying value of the visualiser project; £500,000 incurred when Cole & Son and Warner Fabrics were brought under the management of Zoffany; £51,000 for the initial costs in rationalising the John Perry factory; £208,000 incurred as a result of the first steps in the re-organisation of the group's European subsidiaries; and a £561,000 provision made against the carrying value of stock previously under the management of the discontinued businesses, before it was transferred to the commercial fabrics business on 1 February 1998.

The discontinued operations' operating profit in 1999 included £100,000 of exceptional costs incurred in a legal dispute.

The tax effect of these exceptional costs in 1999 was to decrease the tax charge by £768,000.

### 4 PROFIT ON SALE OF PROPERTY IN CONTINUING OPERATIONS

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

### 5 FUNDAMENTAL RESTRUCTURING

During the year, a fundamental restructuring of the group's overseas distribution businesses trading as Whittaker & Woods was undertaken. This resulted in the decision to close the remaining parts of the group's operations in Holland, Germany and France and some restructuring in the USA.

The group continues to supply these territories but not under the Whittaker & Woods brand, and accordingly these operations have been classified as continuing. The exceptional costs relating to this closure comprise redundancy costs, write off of unrealisable net assets, professional fees and other related costs totalling £1,558,000. The profit and loss account also includes a charge of £975,000 in respect of goodwill previously written off directly to reserves.

The taxation effect of this restructuring was to reduce the tax charge by £204,000.

**6 PROFIT ON SALE OF DISCONTINUED OPERATIONS**

In 1999, the trade and certain of the assets and liabilities of the group's commercial wallcoverings businesses, trading as Muraspec and Brynmor, were sold. After accounting for related costs and goodwill the exceptional profit on disposal was £32,896,000.

The taxation effect of this disposal was to decrease the taxation charge in 1999 by £293,000.

**7 AMOUNTS WRITTEN OFF INVESTMENTS**

As a result of the sale of the Muraspec and Brynmor businesses in 1999, a considerable number of option holders have left the group and their options begun to lapse. Following these option lapses the directors believe there is likely to be a shortfall between the cost of the shares held by the ESOP and anticipated future proceeds. The directors have decided to recognise this anticipated shortfall and have written off an amount of £450,000 (1999: £317,000) against the investment in own shares.

**8 OPERATING PROFIT**

	2000 £000	1999 £000
<b>Operating profit is stated after charging:</b>		
Auditors' remuneration:		
Audit fees – group auditors	98	93
– other auditors	24	21
Other services – group auditors	17	156
Depreciation of owned assets	1,900	3,557
Depreciation of assets held under finance leases and hire purchase contracts	30	35
Hire of motor vehicles and plant and machinery	483	845
Other operating leases	549	964

Auditors' remuneration for audit services to the group includes £30,000 (1999: £30,000) in respect of the company.

**9 EMOLUMENTS OF DIRECTORS**

The emoluments of the directors who held office during the year are shown in the Report on Directors' Remuneration on pages 33 and 34.

**10 EMPLOYEE INFORMATION, EXCLUDING DIRECTORS**

	2000 £000	1999 £000
Wages and salaries	11,618	18,236
Social security costs	1,107	1,918
Other pension costs	671	1,155
	13,396	21,309

**The average weekly number of employees during the year:**

	Number	Number
Sales, warehousing and administration	404	600
Manufacturing	164	239
	568	839

# 11 NET INTEREST RECEIVABLE/(PAYABLE)

	2000 £000	1999 £000
<b>Interest receivable:</b>		
Bank and other short term deposit interest receivable	1,020	986
<b>Interest payable:</b>		
Bank and other short term interest on loans and overdrafts wholly repayable within 5 years	(275)	(577)
Finance charges payable under finance leases and hire purchase contracts	(66)	–
	(341)	(577)
Associated undertaking	(9)	(13)
<b>Net interest receivable</b>	<b>670</b>	<b>396</b>

# 12 TAXATION

	2000 £000	1999 £000
Corporation tax at 30% (31%)	–	1,287
Deferred taxation (note 25)	55	(874)
Overseas taxation	152	231
	207	644
Adjustments with respect to prior years	40	(88)
	247	556

# 13 EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share are based on the profit on ordinary activities after taxation and non-equity dividends, amounting to £139,000 (1999: £32,499,000) and the weighted average of 56,457,016 (1999: 88,033,303) ordinary shares in issue during the year.

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

The underlying earnings per share can be reconciled to the basic earnings per share as follows:

	2000 Pence per share	2000 £000	1999 Pence per share	1999 £000
Profit attributable to ordinary shareholders	0.25	139	36.92	32,499
Discontinued operations profit after taxation	–	–	(1.81)	(1,595)
Profit on sale of discontinued operations after taxation	–	–	(37.37)	(32,896)
Profit on sale of property after taxation	(1.84)	(1,036)	–	–
Fundamental restructuring cost after taxation	4.12	2,329	–	–
Exceptional operating items after taxation	–	–	3.20	2,819
Amounts written off investments	0.80	450	0.36	317
	3.33	1,882	1.30	1,144

Notes to the Accounts continue

14 GOODWILL

	£000
<b>Cost</b>	
At 1 February 1999	–
Transferred from associated undertaking (note 17)	220
Currency movements	(10)
At 31 January 2000	210
<b>Amortisation</b>	
At 1 February 1999	–
Amortisation for the period	44
Currency movements	(3)
At 31 January 2000	41
<b>Net book amount at 31 January 2000</b>	<b>169</b>
Net book amount at 1 February 1999	–

Goodwill transferred from the associate continues to be recognised due to the value of the ongoing business continued by the group.

# 15 FIXED ASSETS

	Land and buildings £000	Plant, equipment and vehicles £000	Computer assets £000	Total £000
<b>Group</b>				
<b>Cost or valuation:</b>				
1 February 1999	8,253	12,837	3,310	24,400
Additions	2,816	1,535	1,908	6,259
Disposals	(1,046)	(2,687)	(95)	(3,828)
Currency movements	18	70	(10)	78
<b>31 January 2000</b>	<b>10,041</b>	<b>11,755</b>	<b>5,113</b>	<b>26,909</b>
<b>Depreciation:</b>				
1 February 1999	2,140	8,743	1,444	12,327
Charge	358	1,218	354	1,930
Disposals	(189)	(2,540)	(92)	(2,821)
Currency movements	12	85	(5)	92
<b>31 January 2000</b>	<b>2,321</b>	<b>7,506</b>	<b>1,701</b>	<b>11,528</b>
<b>Net book amount:</b>				
<b>31 January 2000</b>	<b>7,720</b>	<b>4,249</b>	<b>3,412</b>	<b>15,381</b>
1 February 1999	6,113	4,094	1,866	12,073
<b>Analysis of cost and valuation:</b>				
At cost	9,515	11,755	5,113	26,383
At valuation 1993	526	-	-	526
	<b>10,041</b>	<b>11,755</b>	<b>5,113</b>	<b>26,909</b>
Land and buildings were valued on 31 January 1993 at open market value on the basis of existing use.				£000
<b>The net book amount of land and buildings comprises:</b>				
Freehold land				1,219
Freehold buildings				6,342
Short leaseholds				159
<b>Net book amount at 31 January 2000</b>				<b>7,720</b>
				Group and Company £000
<b>If shown on a historical cost basis, land and buildings would be stated at:</b>				
Cost				9,788
Depreciation				(2,294)
<b>Net book amount at 31 January 2000</b>				<b>7,494</b>

Notes to the Accounts continued

15 FIXED ASSETS continued

	Land and buildings £000	Plant, equipment and vehicles £000	Computer assets £000	Total £000
<b>Company</b>				
<b>Cost or valuation:</b>				
1 February 1999	6,845	224	362	7,431
Additions	2,236	26	41	2,303
Disposals	(1,260)	(63)	–	(1,323)
<b>31 January 2000</b>	<b>7,821</b>	<b>187</b>	<b>403</b>	<b>8,411</b>
<b>Depreciation:</b>				
1 February 1999	899	161	258	1,318
Charge	101	12	73	186
Disposals	(189)	(26)	–	(215)
<b>31 January 2000</b>	<b>811</b>	<b>147</b>	<b>331</b>	<b>1,289</b>
<b>Net book amount:</b>				
<b>31 January 2000</b>	<b>7,010</b>	<b>40</b>	<b>72</b>	<b>7,122</b>
1 February 1999	5,946	63	104	6,113

Included in the amounts for group computer assets above are the following amounts relating to leased assets:

	Group finance leases £000	Company finance leases £000
<b>Net book amount:</b>		
<b>31 January 2000</b>	<b>1,175</b>	<b>–</b>
<b>31 January 1999</b>	<b>1,205</b>	<b>–</b>



## 16 WALKER GREENBANK PLC SHARES

	Group Cost £000	Group Nominal value £000	Company Cost £000	Company Nominal value £000
<b>Shares held:</b>				
2,549,146 ordinary shares of 1p each at beginning and end of the year in Walker Greenbank PLC				
1 February 1999	2,023	25	2,023	25
Provision (note 7)	(450)	—	(450)	—
<b>31 January 2000</b>	<b>1,573</b>	<b>25</b>	<b>1,573</b>	<b>25</b>

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

The expenses borne by Walker Greenbank PLC in relation to the Trust amounted to £15,000 (1999: £15,000) in the year.

At 31 January 2000, the Trust held 2,549,146 ordinary shares of 1p each in Walker Greenbank PLC, representing 4.3% of the total called up share capital, with a market value on that date of £1,006,000. Of these, 2,478,200 shares were held under options to employees, of which 1,041,700 will lapse prior to 31 January 2001.

## 17 INVESTMENTS

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
<b>Associated undertaking:</b>				
At 1 February	169	—	—	—
Acquisitions	—	201	—	—
Amount transferred to goodwill (note 14)	(220)	—	—	—
	(51)	201	—	—
Share of loss for period	(19)	(32)	—	—
Exchange difference	(2)	—	—	—
Share of net liabilities	(72)	169	—	—
Net liabilities written back to profit and loss account on liquidation	72	—	—	—
<b>At 31 January</b>	<b>—</b>	<b>169</b>	<b>—</b>	<b>—</b>
<b>Shares in subsidiary undertakings:</b>				
At 1 February	—	—	17,571	17,571
Provision for permanent diminution	—	—	(608)	—
<b>At 31 January</b>	<b>—</b>	<b>—</b>	<b>16,963</b>	<b>17,571</b>

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

17 INVESTMENTS continued

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

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

\*shares held by subsidiary company.

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

18 STOCKS

	Group 2000 £000	Group 1999 £000
Raw materials	1,202	937
Work in progress	2,053	1,785
Finished goods	9,350	9,490
	<b>12,605</b>	<b>12,212</b>

19 DEBTORS

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Trade debtors	10,409	10,361	195	169
Amounts owed by subsidiary undertakings	–	–	22,702	41,261
Other debtors	1,928	1,501	1,147	926
Prepayments	2,014	931	1,161	33
	<b>14,351</b>	<b>12,793</b>	<b>25,205</b>	<b>42,389</b>

Amounts owed by subsidiary undertakings to the company include long term loans recoverable after more than one year of £2,825,000 (1999: £3,466,000).

## 20 CREDITORS: DUE WITHIN ONE YEAR

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Current instalments due on loans	28	1,497	–	1,469
Bank overdrafts	–	315	–	–
Obligations under finance leases and hire purchase contracts	229	214	–	–
Trade Creditors	7,125	6,394	740	789
Amounts owed to subsidiary undertakings	–	–	7,679	29,437
Corporation tax	595	1,013	171	531
Other taxes and social security	303	311	12	–
Proposed dividends	1,180	1,180	1,180	1,180
Other creditors	806	1,094	65	390
Accruals	2,606	2,191	743	80
	<b>12,872</b>	<b>14,209</b>	<b>10,590</b>	<b>33,876</b>

The overdrafts of the company and certain subsidiary undertakings are covered by cross guarantees given by the company and those subsidiary undertakings. As at 31 January 2000 an amount of £3,101,000 (1999: £1,148,000) was guaranteed by the company.

## 21 DIVIDENDS

	2000 £000	1999 £000
<b>Equity:</b>		
Proposed	1,180	1,180
	<b>1,180</b>	<b>1,180</b>
Dividend income – Employee Share Option Plan	(57)	(107)
	<b>1,123</b>	<b>1,073</b>
<b>Non-equity:</b>		
“B” shares – paid	–	35
Preference – paid	–	32
	<b>–</b>	<b>67</b>
<b>Total dividends</b>	<b>1,123</b>	<b>1,140</b>

The directors propose a final dividend in respect of the year ended 31 January 2000 of 2.00p (1999: 2.00p) per ordinary share payable on 7 July 2000 to shareholders registered at the close of business on 12 June 2000. This makes a total dividend for the year of 2.00p (1999: 2.00p) per ordinary share.

Notes to the Accounts continue

**22 CREDITORS: DUE AFTER MORE THAN ONE YEAR**

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Loans (note 24)	59	86	–	–
Obligations under finance leases and hire purchase contracts	707	936	–	–
Overseas tax	33	131	–	–
	<b>799</b>	<b>1,153</b>	<b>–</b>	<b>–</b>

**23 OPERATING LEASE COMMITMENTS**

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

	Group Land & buildings £000	Group Other £000	Company Land & buildings £000	Company Other £000
<b>Operating leases which expire:</b>				
Within one year	41	66	–	25
Between one and five years	180	195	–	3
Over five years	283	–	86	–
	<b>504</b>	<b>261</b>	<b>86</b>	<b>28</b>

## 24 FINANCIAL INSTRUMENTS

A discussion of treasury policy is given in the Financial Review on pages 13 and 14. Short term debtors and creditors have been excluded from all the following disclosures, other than currency risk disclosures.

### Financial Assets

The financial assets of the group comprise cash at bank and cash held on time deposits. The money invested on time deposits is split between a number of banks and building societies, selected on an AA+ rating or higher and held for periods not exceeding six months.

### Borrowings

	Group 2000 £000	Group 1999 £000
<b>Finance leases</b>	<b>936</b>	<b>1,150</b>
<b>Loans:</b>		
<b>Secured</b>		
US dollar bank loan repayable by instalments, bearing interest at 84.2% of prime rate of USA lender	87	114
<b>Unsecured</b>		
- US dollar bank loan repaid October 1999, bearing interest at 7.0% per annum	-	762
- US dollar bank loan repaid November 1999, bearing interest at 0.7% over LIBOR	-	457
- Sterling bank loan repaid June 1999, bearing interest at 9.3125% per annum	-	250
<b>Total loans</b>	<b>87</b>	<b>1,583</b>
<b>Total borrowings</b>	<b>1,023</b>	<b>2,733</b>
<b>Repayment of total borrowings</b>		
Between two and five years:		
Finance leases	463	707
Loans	32	59
Between one and two years:		
Finance leases	244	229
Loans	27	27
After more than one year:		
Finance leases	707	936
Loans	59	86
Within one year:		
Finance leases	229	214
Loans	28	1,497
<b>Total borrowings</b>	<b>1,023</b>	<b>2,733</b>

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

## 24 FINANCIAL INSTRUMENTS continued

## Interest rate and currency profile of financial net assets

Currency	Floating rate assets 2000 £000	Floating rate assets 1999 £000
Sterling	10,821	17,803
US Dollar	292	274
Euro	483	17
Norwegian Kroner	1,130	1,046
Other	92	-
	12,818	19,140

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

## Interest rate and currency profile of financial liabilities

## At 31 January 2000

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

## At 31 January 1999

Currency	Total £000	Floating rate borrowings £000	Fixed rate borrowings £000	Non interest bearing borrowings £000	Fixed rate borrowings Weighted average interest rate %	Fixed rate borrowings Weighted average time for which rate is fixed Years
Sterling	2,403	-	1,400	1,003	7.17	2.22
US Dollar	1,564	802	762	-	7.00	0.75
Euro	84	84	-	-	-	-
	4,051	886	2,162	1,003	7.11	1.70

The floating rate US dollar borrowings comprise the secured and unsecured US dollar bank loans and an overdraft subject to interest based on the prime rate.

The non interest bearing borrowings were deferred shares which were cancelled during the year (note 26).

## 24 FINANCIAL INSTRUMENTS continued

**Net foreign monetary assets/(liabilities)**

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

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

At 31 January 1999	Sterling £000	US Dollar £000	Euro £000	Norwegian Kroner £000	Other £000	Total £000
Functional currency of entity:						
Sterling	-	119	89	57	290	555
US Dollar	(267)	-	-	-	43	(224)
Euro	(1,971)	-	-	-	-	(1,971)
Norwegian Kroner	(19)	(11)	(115)	-	2	(143)
	(2,257)	108	(26)	57	335	(1,783)

**Borrowing facilities**

The group's undrawn committed borrowing facilities available at 31 January 2000 in respect of which all conditions precedent had been met comprised \$1,000,000 in the USA and £3,000,000 in the UK. These facilities are renewable on 30 June 2000 and 31 May 2000 respectively.

**Gains and losses on hedges**

There were no significant unrecognised or deferred gains and losses on hedges at 31 January 2000 or 31 January 1999.

**Fair value of assets and liabilities**

The fair value of financial assets and liabilities at 31 January 2000 and 31 January 1999 is not materially different from the carrying amount.

## 25 PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Deferred taxation	347	261	267	177
Provision for fundamental restructuring	437	—	—	—
	784	261	267	177

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
<b>Deferred taxation:</b>				
Deferred taxation provided in the accounts is as follows:				
Capital allowances in excess of depreciation	637	334	86	46
Other timing differences	(290)	(73)	181	131
Total deferred taxation provided	347	261	267	177

	Group £000	Company £000
<b>Deferred taxation movement for the year:</b>		
1 February 1999	261	177
Current year charge	55	60
Adjustment in respect of prior years	31	30
<b>31 January 2000</b>	<b>347</b>	<b>267</b>

The group and company have no unprovided deferred tax liabilities (1999: £nil).

	Group 2000 £000	Company 2000 £000
<b>Provision for fundamental restructuring:</b>		
1 February 1999	—	—
Current year charge	437	—
<b>31 January 2000</b>	<b>437</b>	<b>—</b>

The provision for fundamental restructuring relates to the restructuring of the overseas sales operations and contains a provision of £57,000 in relation to the cost of a lease termination, £280,000 for redundancies notified prior to the end of the year and £100,000 in respect of future estimated net operating losses up to the date of closure.



## 26 SHARE CAPITAL

	Number of shares	£
<b>Ordinary shares of 1p each:</b>		
Authorised share capital:		
1 February 1999 – ordinary shares of 1p each	85,261,802	852,618
Reduction	(261,802)	(2,618)
<b>31 January 2000 – ordinary shares of 1p each</b>	<b>85,000,000</b>	<b>850,000</b>

**Allotted, called up and fully paid:**

1 February 1999 and 31 January 2000	59,006,162	590,062
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	Number of shares	£
<b>Deferred shares of 0.1p each</b>		
<b>Authorised: 31 January 2000</b>	<b>1,003,312,400</b>	<b>1,003,312</b>
<b>Allotted, called up and fully paid:</b>		
1 February 1999	1,003,312,400	1,003,312
Repurchased during the year	(1,003,312,400)	(1,003,312)
<b>31 January 2000</b>	<b>-</b>	<b>-</b>

On 26 May 1999, 1,003,312,400 deferred shares of 0.1 pence each were repurchased by the company for a total consideration of 1 pence and cancelled. The holders of the deferred shares were not entitled to any dividend or other right to participate in the profits of the company and were not entitled to receive notice of or to vote at any general meeting of the company.

## 27 RESERVES

	Share premium account £000	Profit and loss account £000	Revaluation reserve £000	Other reserves Capital reserve £000	Merger reserve £000	Total £000
Group						
1 February 1999	457	388	845	42,454	(2,950)	40,349
Disposal of properties	-	606	(606)	-	-	(606)
Write back of goodwill previously written off to reserves	-	975	-	-	-	-
Transfer of additional depreciation on revalued assets	-	13	(13)	-	-	(13)
Cancellation of deferred shares	-	-	-	1,003	-	1,003
Retained loss for year	-	(984)	-	-	-	-
Currency translation movements	-	(336)	-	-	-	-
<b>31 January 2000</b>	<b>457</b>	<b>662</b>	<b>226</b>	<b>43,457</b>	<b>(2,950)</b>	<b>40,733</b>

	Share premium account £000	Profit and loss account £000	Revaluation reserve £000	Other reserves Capital reserve £000	Merger reserve £000	Total £000
Company						
1 February 1999	457	9,619	-	40,885	-	40,885
Cancellation of deferred shares	-	-	-	1,003	-	1,003
Retained earnings for year	-	275	-	-	-	-
<b>31 January 2000</b>	<b>457</b>	<b>9,894</b>	<b>-</b>	<b>41,888</b>	<b>-</b>	<b>41,888</b>

## Capital reserve represents:

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

## Revaluation reserve represents:

Tangible fixed assets – land and buildings	<b>226</b>
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The cumulative amount of goodwill which has been written off to the profit and loss account reserve in respect of existing group companies is £6,729,000 (1999: £7,704,000).

## 28 SHAREHOLDERS' FUNDS

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
<b>Equity:</b>				
Ordinary share capital	590	590	590	590
Share premium	457	457	457	457
Profit and loss account	662	388	9,894	9,619
Other reserves	40,733	40,349	41,888	40,885
	<b>42,442</b>	<b>41,784</b>	<b>52,829</b>	<b>51,551</b>
<b>Non-equity:</b>				
Deferred share capital	–	1,003	–	1,003
<b>Total shareholders' funds</b>	<b>42,442</b>	<b>42,787</b>	<b>52,829</b>	<b>52,554</b>

## 29 CAPITAL EXPENDITURE

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
<b>Authorised and contracted</b>	<b>2,365</b>	<b>44</b>	<b>–</b>	<b>–</b>

## 30 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £000	2000 £000	1999 £000	1999 £000
Operating profit		<b>1,663</b>		166
Depreciation	<b>1,974</b>		3,592	
Loss on disposal of fixed assets	<b>65</b>		202	
(Increase)/decrease in stocks	<b>(803)</b>		913	
Increase in debtors	<b>(883)</b>		(598)	
Decrease in creditors	<b>(499)</b>		(430)	
		<b>(146)</b>		3,679
<b>Net cash flow from operating activities</b>		<b>1,517</b>		<b>3,845</b>

In 1999, the discontinued operations generated £2,585,000 of cash flow from operating activities. The only other section of the cash flow affected in 1999, apart from the proceeds on disposal, was capital expenditure which included £872,000 for the discontinued operations.

## 31 ANALYSIS OF NET FUNDS

	1 February 1999 £000	Cash flow £000	Exchange movement £000	31 January 2000 £000
Cash at bank and in hand	19,140	(6,239)	(83)	12,818
Overdrafts	(315)	312	3	-
	18,825	(5,927)	(80)	12,818
Debt due within 1 year	(1,497)	1,469	-	(28)
Debt due after 1 year	(86)	26	1	(59)
Finance leases	(1,150)	214	-	(936)
	(2,733)	1,709	1	(1,023)
Current asset investments	343	(343)	-	-
	16,435	(4,561)	(79)	11,795

## 32 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2000 £000	1999 £000
(Decrease)/increase in cash in the period	(5,927)	19,332
Decrease/(increase) in debt and lease financing	1,709	(335)
(Decrease)/increase in liquid resources	(343)	(19)
Cash (outflow)/generated from cash flows	(4,561)	18,978
Exchange movement	(79)	(23)
Cash (outflow)/generated in period	(4,640)	18,955
Net funds/(debt) at 1 February	16,435	(2,520)
<b>Net funds at 31 January</b>	<b>11,795</b>	<b>16,435</b>

## 33 PENSIONS

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

The pension costs relating to the UK defined benefit schemes are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. These schemes are subjected to triennial actuarial reviews with the most recent ones having been at 6 April 1998 for the major scheme and 6 April 1998 for the Abaris Holdings Limited Pension Scheme. The John O Borge a.s. scheme was valued in accordance with The Norwegian Financial Accounting Standard for Pension Benefits at 31 December 1999.

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

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

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

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

### 33 PENSIONS continued

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

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

The effect of the employer's contribution rates for the two UK schemes is to take account of the surpluses disclosed by the valuations over the average remaining service lives of the current employees who are in the schemes. The current rate of contribution also takes into account the consequences of the Muraspec and Brymor employees opting to transfer out of the scheme.

The aggregate market value of the assets of the John O Borge a.s. scheme at 31 December 1999 was £468,000 with a surplus of £152,000.

The total pension cost for the group was £749,000 (1999: £1,250,000) of which £530,000 (1999: £1,086,000) related to the major defined benefit scheme.

### 34 POST BALANCE SHEET EVENTS

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

An initial consideration of £9 million was paid and will be adjusted on a pound for pound basis once the aggregate value of the net assets of the businesses has been determined.

At 31 January 2000, an estimate of £1 million of professional fees and other related costs of the acquisition was held in prepayments, of which £302,000 had been paid.

Subsequent to the year end the group has also continued to invest in its IT platform. As part of this process the group has taken steps to minimise some of the IT risks by acquiring full rights over our key internal software systems in order that the group can develop its e-commerce capabilities.

## Five Year Record

	1996 £000	1997 £000	1998 £000	1999 £000	2000 £000
<b>Continuing Operations</b>					
Turnover	53,355	57,555	54,621	52,450	<b>49,937</b>
Overseas turnover	24,767	25,883	23,818	23,018	<b>20,990</b>
Operating profit/(loss)	1,368	1,469	3,691	(2,065)	<b>1,663</b>
EBITDA	2,434	2,635	5,561	836	<b>3,637</b>
Profit/(loss) before taxation	2,541	1,602	3,055	(2,382)	<b>386</b>
Capital expenditure	2,411	4,068	2,546	2,853	<b>6,283</b>
Earnings per share (underlying)	1.60	1.52	2.75	1.30	<b>3.33</b>
Average number of employees	637	692	683	608	<b>568</b>
Turnover per employee	£84,000	£83,000	£80,000	£86,000	<b>£88,000</b>
	1996 £000	1997 £000	1998 £000	1999 £000	2000 £000
<b>Total Group</b>					
Dividends	4,427	4,520	4,500	1,247	<b>1,180</b>
Shareholders' funds	44,363	44,869	47,397	42,787	<b>42,442</b>
Dividend per share	3.7p	3.7p	3.7p	2.0p	<b>2.0p</b>

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

### FINANCIAL CALENDAR

Annual General Meeting 5 June 2000

Record date 12 June 2000

Final dividend payable 7 July 2000

Announcement of half-year results September 2000