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to Walker Greenbank PLC



# Chairman's Statement

I am pleased to present our results for the half-year ended 31 July 1998. This has been a period of rapid change for the Group.

## STRATEGIC DISPOSAL AND RE-ORGANISATION OF CAPITAL

On 13 August 1998, after we had received shareholder approval, we completed the sale of the commercial wallcoverings businesses to GenCorp. As this was after the end of the half-year, the significant net profit of £32.9m on the disposal cannot be included in these results.

In order to demonstrate the impact of this dramatic change and to make the effect of the subsequent 'B' share scheme more intelligible, we have shown an additional column in the balance sheet reflecting both these transactions. More details will be given in the full year's accounts, when the elimination of the preference shares from the balance sheet following the successful EGM on 23 September 1998 will also be shown.

## BOARD CHANGES

Following the disposal of the commercial wallcoverings businesses, we addressed the composition of the Board. As a consequence, Mr Charles Wightman and Mr Peter Mostyn ceased to hold their respective responsibilities. The departure of these directors triggered compensation payments strictly in accordance with their service contracts.

I should like to record our thanks to Roger Smurthwaite, who has retired from the Group following the sale of the businesses he supervised. Roger has spent his life in the business and has been a fine ambassador of the Group over the years. His work has enabled shareholders to reap the benefits of the excellent price achieved on the disposal of the commercial wallcoverings businesses.

Mr Aidan Connolly, the Group Finance Director, has been appointed Chief Executive with effect from 13 July 1998. Since that date we have also appointed Mr Philip Billington, Managing Director of our Anstey manufacturing operation, and Mr Philip Cadle, Managing Director of Zoffany, to the Board as executive directors.

## CORPORATE GOVERNANCE

As a result of the Board changes, we have taken the opportunity to bring our executives' contracts more into line with best practice. Henceforth all executive Board appointments will carry contracts of one year duration. We plan to introduce a remuneration structure for our executive directors whereby they will be rewarded for consistent and sustainable performance.

Mr Connolly's contract had similar terms to those of the outgoing directors. He has agreed to move to a one year contract, with significantly lower pension rights. Also, he has agreed to waive most of his bonus entitlement for the current year. This has saved the company in excess of £0.3m.

The smaller size of the group has resulted in the non-executive directors deciding to reduce their remuneration to a level more appropriate to their present responsibilities.

## RESULTS & BUSINESS REVIEW

As a result of the substantial changes to the composition of the Group, comparisons with earlier periods are difficult. However, the deterioration of operating profits before exceptional items by £1.6m compared to 1997 requires explanation.

The sales of our overseas operations have been reduced when translated at the period's high levels of sterling. The strength of sterling has led to a fall in margins of £0.6m. In these accounts, provisions of £0.7m have been made to reflect reduced asset values

and redundancies. Overheads increased by £0.3m, and this problem is being firmly tackled in the second half. The new management team is conducting a thorough review of all the ongoing operations and there may be additional provisions to be included in the full year's results.

The trading performance of the ongoing businesses has been mixed. Excellent results from our US operation and solid performances from Anstey and Zoffany, in the UK, and Borge, in Norway, have been overshadowed by severe problems at Harlequin and its European distribution businesses in Germany, France and Holland. We are undertaking a comprehensive review of the effectiveness of the business processes within Harlequin and as part of this, several divisional directors have already left.

Exceptional operating losses of £2.3m include the write-off of £1.35m of costs associated with the visualiser project in Harlequin. The restructuring of the contract fabrics business has revealed excess stocks previously managed by Muraspec, which is no longer part of the Group, and we have written down these stocks by £0.56m. The re-organisation of the Cole & Son and Warner Fabrics businesses under the management of Zoffany is nearly complete and non-recurring costs of £0.4m have resulted. We expect the benefits of these moves to come through towards the end of the year.

As announced in our circular to shareholders dated 17 July 1998, we will not be paying an interim dividend this year.

#### OUTLOOK

The turbulent world economic conditions overshadow all our efforts in the marketplace. In the UK, smaller companies continue to suffer disproportionately as investors move away from the sector into larger companies; or from equities completely into bonds and cash. The successful

moves taken to return value to our shareholders have reduced the market capitalisation of the Group to a level where it is difficult to attract new institutional support, despite the strength of our balance sheet. Your Board does not intend to stand back and let the value of the Group languish merely as a result of its relatively small size. We are actively researching other ways to maximise the return to shareholders by examining all the possibilities available to us in the marketplace.

We anticipate a recovery in our ongoing profits in the second half as the measures that the new management team has introduced take effect. We are encouraged to see that sterling has fallen from its recent highs. It relieves pressure on us as we rely on exports for a large proportion of our sales. This reduction in sterling's strength has not yet had time to feed through to sales and they continue to run behind last year's levels.

From a difficult position, Walker Greenbank is well placed to face recessionary conditions – we have strong brands, a fresh management team and an ungeared balance sheet. We are poised to take full advantage of sector weakness to provide us with the tools to outgrow the market. We are confident of our ability to add value and will act to achieve all possible advantages for our shareholders.



David Richards  
Chairman

19 October 1998

# Unaudited Consolidated Profit and Loss Account

For the six months ended 31 July 1998

|  | 6 months to<br>31 July 1998<br>before<br>exceptional<br>operating items<br>note | Exceptional<br>operating<br>items<br>(see note 2)<br>£000 | 6 months to<br>31 July 1998<br>£000 | 6 months to<br>31 July 1997<br>as restated<br>£000 | Year to<br>31 Jan 1998<br>£000 |
|--|---|---|-------------------------------------|--|--------------------------------|
| <b>TURNOVER</b>                                      |   |   |                                     |  |                                |
| Continuing operations                                | 26,532  | -   | 26,532                              | 27,578   | 54,621                         |
| Discontinued operations                              | 20,464  | -   | 20,464                              | 21,256   | 41,572                         |
| 1  | 46,996  | -   | 46,996                              | 48,834   | 96,193                         |
| <b>OPERATING PROFIT</b>                              |   |   |                                     |  |                                |
| Continuing operations                                | 362   | (2,309)   | (1,947)                             | 1,938  | 3,691                          |
| Discontinued operations                              | 2,901   | -   | 2,901                               | 2,815  | 6,467                          |
|  | 3,263   | (2,309)   | 954                                 | 4,753  | 10,158                         |
| Loss on sale of discontinued operations              | -   | -   | -                                   | -  | (1,681)                        |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b> |   |   |                                     |  |                                |
|  | 3,263   | (2,309)   | 954                                 | 4,753  | 8,477                          |
| Net interest payable                                 | (200)   | -   | (200)                               | (268)  | (516)                          |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |   |   |                                     |  |                                |
|  | 3,063   | (2,309)   | 754                                 | 4,485  | 7,961                          |
| Taxation on profit on ordinary activities            | 3   | (982)   | (267)                               | (1,488)  | (1,854)                        |
| <b>PROFIT AFTER TAXATION</b>                         | 2,081   | (1,594)   | 487                                 | 2,997  | 6,107                          |
| Dividends - Equity                                   | -   | -   | -                                   | (1,553)  | (4,430)                        |
| - Non-equity   | (32)  | -   | (32)                                | (38)   | (70)                           |
| <b>RETAINED PROFIT FOR THE PERIOD</b>                | 2,049   | (1,594)   | 455                                 | 1,406  | 1,607                          |
| <b>EARNINGS PER SHARE</b>                            |   |   |                                     |  |                                |
| 5  |   |   | 0.38p                               | 2.48p  | 5.05p                          |
| <b>DIVIDEND PER ORDINARY SHARE</b>                   |   |   |                                     |  |                                |
| 4  |   |   | -                                   | 1.30p  | 3.70p                          |

THE PROFIT FOR THE PERIOD ENDED 31 JULY 1998 EXCLUDES AN EXCEPTIONAL NET PROFIT ON DISPOSAL OF THE DISCONTINUED COMMERCIAL WALLCOVERINGS BUSINESSES OF £32.9 MILLION (SEE NOTE 6).

# Unaudited Consolidated Balance Sheet

As at 31 July 1998

|  | As at<br>31 July 1998 | As at<br>31 July 1997<br><i>as restated</i> | As at<br>31 Jan 1998 | Pro-forma<br>balance<br>sheet as at<br>31 July 1998<br>(see note 8) |
|--|-----------------------|---|----------------------|---|
| note   | £000                  | £000  | £000                 | £000  |
| <b>FIXED ASSETS</b>  |                       |   |                      |   |
| Tangible assets  | 25,655                | 25,370                                      | 26,151               | 11,208  |
| Walker Greenbank PLC shares                                | 3,070                 | 3,070                                       | 3,070                | 3,070   |
|  | <u>28,725</u>         | <u>28,440</u>                               | <u>29,221</u>        | <u>14,278</u>   |
| <b>CURRENT ASSETS</b>                                      |                       |   |                      |   |
| Stocks   | 19,889                | 20,960                                      | 19,770               | 12,862  |
| Debtors  | 26,611                | 22,442                                      | 20,863               | 12,524  |
| Cash at bank and in hand                                   | 2,610                 | 1,762                                       | 3,573                | 30,702  |
|  | <u>49,110</u>         | <u>45,164</u>                               | <u>44,206</u>        | <u>56,088</u>   |
| CREDITORS: amounts falling due<br>within one year          | (28,162)              | (25,056)                                    | (23,822)             | (24,633)  |
| NET CURRENT ASSETS   | <u>20,948</u>         | <u>20,108</u>                               | <u>20,384</u>        | <u>31,455</u>   |
| TOTAL ASSETS LESS CURRENT LIABILITIES                      | <u>49,673</u>         | <u>48,548</u>                               | <u>49,605</u>        | <u>45,733</u>   |
| CREDITORS: amounts falling due<br>after more than one year | (1,446)               | (2,213)                                     | (1,711)              | (1,446)   |
| PROVISIONS FOR LIABILITIES AND CHARGES                     | (357)                 | (481)                                       | (497)                | (357)   |
|  | <u>47,870</u>         | <u>45,854</u>                               | <u>47,397</u>        | <u>43,930</u>   |
| <b>CAPITAL AND RESERVES</b>                                |                       |   |                      |   |
| (INCLUDING NON-EQUITY INTERESTS)                           |                       |   |                      |   |
| Share capital  | 18,207                | 18,207                                      | 18,207               | 799   |
| Share premium account                                      | 24,652                | 24,652                                      | 24,652               | 152   |
| Capital redemption reserve                                 | -                     | -   | -                    | 41,908  |
| Reserves   | 5,011                 | 2,995                                       | 4,538                | 1,071   |
| 7  | <u>47,870</u>         | <u>45,854</u>                               | <u>47,397</u>        | <u>43,930</u>   |

  
**A.J. CONNOLLY - CHIEF EXECUTIVE**

# Unaudited Group Cash Flow Statement

For the six months ended 31 July 1998

|   | 6 months to<br>31 July 1998 | 6 months to<br>31 July 1997<br><i>as restated</i> | Year to<br>31 Jan 1998 |
|---|-----------------------------|---|------------------------|
|   | £000                        | £000  | £000                   |
| <b>NET CASH INFLOW FROM</b>                                 |                             |   |                        |
| <b>OPERATING ACTIVITIES</b> (see note 6)                    | <b>784</b>                  | <b>4,202</b>                                      | <b>13,794</b>          |
| <b>RETURNS ON INVESTMENT AND</b>                            |                             |   |                        |
| <b>SERVICING OF FINANCE</b>                                 |                             |   |                        |
| Net interest paid   | (120)                       | (268)   | (511)                  |
| Interest element of finance lease payments                  | -                           | -   | (3)                    |
| Dividends paid on non-equity shares                         | (64)                        | (76)  | (76)                   |
|   | <b>(184)</b>                | <b>(344)</b>                                      | <b>(590)</b>           |
| <b>TAXATION</b>   | <b>(99)</b>                 | <b>(341)</b>                                      | <b>(2,639)</b>         |
| <b>CAPITAL EXPENDITURE AND</b>                              |                             |   |                        |
| <b>FINANCIAL INVESTMENT</b>                                 |                             |   |                        |
| Purchase of tangible fixed assets                           | (2,547)                     | (2,003)   | (4,345)                |
| Purchase of investments                                     | -                           | (1,000)   | (1,000)                |
| Proceeds from disposal of properties                        | -                           | 485   | 485                    |
| Proceeds from disposal of<br>tangible fixed assets          | 52                          | 487   | 507                    |
|   | <b>(2,495)</b>              | <b>(2,031)</b>                                    | <b>(4,353)</b>         |
| <b>ACQUISITION AND DISPOSALS</b>                            |                             |   |                        |
| Sale of discontinued operation                              | -                           | -   | 332                    |
| Purchase of overseas distribution businesses                | -                           | -   | (32)                   |
|   | -                           | -   | 300                    |
| <b>EQUITY DIVIDENDS PAID</b>                                | <b>(2,874)</b>              | <b>(2,866)</b>                                    | <b>(4,422)</b>         |
| <b>CASH (OUTFLOW)/INFLOW BEFORE USE</b>                     |                             |   |                        |
| <b>OF LIQUID RESOURCES AND FINANCING</b>                    | <b>(4,868)</b>              | <b>(1,380)</b>                                    | <b>2,090</b>           |
| <b>MANAGEMENT OF LIQUID RESOURCES</b>                       |                             |   |                        |
| Bills of exchange receivable                                | 49                          | -   | (70)                   |
| <b>FINANCING</b>  |                             |   |                        |
| Issue of ordinary share capital                             | -                           | 5   | 4                      |
| Principal repayments of<br>finance lease obligations        | -                           | (4)   | (7)                    |
| Repayment of medium<br>term loans                           | -                           | (738)   | -                      |
| Repayment of borrowings                                     | (264)                       | (244)   | (1,086)                |
|   | <b>(264)</b>                | <b>(981)</b>                                      | <b>(1,089)</b>         |
| <b>(DECREASE)/INCREASE IN CASH<br/>AND CASH EQUIVALENTS</b> | <b>(5,083)</b>              | <b>(2,361)</b>                                    | <b>931</b>             |

# Notes to the Accounts

| Turnover                 |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|
| Continuing operations    | Discontinued operations  | Continuing operations    | Discontinued operations  |
| 6 months to 31 July 1998 | 6 months to 31 July 1998 | 6 months to 31 July 1997 | 6 months to 31 July 1997 |
| £000                     | £000                     | £000                     | £000                     |

## 1 SEGMENTAL ANALYSIS

### a) Classes of business

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Fabrics, wallcoverings and other businesses | <u>26,532</u> | <u>20,464</u> | <u>27,578</u> | <u>21,256</u> |
|---|---------------|---------------|---------------|---------------|

### b) Sales by destination

|                    |               |               |               |               |
|--------------------|---------------|---------------|---------------|---------------|
| United Kingdom     | 15,148        | 15,425        | 15,634        | 16,093        |
| Continental Europe | 7,478         | 3,101         | 7,894         | 3,106         |
| North America      | 2,996         | 235           | 2,382         | 258           |
| Rest of the world  | 910           | 1,703         | 1,668         | 1,799         |
|                    | <u>26,532</u> | <u>20,464</u> | <u>27,578</u> | <u>21,256</u> |

## 2 EXCEPTIONAL OPERATING ITEMS

During the period an exceptional re-organisation cost of £400,000 was incurred when Cole & Son and Warner Fabrics were brought under the management of Zoffany. A further £1,348,000 cost was incurred as a result of a permanent diminution in the carrying value of the consumer division's visualiser project.

A provision of £561,000 has also been made against the carrying value of stock held by the commercial fabrics business. This stock was transferred to the commercial fabrics business on 1 February 1998 having previously been under the management of the discontinued business.

## 3 TAXATION

The tax charge for the six months ended 31 July 1998 has been based on the estimated tax rate for the full year before adjustment for the tax effect of the unrecognised profit on the disposal of the discontinued business.

## Notes to the Accounts

continued

### 4 DIVIDENDS

|                                       | 6 months to<br>31 July 1998<br>£000 | 6 months to<br>31 July 1997<br>£000 |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Equity - ordinary shares - proposed   | -                                   | (1,553)                             |
| Non-equity - preference shares - paid | <u>(32)</u>                         | <u>(38)</u>                         |
|                                       | <u>(32)</u>                         | <u>(1,591)</u>                      |

The preference shares bear a fixed cumulative preferential dividend at 6.5p per share per annum, and are convertible into ordinary shares at the preference shareholders' option in August in any of the years to 2005 at the rate of 8.28 (1997: 8.28) ordinary shares for every 5 preference shares.

It was resolved on 23 September 1998 that the rate of conversion be increased to 8.694 ordinary shares of 1 pence each for every 5 preference shares, for conversions made on 30 September 1998. On this date, 684,741 preference shares were converted in this manner leaving a total of 97,679 preference shares which are likely to be compulsorily converted at the rate of 8.28 ordinary shares of 1 pence each for every 5 preference shares, in November 1998.

### 5 EARNINGS PER SHARE

Earnings per share is based on profit after taxation and preference dividends, amounting to £455,000 (1997: £2,959,000 as restated) and 119,736,609 ordinary shares (1997: 119,425,374), being the weighted average number of the shares in issue during the period.

The earnings per share for the year ended 31 January 1998 was based on earnings amounting to £6,037,000 and the weighted average of 119,556,097 ordinary shares in issue during the year.

### 6 POST BALANCE SHEET EVENTS

#### Sale of Commercial Wallcoverings Businesses

On 13 August 1998 the trade and certain of the assets and liabilities of the Group's commercial wallcoverings division, trading as Muraspec and Brymor were disposed of for £70 million in cash. As shown in the table below, the effect of this disposal is an exceptional profit on disposal of £32.9 million after accounting for related costs and goodwill previously written off.

|  |                |
|--|----------------|
| Analysis of exceptional profit:                      | £000           |
| Profit on disposal before goodwill and related costs | 42,063         |
| Goodwill previously written off to reserves          | (4,769)        |
| Severance payments                                   | (2,876)        |
| Professional fees and other related costs            | <u>(1,522)</u> |
|  | <u>32,896</u>  |

The net cash inflow from operating activities of £784,000 has been reduced by £1,426,000 of prepaid exceptional costs on the disposal of the commercial wallcoverings businesses.



# Notes to the Accounts

continued

## 6 POST BALANCE SHEET EVENTS *continued*

### Capital re-organisation

With effect from 14 August 1998, the company capitalised £24.5 million standing to the credit of the share premium account in paying up in full 119,736,609 undesignated shares of 20 <sup>6</sup>/<sub>13</sub> pence. These shares were then consolidated with the existing ordinary shares in issue of 15 pence each and the resulting share was split into one ordinary share of <sup>6</sup>/<sub>13</sub> pence and one 'B' share of 35 pence. Each ordinary share of <sup>6</sup>/<sub>13</sub> pence was then sub-divided into 6 shares of <sup>1</sup>/<sub>13</sub> pence, every 13 of which were then consolidated into one New Ordinary Share of 1 pence each.

On 18 August 1998, 112,242,315 of these 'B' shares were re-purchased which amounted to a cash payment to shareholders of £39,284,811. A provision of £2,623,002 has been made for the re-purchase of the remaining 'B' shares.

The effect of this capital re-organisation and the post balance sheet conversions of preference shares (note 4), is to reduce the weighted average number of shares for the year ending 31 January 1999 to 85,361,028. This has been calculated on the assumption of there being no other changes to share capital prior to 31 January 1999.

## 7 SPLIT OF SHAREHOLDERS' FUNDS

|                          | As at<br>31 July 1998 | As at<br>31 July 1997<br><i>as restated</i> | As at<br>31 Jan 1998 |
|--------------------------|-----------------------|---|----------------------|
|                          | £000                  | £000  | £000                 |
| <b>EQUITY</b>            |                       |   |                      |
| Ordinary share capital   | 17,960                | 17,915                                      | 17,960               |
| Share premium            | 24,047                | 23,933                                      | 24,047               |
| Reserves                 | 5,011                 | 2,995                                       | 4,538                |
|                          | <u>47,018</u>         | <u>44,843</u>                               | <u>46,545</u>        |
| <b>NON-EQUITY</b>        |                       |   |                      |
| Preference share capital | 247                   | 292   | 247                  |
| Share premium            | 605                   | 719   | 605                  |
|                          | <u>852</u>            | <u>1,011</u>                                | <u>852</u>           |
|                          | <u>47,870</u>         | <u>45,854</u>                               | <u>47,397</u>        |

# Notes to the Accounts

continued

## 8 EXPLANATION OF PRO-FORMA BALANCE SHEET

|  | Unaudited<br>balance sheet<br>as at<br>31 July 1998<br>£000 | Disposal<br>£000 | Capital<br>re-organisation<br>£000 | Taxation<br>£000 | Exceptional<br>item<br>£000 | Pro-forma<br>balance<br>sheet as at<br>31 July 1998<br>£000 |
|--|---|------------------|------------------------------------|------------------|-----------------------------|---|
| <b>FIXED ASSETS</b>  |   |                  |                                    |                  |                             |   |
| Tangible assets  | 25,655  | (14,447)         |                                    |                  |                             | 11,208  |
| Walker Greenbank PLC shares  | 3,070   |                  |                                    |                  |                             | 3,070   |
|  | <u>28,725</u>   |                  |                                    |                  |                             | <u>14,278</u>   |
| <b>CURRENT ASSETS</b>  |   |                  |                                    |                  |                             |   |
| Stocks   | 19,889  | (7,027)          |                                    |                  |                             | 12,862  |
| Debtors  | 26,611  | (9,689)          |                                    |                  | (4,398)                     | 12,524  |
| Cash at bank and in hand   | 2,610   | 70,000           | (41,908)                           |                  | (iv)                        | 30,702  |
|  | <u>49,110</u>   |                  |                                    |                  |                             | <u>56,088</u>   |
| <b>CREDITORS: amounts falling due<br/>within one year</b>          | <u>(28,162)</u>   | 3,226            |                                    | (ii) 303         |                             | <u>(24,633)</u>   |
| <b>NET CURRENT ASSETS</b>  | <u>20,948</u>   |                  |                                    |                  |                             | <u>31,455</u>   |
| <b>TOTAL ASSETS LESS<br/>CURRENT LIABILITIES</b>                   | <u>49,673</u>   |                  |                                    |                  |                             | <u>45,733</u>   |
| <b>CREDITORS: amounts falling due<br/>after more than one year</b> | <u>(1,446)</u>  |                  |                                    |                  |                             | <u>(1,446)</u>  |
| <b>PROVISIONS FOR LIABILITIES<br/>AND CHARGES</b>                  | <u>(357)</u>  |                  |                                    |                  |                             | <u>(357)</u>  |
|  | <u>47,870</u>   | <u>42,063</u>    | <u>(41,908)</u>                    | <u>303</u>       | <u>(4,398)</u>              | <u>43,930</u>   |
| <b>CAPITAL AND RESERVES<br/>(INCLUDING NON-EQUITY INTERESTS)</b>   |   |                  |                                    |                  |                             |   |
| Share capital  | 18,207  |                  | (17,408)                           |                  |                             | 799   |
| Share premium account  | 24,652  |                  | (24,500)                           |                  |                             | 152   |
| Capital redemption reserve   | -   |                  | 41,908                             |                  |                             | 41,908  |
| Reserves   | 5,011 (iii)   | 42,063           | (41,908)                           | 303              | (i) (4,398)                 | 1,071   |
|  | <u>47,870</u>   | <u>42,063</u>    | <u>(41,908)</u>                    | <u>303</u>       | <u>(4,398)</u>              | <u>43,930</u>   |

(i) The exceptional items comprise severance payments, professional fees and other related costs (see note 6).

(ii) It has been estimated that the group tax charge will reduce by £303,000 as a result of the disposal and the exceptional costs.

(iii) The profit on disposal has been estimated and is subject to adjustment when agreement has been reached with the purchaser on the value of the working capital relating to the transaction.

(iv) The group's pro-forma net cash position is £22,525,000 when the bank overdraft shown within creditors at the balance sheet date of £8,177,000 is taken into consideration.

## Notes to the Accounts

continued

### 9 PREPARATION OF INTERIM FINANCIAL INFORMATION

The interim financial statements have been prepared on a basis consistent with the accounting policies disclosed in the Annual Report and Accounts for the year ended 31 January 1998.

The consolidated results for the year ended 31 January 1998 have been extracted from the financial statements for that year and do not constitute full statutory accounts for the group. The group accounts for the year ended 31 January 1998 received an unqualified audit report and did not include a statement under section 237 (2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies.

The results for the 6 month period ended 31 July 1997 have been restated for the change in accounting policy with respect to the recognition of pattern book and shade cards cost. The effect of this change of policy on the previous year when compared with the original basis was to reduce profit after taxation by £38,000.

### 10 INTERIM FINANCIAL STATEMENTS

Further copies of this interim statement are available from the registered office of Walker Greenbank PLC at 4 Brunel Court, Cornerhall, Hemel Hempstead, Hertfordshire, HP3 9XX.

### 11 RE-ORGANISATION OF SHARE CAPITAL - CAPITAL GAINS TAX

Following the re-organisation of the share capital on 14 August 1998, the capital gains tax base cost of the shares held on and before that date will need to be apportioned between the New Ordinary Shares of 1 pence each and the 'B' shares. The relative proportion of the base cost attaching to each class of shares is as follows:

|                                    | % of original base cost |
|------------------------------------|-------------------------|
| New Ordinary Shares of 1pence each | 46.3                    |
| 'B' shares                         | 53.7                    |
|                                    | <hr/>                   |
|                                    | 100.0                   |

Source: Share prices quoted in Extel™ on 17 August 1998 of 31 pence for the 'B' shares and 58 pence for the New Ordinary Shares of 1 pence each.

# Review Report by the Auditors to Walker Greenbank PLC

We have reviewed the interim financial information for the six months ended 31 July 1998 set out on pages 4 to 11 which is the responsibility of, and has been approved by, the directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin 'Review of Interim Financial Information' issued by the Auditing Practices Board. This review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of group management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review:

- in our opinion the interim financial information has been prepared using accounting policies consistent with those adopted by Walker Greenbank PLC in its financial statements for the year ended 31 January 1998, and
- we are not aware of any material modifications that should be made to the interim financial information as presented.

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