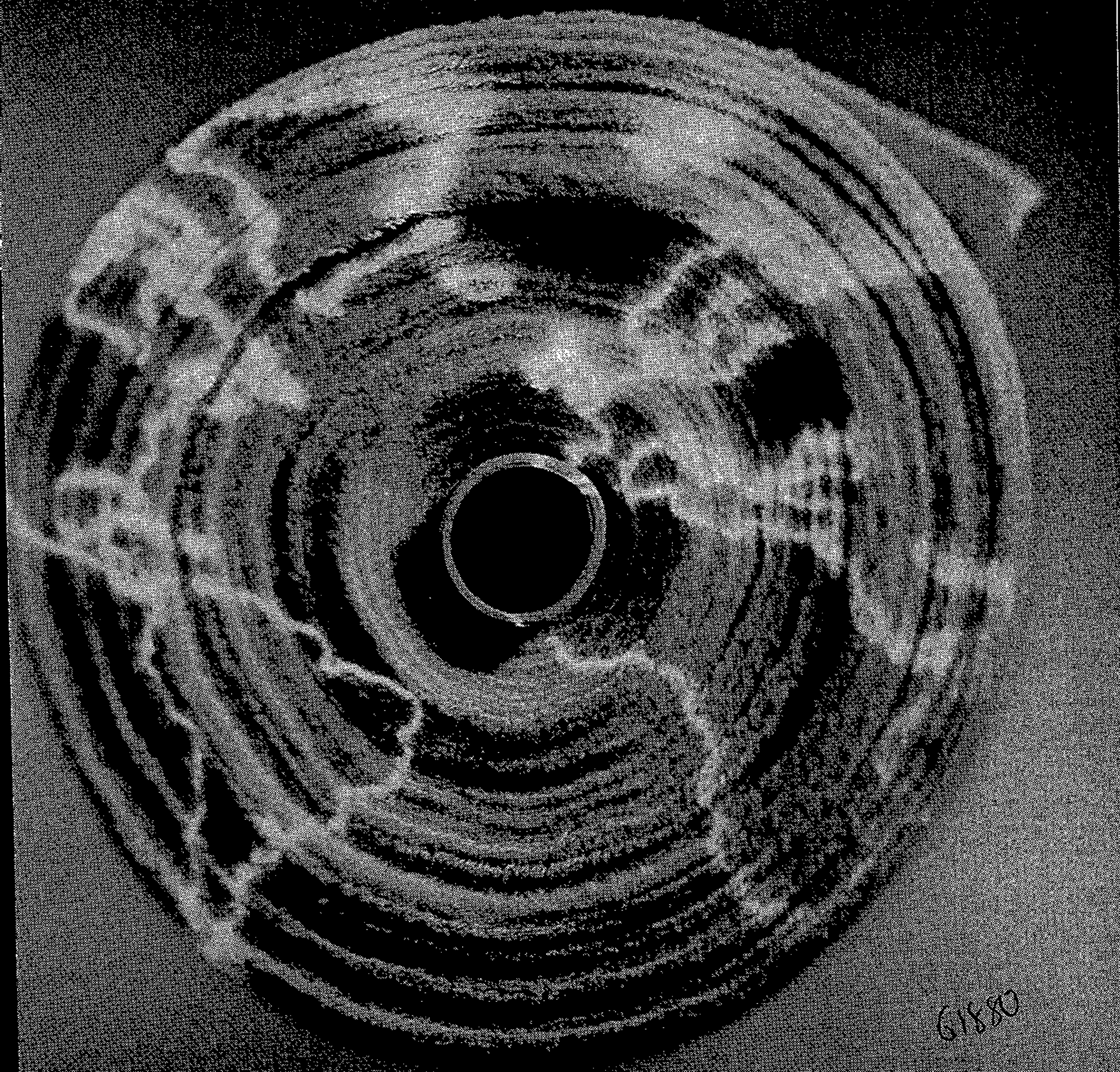
WalkerGreenbank

Annual Report and Accounts 1997/98



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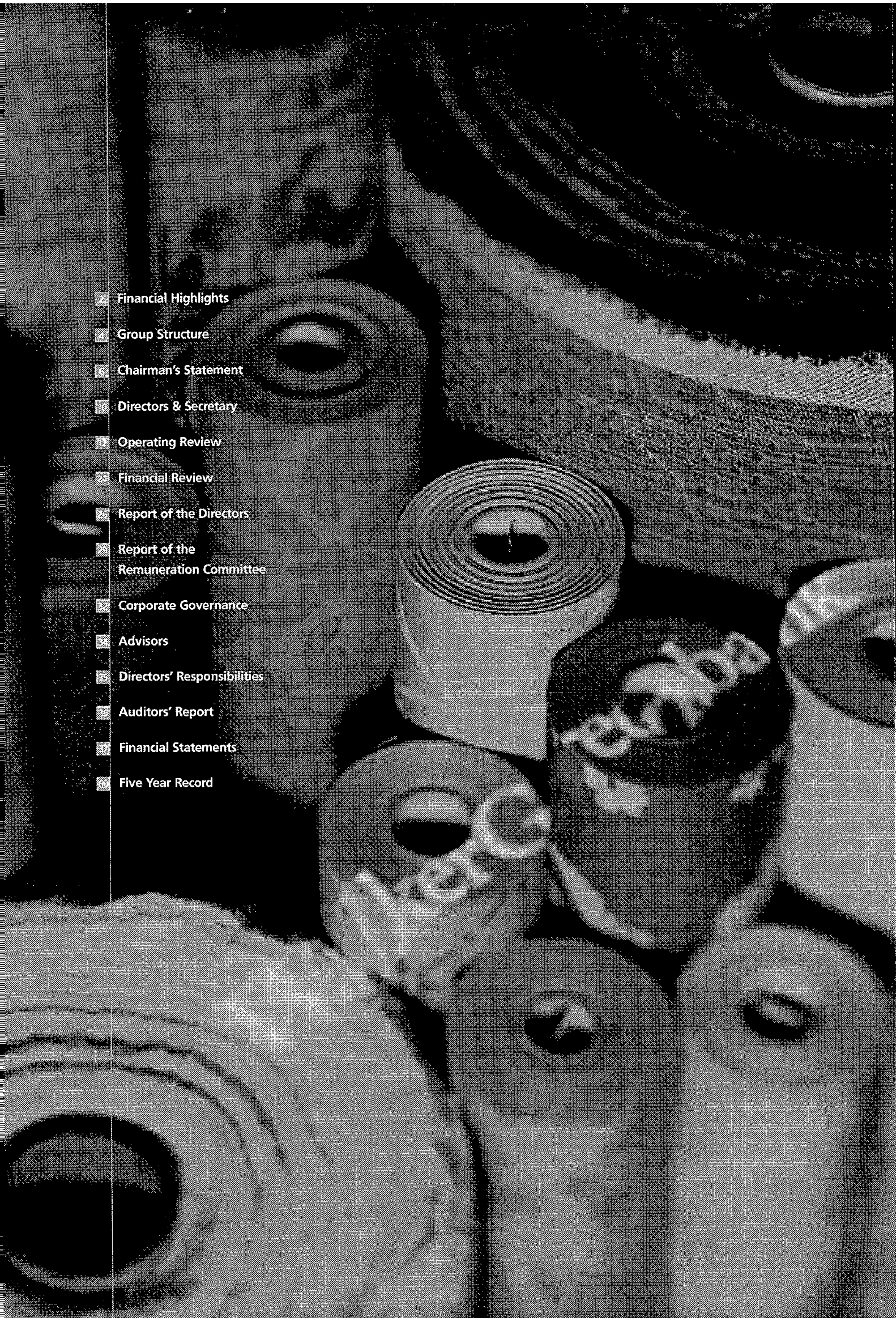
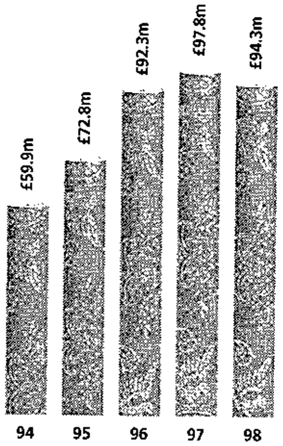
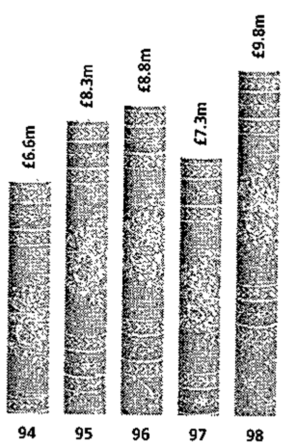


Walker Greenbank PLC is an international group of companies which design, manufacture, market and distribute wallcoverings, furnishing fabrics, display materials and luxury carpets for the consumer and commercial markets through a portfolio of brands.

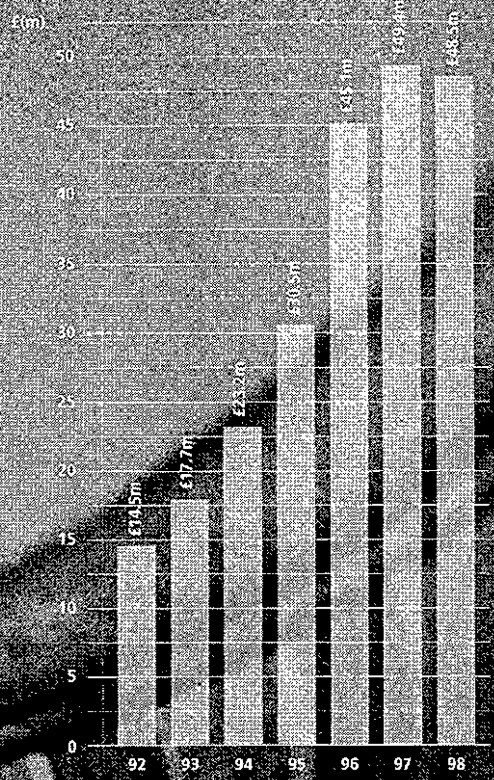
ZOFFANY
Cole & Son
WARNER FABRICS
HARLEQUIN
ANSTEY WALLPAPER COMPANY LIMITED
TDL
John O. Borge
WHITTAKER & WOODS
BRYMOR
Muraspec
HARTLEY HEMISPHERE
HARRIS FABRICS



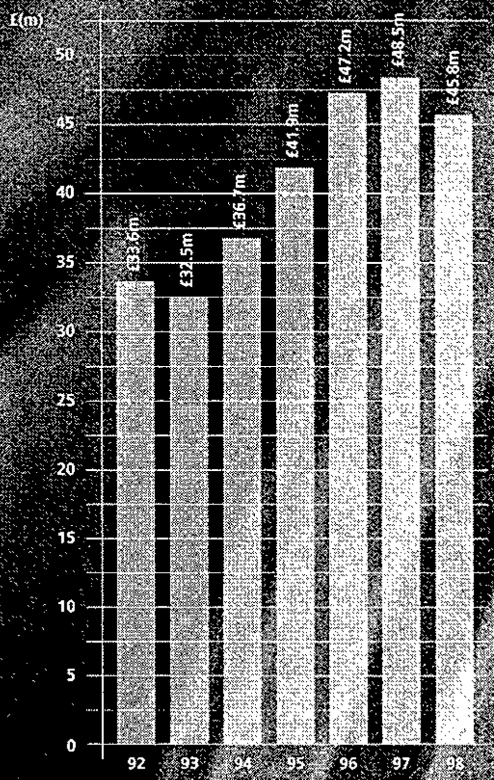
Group turnover
(Continuing operations)



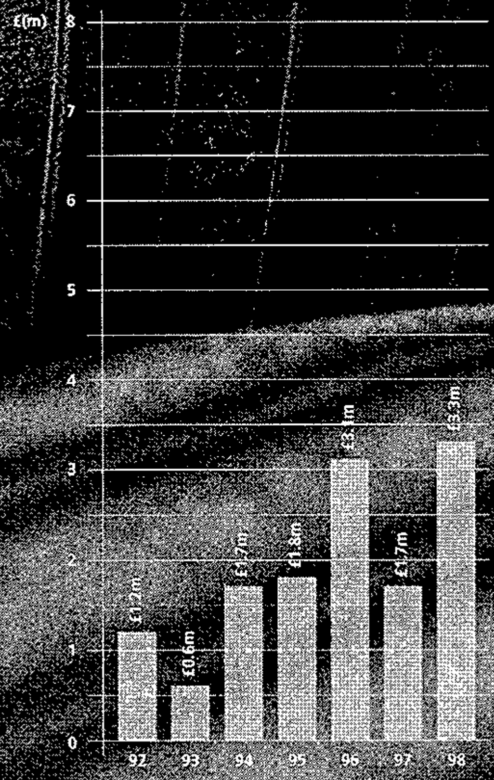
Pre-tax profit
(Continuing operations)



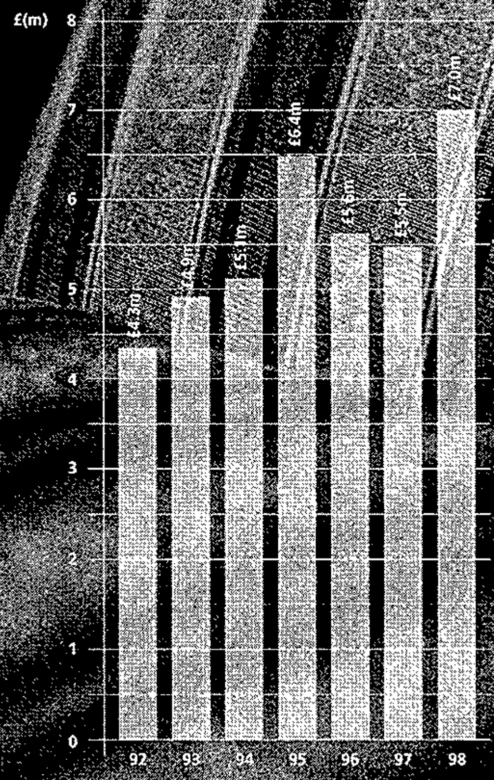
Consumer Division
turnover



Commercial Division
turnover



Consumer Division
profit before interest and tax*



Commercial Division
profit before interest and tax*

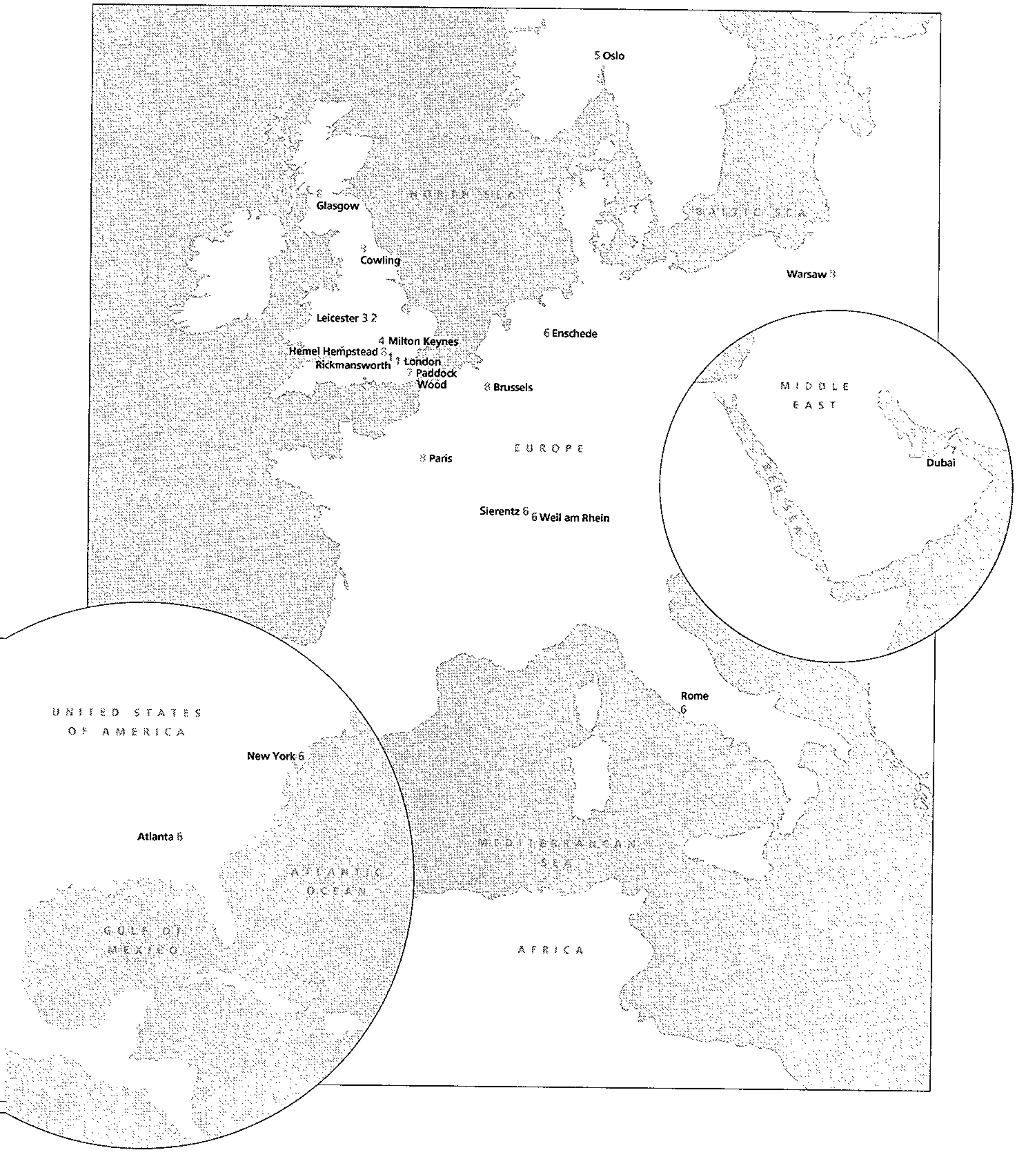
* The divisional split of profit before interest and tax incorporates management's best estimate of the allocation of central costs.

Financial Highlights

CONTINUING OPERATIONS	1998 £000	1997 *as restated* £000	
Group turnover	**£94,298**	£97,816	4% decrease
Overseas turnover	**£33,671**	£35,890	6% decrease
Pre-tax profit	**£9,760**	£7,307	34% increase
Shareholders' funds (total)	**£47,397**	£44,869	6% increase
Capital expenditure	**£4,345**	£7,320	41% decrease
Net debt	**£2,520**	£4,546	45% decrease

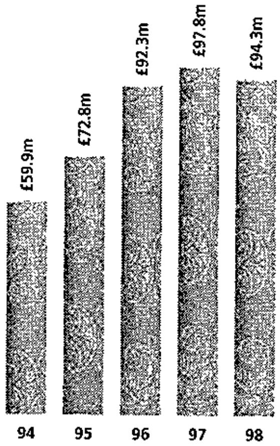
	1998	1997 *as restated*	
Earnings per share (underlying)	**6.57p**	4.74p	39% increase
Dividend per share	**3.70p**	3.70p	no change
Dividend cover	**1.38x**	1.03x	34% increase
Average number of employees	**1,158**	1,159	no change
Turnover per employee	**£81,000**	£84,000	4% decrease
Pre-tax profit per employee	**£8,428**	£6,305	34% increase

Group Structure

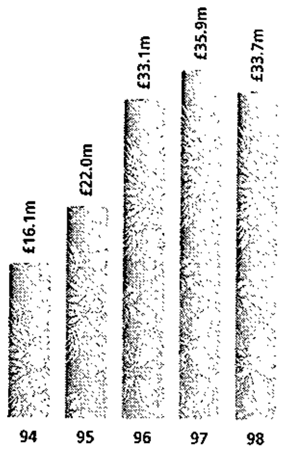


	Profile	Main customers
Consumer Division		
ZOFFANY / Cole & Son / WARNER FABRICS	1 Zoffany which now incorporates Cole & Son and Warner Fabrics, designs and sells luxury archive based wallpapers, furnishing fabrics, carpets and trimmings	Interior decorators and leading interior design retailers
HARLEQUIN	2 Designer of mid market wallpapers and furnishing fabrics	Independent home furnishing retailers and department stores
Anstey Wallpaper Company Limited	3 Europe's largest specialist wallpaper printer	Group companies (58%) Third party wallpaper and fabric editors
TDL	4 The consumer division's centralised warehousing, sampling and distribution centre	Cole & Son, Harlequin, Warner Fabrics and Zoffany
John O Borge	5 Norway's leading distributor of wallpapers and fabrics	Home furnishing retailers
WHITTAKER & WOODS	6 Overseas distribution companies in Benelux, France, Germany, Italy and the USA selling and marketing Cole & Son, Harlequin, Warner Fabrics and Zoffany products	Interior decorators, leading interior design retailers, department stores and independent home furnishing retailers
Commercial Division		
BRYMOR	7 Europe's largest manufacturer of paper and fabric backed commercial wallcoverings	Muraspec (62%) Independent distributors throughout the world
Muraspec	8 Europe's leading distributor of commercial wallcoverings and display materials	Building owners and specifiers such as architects, interior designers, office refurbishment and partitioning companies
HARTLEY HEMISPHERE CONTRACT FABRICS / HARRIS FABRICS	9 The division's commercial fabrics business designs, manufactures and distributes woven upholstery and screen fabrics under three brand names	Office furniture manufacturers and distributors, hotels and leisure operators

Chairman's Statement



Group turnover
(Continuing operations)



Overseas turnover
(Continuing operations)

Results

This year the Board is reporting for the 100th time to its shareholders prior to the company's centenary Annual General Meeting.

It is therefore with pleasure that I can report a strong financial performance by the group in a year that has seen depreciating currencies in Continental Europe and deep economic and currency crises in the Far East. Group turnover on continuing operations declined slightly, due largely to the effects of translation on overseas turnover. However, the group's profitability has improved as a result of better margins, tight cost control, greater focus on working capital management and a saving in group pension costs.

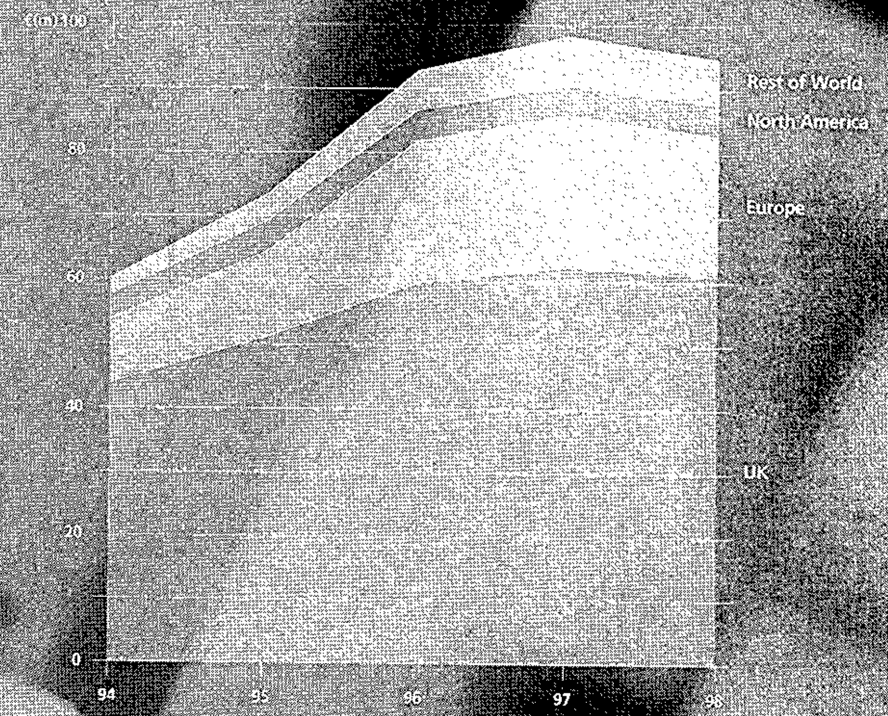
The net pre-tax profit for the year increased by 15% after writing off the loss on the disposal of the bathing division of Hampshire Medical. On a continuing basis, pre-tax profits were ahead by 34%. We have also benefited this year from a substantial reduction in our tax charge, which has fallen to 23% as a result of a re-examination of our potential taxation liabilities. However, looking forward, we anticipate that the tax charge will return to a level much closer to the basic rate of UK Corporation tax.

Basic earnings per share has grown by 35% over last year's restated figure to 5.05p and, on an underlying basis, by 39% to 6.57p, although this is flattered by the abnormally low tax charge mentioned above. Assuming a full tax charge, earnings per share on an underlying basis would have grown by 18% to 5.57p. The Board proposes to maintain the final dividend at 2.4p, which gives a total net dividend for the year of 3.7p (1997 - 3.7p) per ordinary share.

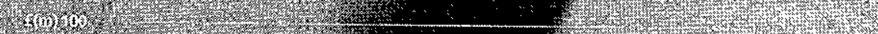
During the year, we have changed our accounting policy for expenditure on pattern books and shade cards. Previously this expenditure was capitalised and amortised over a maximum of four years. We have now moved to expensing these costs in the year in which they are incurred. As a result of this change, we have restated last year's comparative figures. The effect of this change in policy on the current year when compared to the original basis has been to increase profit after taxation by £136,000. The previous year's profit after taxation has been reduced by £1,507,000.

Proposed Strategic Disposal

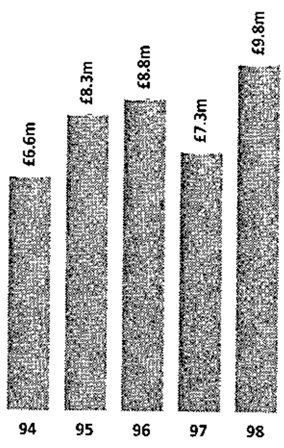
I am pleased to be able to announce the final phase of the re-structuring of Walker Greenbank, which we began in 1990. Shareholders will recall the major disposal programme that we undertook in the early nineties in order to protect the value of your investment



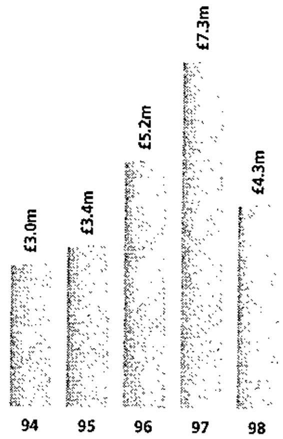
Group turnover by destination
(Continuing operations)



Group turnover by product
(Continuing operations)



Pre-tax profit
(Continuing operations)



Capital expenditure

and which enabled the group to weather the recession relatively unscathed. Following those disposals, we have concentrated on building up our consumer division, which operates in markets offering dynamic growth potential, both in the UK and internationally.

The final element in this transformation of the old Walker Greenbank is the proposed disposal of our commercial wallcoverings businesses - Brymor and Muraspec. On 3 April 1998 we reached agreement in principle to dispose of these businesses for a cash consideration in excess of £70 million. Details of the disposal, which is subject to contract and due diligence, will be forwarded to shareholders in due course and we will be seeking formal approval for the transaction at an Extraordinary General Meeting to be held in June.

Assuming that this transaction is finalised and receives shareholder approval, we intend to explore ways of returning part of the proceeds to shareholders. The balance of the consideration will be retained for investment in the development of our consumer businesses.

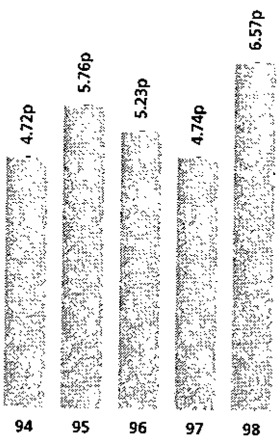
Business Review

Our top end consumer businesses have all enjoyed buoyant market conditions in the UK this year, though exports have been sluggish. Since the year-end we have re-organised these companies into one business. Zoffany is now responsible for the management of Cole & Son and Warner Fabrics which we believe will provide the best opportunity for these excellent brands to prosper.

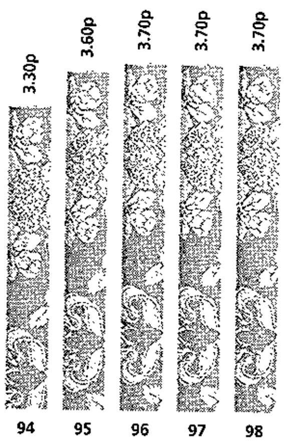
However, both Harlequin and Anstey, our other UK consumer businesses, have had a difficult year. Sales at Harlequin were flat in the UK, but down in the export markets and this has hit Anstey, our wallpaper manufacturing business. Anstey has also been affected by the strength of Sterling which has hit its UK third party customers and dampened demand. The integration of our consumer businesses' distribution into one central location at Milton Keynes was successfully completed in the year and is already paying dividends.

Our business success in the USA continues with an excellent year from Whittaker & Woods Inc, but, like many others, we have found progress slow in the European consumer markets and our distribution businesses there have seen little growth.

The appreciation in the value of Sterling has also hit Brymor in our commercial division, where third party sales have been affected, particularly in the Far East. Following last year's reorganisation, Muraspec has been able to report a much improved profit performance in a slow UK market, and excellent sales success in France and Benelux.



Earnings per share
(Continuing operations)



Dividend per share

This year we combined our commercial fabrics businesses - Hartley, Harris and Hemisphere - into one entity. We are already seeing the benefits of this move flowing through in terms of both better sales and profits.

Disposal of Bathing Division

As previously announced, on 31 October 1997 we completed the sale of the bathing division of Hampshire Medical Developments. This has given rise to a loss on disposal of £1.7m of which £1.5m relates to goodwill previously written off to reserves. The remaining part of this business has a turnover of approximately £0.8m and we hope to be able to announce its disposal shortly.

Balance Sheet

During the year we have continued to maintain a strong balance sheet. Gearing has been reduced to £2.5m or 5%. This is substantially below our forecast last year and has largely been achieved by increased focus on the management of working capital. We have reduced our stocks and debtors by 8% and capital expenditure has been reduced by £3m.

Trading Outlook

1998 will be a challenging and exciting year for Walker Greenbank as it moves to focus completely on the consumer fabrics and wallcoverings market. The year has begun steadily and we anticipate continued sales growth in most markets in local currencies. However, the increasing strength of sterling will inevitably dampen the profit expectations of our overseas businesses.

Over the past three years we have built a solid foundation for our expansion into the international consumer markets, only to see our profitability eroded by Sterling's appreciation and overseas financial crises. In spite of this, our consumer division has achieved compound profits growth over the past seven years of 18% per annum.

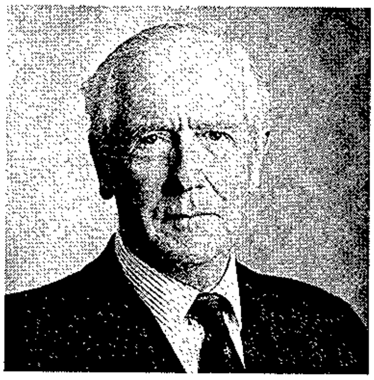
Our primary focus in the coming twelve months is to build on this trend, by driving more volume through our existing distribution network and by acquiring additional complementary brands to add to our excellent portfolio and thereby capitalise on our leading position.

We enter our second century with considerable confidence.

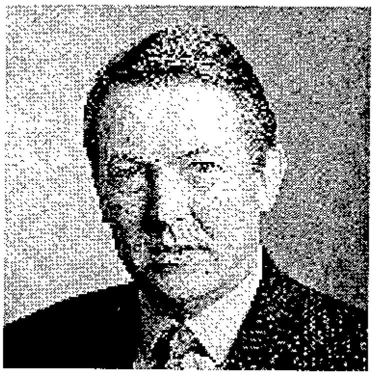
David Richards

David Richards
Chairman

Directors and Secretary



David Richards CBE, FCA (69)
Chairman, a Non-Executive Director since 1988 and Non-Executive Chairman since 1990. A former partner in Deloitte & Co, he was President of the Institute of Chartered Accountants in 1979-1980 and Deputy Chairman of the Monopolies and Mergers Commission for 7 years.



Charles Wightman BSc FCA (46)
Chief Executive, joined the group and was appointed Chief Executive in 1990. From 1988-1989 he was a Director of Blenheim Group PLC, prior to which he worked for 10 years in Europe for American Greetings Corporation, De La Rue PLC and Price Waterhouse.

Aidan Connolly LLB ACA (40)
Finance Director, joined the group on 1 May 1997. He was previously Chief Financial Officer of the European Cable Division of Elektrim SA, Poland's largest non-bank quoted company, for whom he worked for 4 years. Prior to this he was an international tax advisor and management consultant.

Roger Smurthwaite (52)
Commercial Division Managing Director, was appointed to the board in 1988. In 1970 he co-founded the group of businesses which now form the core of our wallcoverings activities. From 1975-1988 he was Managing Director of Muraspec which he developed to a position of market leadership in the UK.

Peter Mostyn BA (52)
Consumer Division Managing Director, joined the group in 1995 and was appointed a Director in 1996. Previously he ran his own business for 4 years after having spent 17 years with Birmid Qualcast PLC in a number of senior marketing and general management positions.

Sir Malcolm Field (60)
Non-Executive Director, was appointed to the board in 1997. Chairman of the Civil Aviation Authority since 1996, prior to this he served on the board of WH Smith Plc. He is also a Non-Executive Director of Scottish and Newcastle Plc, MEPC Plc and The Stationery Office.

The Rt. Hon. The Viscount Thurso (44)
Non-Executive Director, was appointed to the board in 1997. Managing Director of the Champney's Group since 1995. He has worked in the hotel industry for 25 years including Cliveden and the Savoy Group. He is also a Non-Executive Director of the Savoy Group PLC and the Royal Olympic Cruise Lines Inc.

Anne Thomas (45)
Company Secretary, has worked for the group since 1989 and was appointed Company Secretary to the board in 1992. Prior to joining the group she gained over 10 years experience as Finance Manager and Company Secretary of two private companies.

Operating Review Consumer Division

The consumer division has produced a good result this year, marred only by the impact of Sterling's strength on exports and a poor performance from Anstey. Profits grew by 90% to £3.3 million although the comparison is flattered by the £1.1 million write off of start up costs in North America in the previous year. Adjusting for this, the underlying profit growth was 18%.

Over the last seven years our consumer division has more than trebled its turnover to £48.5 million and has grown its profits at a compound rate of 18% to £3.3 million. During the same period, the division's overseas sales have risen from 28% to 48% of turnover.

However, whilst our level of profitability is in line with that achieved by many of our competitors, it is far from satisfactory, given the high level of gross margins which we enjoy. The division's current return on sales at 7% is too low and over the next five years it is our intention to raise this to 15%.

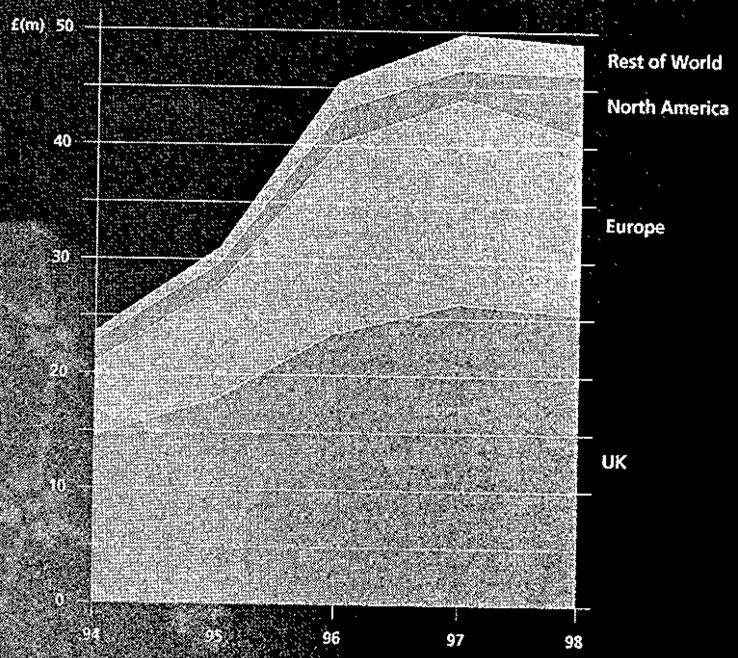
Following the acquisitions of Cole and Warner three years ago, we have worked hard to minimise our cost base and streamline our operating structure by, for example, centralising warehousing and merging Cole and Warner with Zoffany. We have also made a significant investment in bringing back under our own control the overseas distribution of our four brands. In addition to terminating numerous third party distribution arrangements, we have restructured and invested in our overseas businesses to create the right operating platform in each of our major overseas markets.

With this process now largely completed, the key to driving the profitability of the division forward is to push more volume through the fixed cost base which we have created. An increase in volume is also, at the moment, the only practical way of counteracting the negative impact that Sterling's strength has had on the margins of our European distribution businesses.

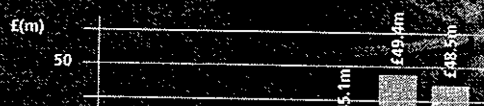
Whilst much of this can and will be achieved organically, the opportunity clearly exists to accelerate this process by the acquisition and integration of further compatible brands, particularly in the fabrics area which still only represents 33% of our divisional turnover. This is something that we intend to focus on over the next two years.

Zoffany

Our top-end brands - Zoffany, Cole and Warner - have produced another year of good growth, with turnover ahead in total by 7% to £16.7 million. The UK market has remained buoyant on the back of the strong recovery in the South Eastern property market over the last two years, but exports have been sluggish.



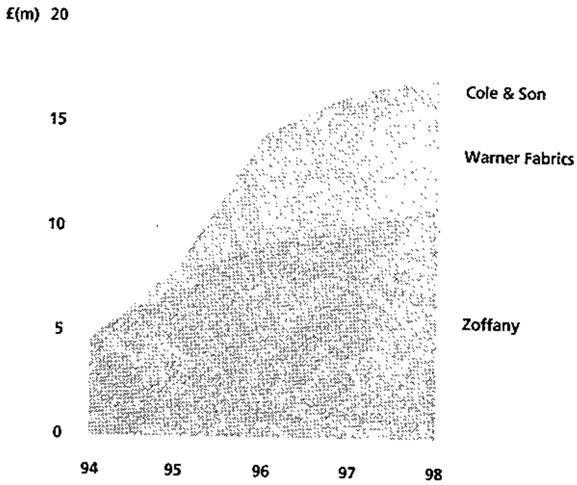
Consumer Division turnover by destination



Consumer Division
turnover

Consumer Division
profit before interest and tax

Our top-end brands - Zoffany, Cole and Warner - have produced another year of good growth with turnover ahead by 7% to £16.7 million.



Zoffany Group total turnover

Zoffany's retail partnership programme - 'Confrere' - was successfully launched in the UK during the year and has helped to maintain the company's market leadership and strong sales growth at the top-end of the market.

Progress at Cole and Warner has been slower, reflecting the fact that this was only the third year of our reinvestment in these brands since their acquisition. However, the programme of revitalising the product portfolios of both brands is well underway and is already producing returns - particularly in terms of improved sales through our overseas distribution businesses, as can be seen from the graph on page 16.

In order to speed this process up and create a more cost effective operating structure, the decision was taken in February 1998 to integrate the Cole and Warner businesses into Zoffany. This reorganisation has now been substantially completed and is already paying dividends, particularly in terms of reduced overheads and greater operating efficiencies. As Zoffany apply their management drive and proven sales skills to these two brands, we are confident that they will also begin to achieve more dynamic sales growth.

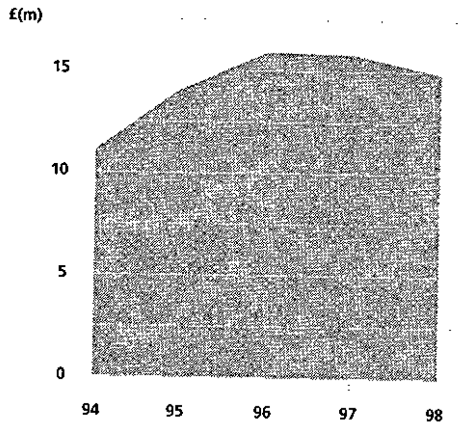
Harlequin

The recovery in the UK housing market at the top-end has yet to filter down to the mid-market. As a result, Harlequin's UK sales for the year were flat, and with exports down by 9%, overall sales declined by 6% to £14.8 million.

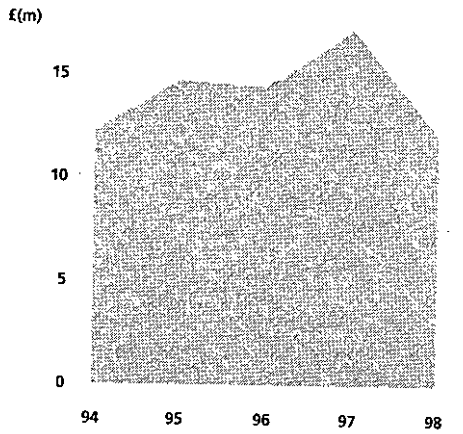
In order to create differentiation in an overcrowded and fragmented marketplace, Harlequin has spent the last two years developing an innovative marketing tool - 'Stylepoint'. This is a retail, point-of-sale, computerised visualisation system which helps consumers to make the leap from selecting a wallpaper or fabric design from a pattern book or sample, to seeing how it will look in a variety of different room settings.

Having spent eighteen months developing the system, the concept was tested in several pilot sites across the UK during the last quarter of 1997. The feedback from these pilot sites has resulted in a number of major improvements to the system, which was launched to our UK retailers in April. Once the UK roll-out is underway, we will begin testing the system at a number of pilot sites in Northern Europe.

Harlequin has spent the last two years developing 'Stylepoint'. This is a computerised visualisation system which is designed to help consumers see what their choice of wallpapers and fabrics will look like in a variety of different room settings. Stylepoint has just been launched in the UK and will be tested in Continental Europe during the year.



Harlequin total turnover



Anstey total turnover

Anstey

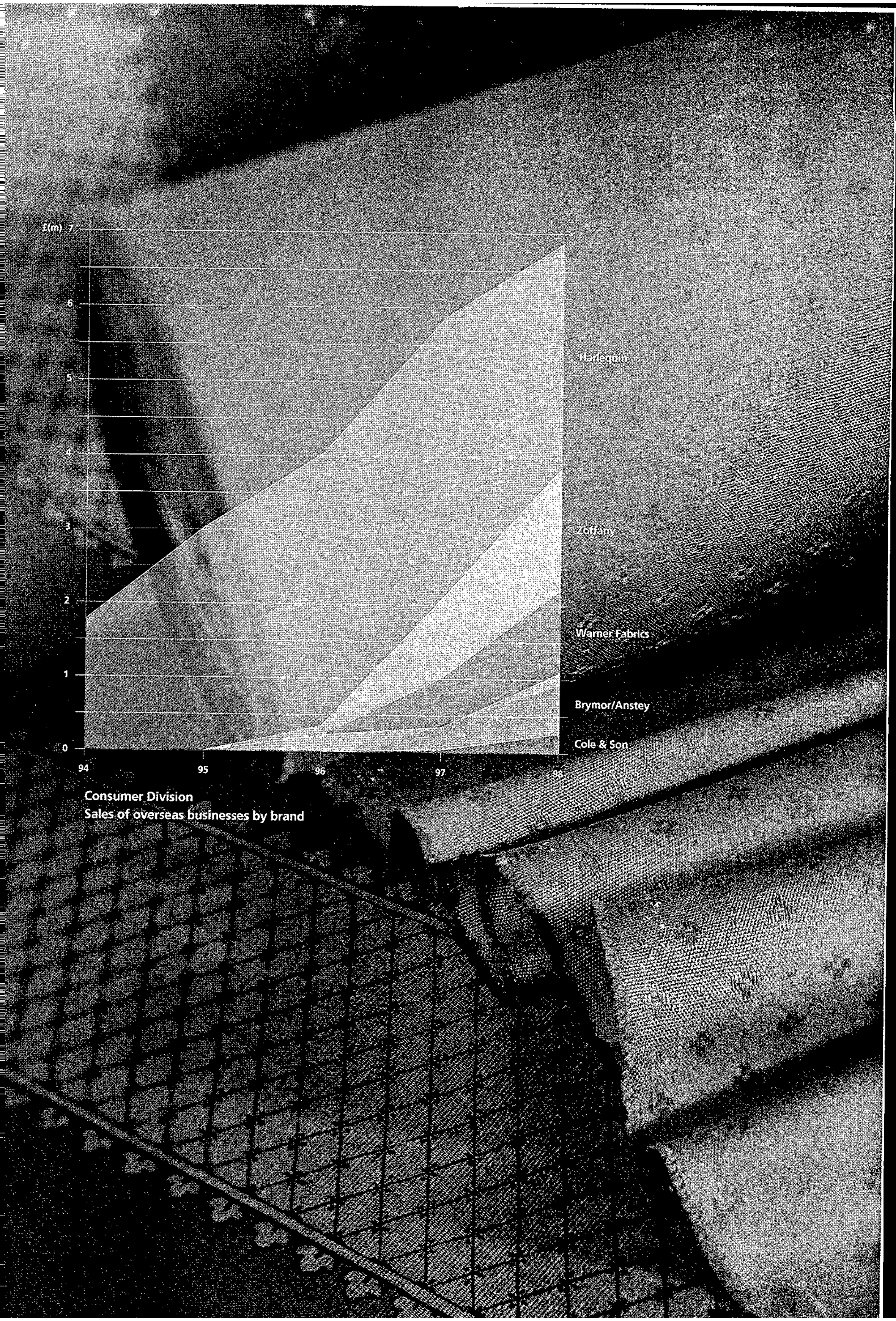
Anstey has had a poor year after its record result in 1996/97. The company's turnover declined by 30% to £12.1 million.

The principal reasons for this decline were destocking by customers, the impact of Sterling's strength on customers' exports and the increased competition faced by wallcoverings in the marketplace from paint. The decline was exacerbated by our own internal drive to reduce working capital tied up in stocks which caused a temporary reduction in orders from our own marketing companies.

Despite this rapid and unprecedented turnover decline, the company's management has coped well and Anstey has remained profitable for the year. The current year has started more positively and we are confident of an improved performance as the year progresses.

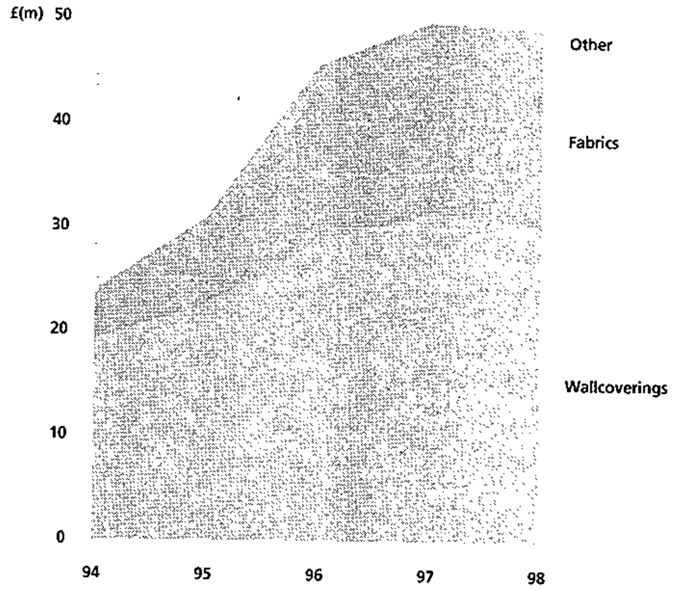
Tilbrook

The completion this year of the consumer division's warehousing centralisation has resulted in the creation of a new intergroup service business - Tilbrook Distribution in Milton Keynes.

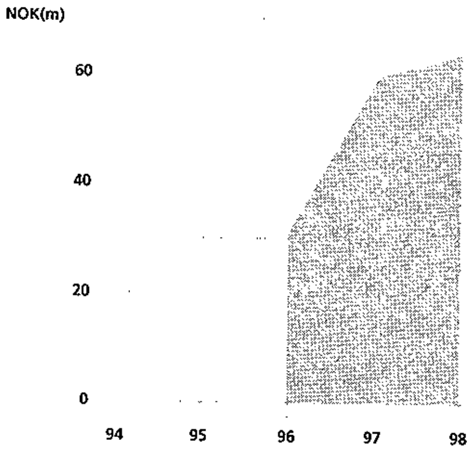


Consumer Division
Sales of overseas businesses by brand

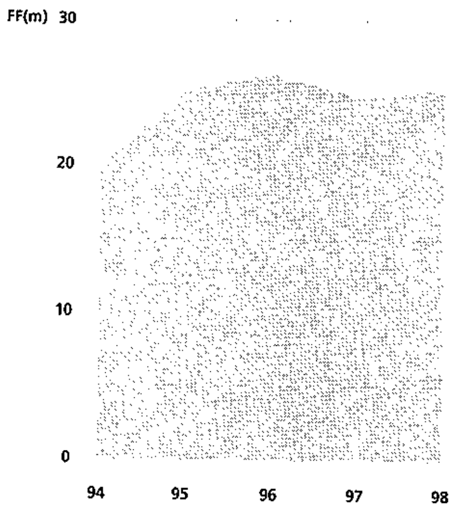
Our largest overseas business - Borge in Norway - has enjoyed another year of sound growth with turnover ahead by 8% to NOK 64 million.



Consumer Division turnover by product



Borge Norway turnover
Borge was acquired in September 1995

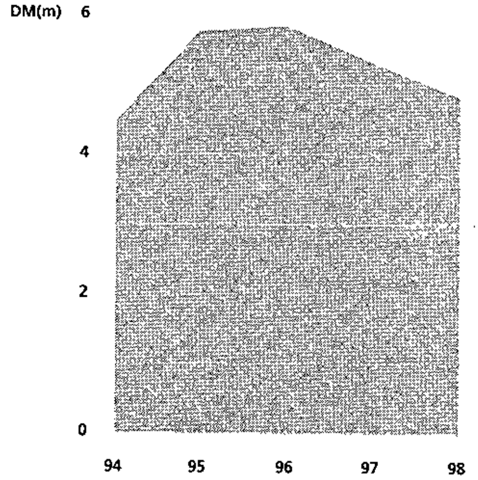


Whittaker & Woods France turnover

The establishment of this central function has brought many benefits. It has produced lower fixed and variable costs, established better service standards and introduced much clearer accountability and measurement in this key area of service. Strategically, the creation of this major asset within the division not only enables our marketing companies to benefit from the economies of scale, but it also provides a major opportunity for cost savings in any future acquisitions.

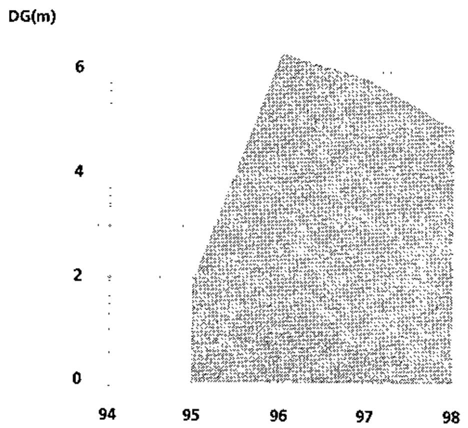
During 1998 we are planning to centralise all product sampling activity at Tilbrook and install new software systems to harmonise all divisional transaction processing. The new software platform will also enable further operational efficiencies to be realised across the division.

Borge (Norway)
Our largest overseas distribution business - Borge in Norway - has enjoyed another year of sound growth. Although market conditions in Norway have been slow, the company's turnover grew by 8% to NOK 64 million. Wallcoverings sales showed growth of 6% and furnishing fabrics sales were ahead by 14%.

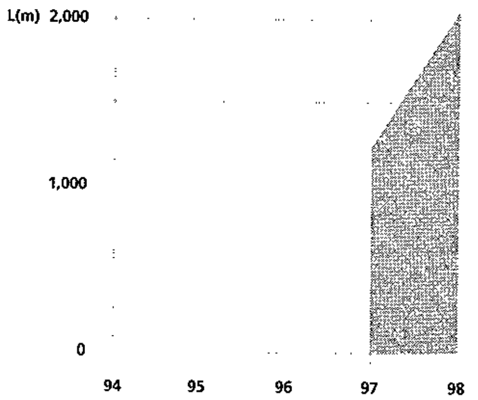


Whittaker & Woods Germany turnover

The centralisation of the Consumer Division's warehousing and distribution at Tilbrook over the last two years has created a major new strategic asset for the Division.



Whittaker & Woods Holland turnover
Whittaker & Woods Holland was acquired in September 1994



Whittaker & Woods Italy turnover
Whittaker & Woods Italy was established in April 1996

Borge's excellent performance has further reinforced its position as Norway's leading wallpaper distributor and has laid the foundations for further growth into the much larger furnishing fabrics market.

Whittaker & Woods (France)

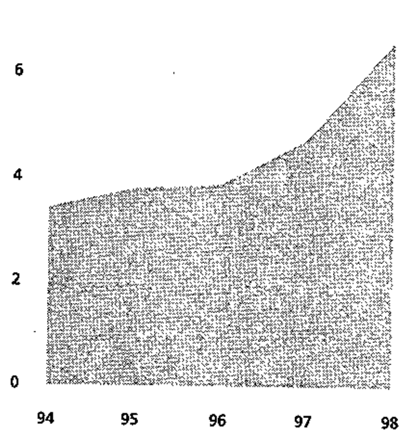
Our consumer division's sales in France have improved this year by 4% to FF 25.2 million after several years of stagnation.

The new salaried sales force, which replaced commission agents in 1996, has settled in well and is now beginning to re-establish the Cole and Warner brands in the French market after many years of neglect.

Whittaker & Woods (Germany)

The German consumer market remains depressed and our sales this year reflected market conditions, with turnover down by 10% to DM 4.8 million. We expect little improvement until the issue of EMU has been resolved and the German government begins the process of reflating the economy and restoring consumer confidence by reducing the unacceptably high level of domestic unemployment.

Our North American business has had an outstanding year with turnover ahead by 42% to $6.6 million. As it expands there is no doubt that it will become one of our most significant profit centres in the years to come.



Walker Greenbank Inc USA turnover

Whittaker & Woods (Holland)

Our Dutch distribution business has failed to meet its sales and marketing objectives over the last two years. As a result of this underperformance, we removed the Managing Director of the company in April 1997 and spent much of the year restructuring the business and improving its focus. This process is now largely completed. As a result of the termination of almost all non-group product distribution, the company's sales for the year declined by 17% to DG 4.8 million.

After over two years of negotiation we have just re-established control over the distribution of Harlequin in Belgium. Rather than set up a separate business we are integrating the Belgian customer service activities into the Dutch company in order to create one service platform for the whole of the Benelux market.

Whittaker & Woods (Italy)

In its first full year, our Italian distribution company has performed well. Turnover increased by 69% to Lire 2 billion and, from such a modest base, growth prospects are excellent in a market which appreciates English style and quality.

Walker Greenbank Inc (USA)

Our North American business has had an outstanding year. The Whittaker & Woods division which distributes Zoffany, Cole, Warner and Harlequin generated turnover growth of 78%, whilst TWIL improved sales by 7%. In total our turnover was ahead by 42% to $6.6 million.

During 1997 Whittaker & Woods opened departments in 2 new showrooms in Washington DC and Seattle. At the year end this gave us showroom representation in a total of 12 Design Centres across the United States. In 1997 we also opened departments in 3 new showrooms in Canada - in Toronto, Montreal and Vancouver - and we have plans for a further 2 showrooms in Canada during 1998.

After an initial start up loss of £1.1 million in 1996/97, most of which related to our investment in showroom sampling, Whittaker & Woods beat its budget in 1997/98 and we expect to be in profit in the current year - only 3 years after its launch. As our business continues its dynamic expansion in North America, there is no doubt that it will become one of our most significant profit centres in the years to come.

Operating Review Commercial Division

The Commercial division's profits have bounced back strongly after two relatively poor years. Profits last year grew by 27% to £7.0 million and have now risen at a compound rate of 8% over the last seven years.

This strong improvement in profitability has been achieved against a background of generally unfavourable market conditions which have allowed little, if any, growth in turnover. Sterling's rapid appreciation has affected our competitiveness in overseas markets and this was compounded in the second half by the sudden financial crisis in the Far East.

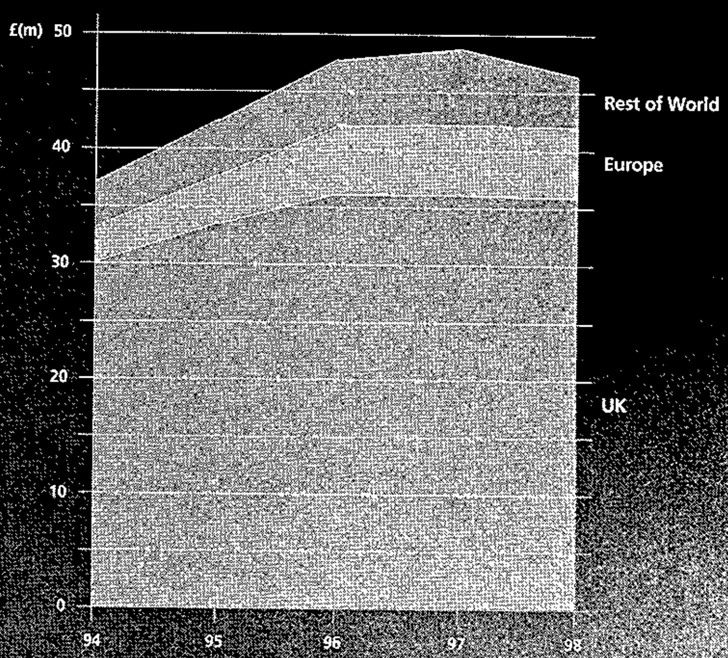
However, since the division, either directly or indirectly, sources most of its raw materials and some of its finished products abroad, it has benefited on the purchasing side from Sterling's strength. Mainly as a result of this factor, the divisional gross margin has improved by 4%. In addition, Muraspec has benefited from the absence of the one-off restructuring costs of £0.7 million, which depressed profits in 1996/97, and from the lower running rate of overheads which this reorganisation has produced in the current year.

Brymor

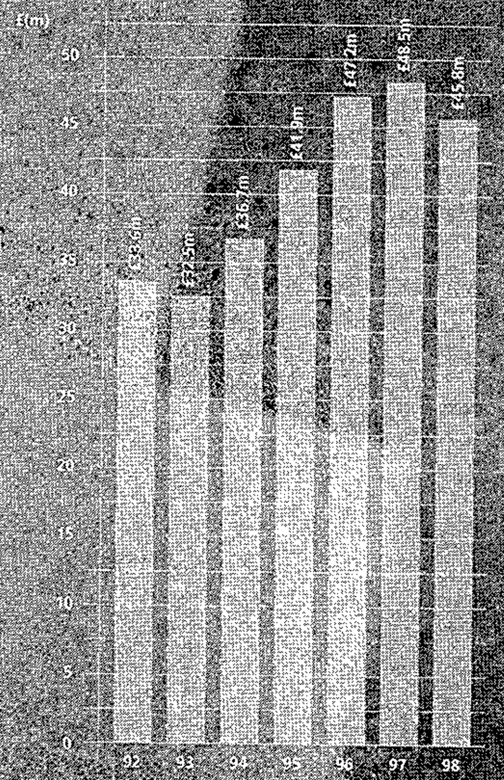
Brymor has had a difficult and somewhat disappointing year after having generated good growth in every year since its acquisition in 1991. Sales within the group were ahead by 11% on the back of improved volumes through our overseas distribution companies, but sales to third parties were down by 17%. In total, sales declined by 1% to £19.1 million.

The sudden and sharp third party turnover decline was caused by two main factors - the financial and economic crises in the Far East which disrupted sales in these key markets and the general impact of Sterling's appreciation on exports. Brymor had expected to benefit this year from a number of years of hard work establishing itself and its products in the Far East. However, sales to the region fell by 36% as a result of the financial turmoil and economic uncertainty. Sterling's strength has hit both Brymor's direct exports to third party distributors in such areas as Eastern Europe, where we are finding it difficult to compete with Continental manufacturers, and its indirect exports through the lower overseas sales of its UK customers in sectors such as the caravan industry.

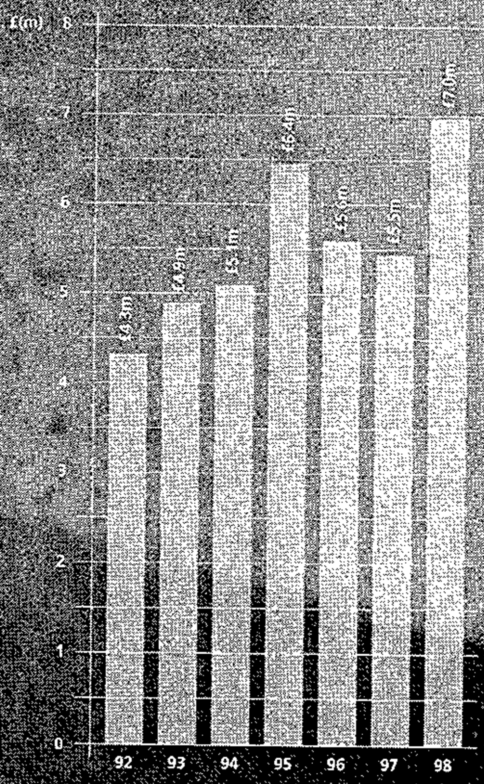
However, despite this disappointing sales performance, much of the profit shortfall was compensated for by improved margins caused by the positive impact of Sterling on the price of raw materials. Although the company failed to match last year's record level of profitability, the shortfall was marginal.



Commercial Division turnover by destination

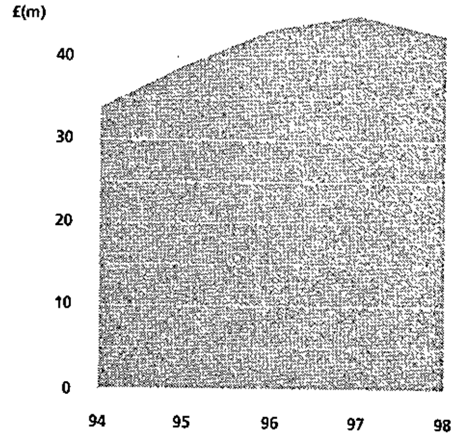


Commercial Division
turnover

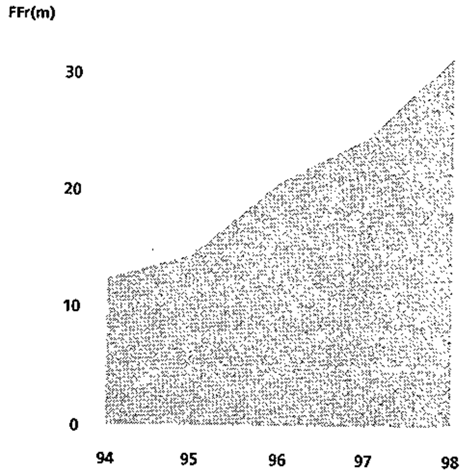


Commercial Division
profit before interest and tax

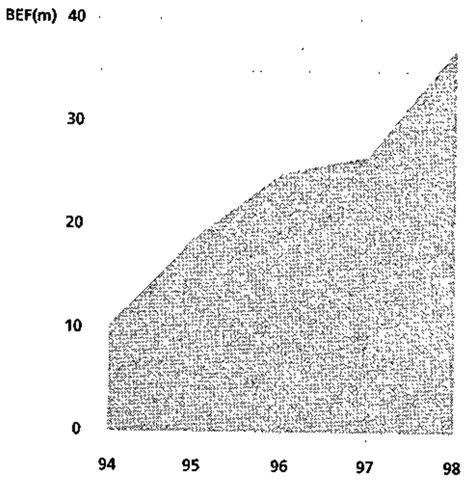
Muraspec's profits have improved sharply as a result of strong overseas sales in France and Belgium, good margin growth and lower overheads.



Muraspec UK, Brymor and Hartley turnover



Muraspec France total turnover



Muraspec Benelux total turnover

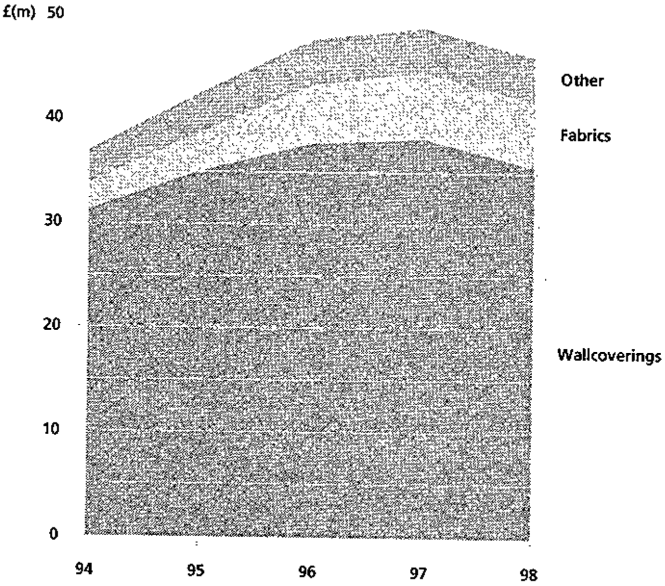
Muraspec (UK)

Muraspec's UK sales this year grew by 1% to £30.1 million in a generally flat market. One of the main factors which has influenced market conditions over the last several years has been a rise in the use of paint rather than wallcoverings. This trend reflects a move generally towards more contemporary interiors, but as more specifiers have used paint, so they have come to realise that it does not perform as well in a commercial interior as a durable wallcovering. We are therefore just beginning to see the first signs that this trend is reversing.

Despite this modest sales performance, Muraspec's profits have improved sharply as a result of good margin growth and lower overheads following the closure of five regional branches and the reorganisation of all aspects of customer service in 1996. The company's new centralised customer service centre in Hemel Hempstead is working extremely efficiently and has become a key tool in the company's drive to keep its standards of service ahead of its competitors.

Muraspec (France)

Muraspec's French distribution business has enjoyed another excellent year with sales ahead by 31% to FF 31.6 million. Over the last five years, our



Commercial Division turnover by product

The restructuring of our commercial fabrics business is already producing results - both in terms of lower costs and much more dynamic sales growth.

business in France has more than doubled and with our market share now standing at approximately 10%, we are well on the way to establishing the market leadership position which we enjoy in the UK.

Muraspec (Belgium)

Muraspec's Belgian branch has almost quadrupled in size in the last five years. This year, sales increased by 40% to BEF 36.5 million and they are budgeted to increase by a similar amount in 1998/99.

Muraspec (Poland)

At the beginning of the year Muraspec opened a new branch operation in Poland. Although sales in the year were minimal, our first year of operating directly in the market has confirmed the potential for expansion into this dynamic economy. We are confident that the market in Poland - and Eastern Europe generally - offers an even greater growth opportunity than Muraspec's existing overseas branches in the more established and mature markets of Western Europe.

Hartley

During the year we merged the commercial division's three contract fabrics businesses - Hartley, Harris and Hemisphere - into one company. Previously the Harris and Hemisphere brands had been part of Muraspec.

The combined company is now based at Hartley's premises in West Yorkshire and had a total turnover in the year of £6.1 million. This reorganisation was primarily designed to create greater management focus and accountability, better sales coverage for all three brands and better internal control over the sourcing of product.

Although the restructuring was only completed in December, we are already seeing a significant improvement in the financial performance of the combined operation - both in terms of lower costs and much more dynamic sales growth. After several years of difficult trading in this product area we are already confident that the current year will see a marked improvement in profitability.

Charles Wightman
Chief Executive

Financial Review

Profit and loss account format

We have maintained the columnar format adopted last year to show more clearly the results of the continuing operations, excluding those of the healthcare division. Our comparatives have had to be restated to reflect the effects of the discontinued businesses. A comparison with last year's published numbers is set out in note 3 to the accounts on page 44.

Change in accounting policy

For some years, we have had a policy of capitalising the amounts spent on the creation of pattern books and shade cards. This policy spread the cost of the expenditure over a period approximating to the life of the pattern books and shade cards in the marketplace, which in substance, amounted to periods of between one and four years. This had the effect of maintaining an asset in the balance sheet, which in the year ended 31 January 1997, amounted to over £7m and was intangible in nature.

We have decided that it is more appropriate to charge this expenditure directly to the profit and loss account in the year in which it is incurred and therefore present a clearer picture of how this cost affects the results of the Group. As a result, we have had to make a prior year adjustment to restate both last year's profit and loss account and balance sheet to provide an accurate comparison with the new accounting policy used this year. The effects are set out in note 1 on page 42.

Earnings per share

Profit after tax increased 34% to £6.1m for the year. The exercise of share options and the further conversion of some preference shares increased the weighted average number of shares in issue to 119.6m, an increase of 1%. The result has been that, basic earnings per share have increased from 3.75p to 5.05p. Underlying earnings before the discontinued operations' results rose to £7.9m, with underlying earnings per share rising to 6.6p.

Dividends

The board is proposing to maintain the final dividend at 2.4 pence per ordinary share, making a total of 3.7 pence for the year, in line with last year. This gives basic dividend cover of 1.38 times (1.03 times) and underlying dividend cover of 1.79 times.

Interest

Our borrowings increased sharply in 1996/7 to £4.5m and although we have managed to reduce this level over the year by £2.0m, our interest charge reflects the effects of a full year of borrowings at a higher level. Interest charged to the profit and loss account has increased to £0.5m (£0.3m).

The group uses a mixture of short and medium term borrowings at a variety of fixed and variable rates. Details of the loans are shown in note 20 to the accounts on page 53.

Taxation

Our overall tax rate has reduced this year to 23.3% from 34.5% last year. Over the years, we have built up reserves to meet our actual and potential tax liabilities. We continue to follow this practice as it is a prudent method of operating in an increasingly complex area particularly where there are international operations. This year we have critically examined the reserves set aside for the payment of our overseas tax liabilities. As a consequence, we have been able to release £0.8m without impairing our ability to meet proper tax liabilities in full.

Cash flow and borrowings

As I noted above in my comments on interest, during this year we have reduced our borrowings. Net debt, as highlighted below, was £2.5m, representing only 5.3% gearing (1997 10.1%).

The full cash flow statement is set out on page 40 and is summarised below:

	1998 £m	1997 *as restated* £m
Net cash inflow from operating activities	**13.8**	6.5
Net interest paid	**(0.6)**	(0.3)
Net capital expenditure	**(4.4)**	(4.4)
Dividends paid	**(4.4)**	(4.3)
Tax paid	**(2.6)**	(2.1)
Net receipt/(payment) for disposals/acquisitions	**0.3**	(0.6)
Issue of ordinary share capital	**-**	0.5
Other	**(0.1)**	-
Decrease/(increase) in net borrowings	**2.0**	(4.7)
Net borrowings at 1 February 1997	**(4.5)**	0.2
Net borrowings at 31 January 1998	**(2.5)**	(4.5)

Treasury policy and foreign exchange management

The group's treasury function is controlled centrally in accordance with procedures approved by the board. It is run prudently as a central group function providing services to other group companies and adopts a risk averse strategy. Transaction exposure is managed by netting imports and exports where practical, with as much as economically possible covered through forward contracts.

We have also continued the broad policy of matching foreign currency assets with similar foreign currency borrowings.

Going concern

After making enquiries the directors have formed the opinion that at the time of approving the accounts there is a reasonable expectation that the group and the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Aidan Connolly
Finance Director

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 1998.

Group results

The profit before taxation amounted to £7,961,000 (£6,948,000). The directors recommend payment of a final ordinary dividend of 2.40p (2.40p) per share, amounting to £2,874,000 (£2,866,000), making a total of 3.70p (3.70p) and £4,430,000 (£4,431,000) for the year, which with preference dividends of £70,000 (£89,000), leaves a surplus of £1,607,000 (£25,000) to be transferred to reserves.

Review of the business

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

On 3 April 1998 agreement was reached in principle by the group to dispose of its commercial wallcoverings business for a cash consideration in excess of £70 million.

Further information on the business and future of the group is included in the chairman's statement on pages 6 to 9 and in the operating and financial reviews on pages 12 to 25.

Directors

The board of directors as at the date of this report is set out on pages 10 and 11, together with biographical details. Details of changes in the composition of the board during the year are set out in Corporate Governance on page 32.

Directors' shareholdings

The interests of the directors in office at 31 January 1998 in the share capital of the company were:

	Number of ordinary shares	
	Beneficial 31 Jan 1998	Beneficial 31 Jan 1997
AJ Connolly	**797,014**	-
PF Mostyn	**27,268**	8,496
DG Richards	**60,000**	60,000
RC Smurthwaite	**20,668**	20,668
The Rt. Hon. The Viscount Thurso	**19,600**	-
AC Wightman	**119,855**	30,392

The movement in share options held by the directors during the year is shown as part of the remuneration committee report on pages 29 to 31.

Full details of the directors' shareholdings and options to subscribe are included in the Register of Directors' Interests (a copy of which is open to inspection at the registered office).

None of the directors' interests changed between 31 January 1998 and 7 April 1998. The directors had no interests in the preference shares of the company.

At no time during the year did any of the directors hold a beneficial interest in the share capital of any of the company's subsidiaries.

Directors' service contracts

All executive directors have two year rolling contracts which are in line with industry standards. Mr DG Richards has a contract that is terminable on short notice. The Rt. Hon. The Viscount Thurso and Sir Malcolm Field were appointed on contracts with fixed terms of three and one year respectively.

Executive share option schemes

Options over 10,260 ordinary shares were exercised during the year, at an exercise price of 49.7p per share. During the year, options over 1,410,000 ordinary shares have been issued and options over 368,422 ordinary shares have lapsed of which 15,000 were issued during the year. Options over ordinary shares outstanding at 31 January 1998 are as shown below.

Date granted	No of shares	Subscription price	Exercisable
4 November 1988	269,325	114.1p	04.11.91 to 03.11.98
4 June 1990	189,810	49.7p	04.06.93 to 03.06.00
14 May 1991	480,168	63.4p	14.05.94 to 13.05.01
26 May 1993	933,660	80.0p	26.05.96 to 25.05.03
10 January 1994	112,860	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	210,330	98.5p	04.05.97 to 03.05.04
20 June 1994	1,385,100	102.4p	20.06.97 to 19.06.04
13 April 1995	910,000	96.0p	13.04.98 to 12.04.05
3 May 1995	100,000	96.0p	03.05.98 to 02.05.05
5 July 1995	60,000	89.0p	05.07.98 to 04.07.05
1 November 1995	50,000	88.0p	01.11.98 to 31.10.05
1 May 1996	210,000	98.0p	01.05.99 to 30.04.06
6 November 1996	250,000	69.5p	06.11.99 to 05.11.06
23 April 1997	1,020,000	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
	6,607,553		

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.

Research and development

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

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 29 to the accounts.

Employees

The group keeps its employees informed on matters affecting them and on the progress of the group by way of informal meetings and consultation with employees' representatives. Employees are encouraged to participate in holding shares in the group through the corporate PEP. 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

Substantial shareholdings in the issued ordinary share capital of the company at 31 March 1998 were: Edinburgh Fund Managers 10.32%, Prudential Corporation plc 5.81%, B.A.T. Industries plc Group 4.88%, British Airways Pension Trustees Limited 4.46%, General Accident plc 3.49% and ESN Pension Management Group Limited 3.47%.

Special business

At the Annual General Meeting on 24 June 1998 resolutions 7, 8, 9 and 10 will be special business. Details of the business can be found in the accompanying circular.

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 1998 represents 44 days of average purchases during the year for the group.

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

Close company provisions

The directors are of the opinion that the company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Auditors

Price Waterhouse 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
Anne Thomas
Secretary
7 April 1998

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

Report of the Remuneration Committee

Statement of compliance

The constitution and operation of the Committee complies with the principles of the Greenbury Code as now incorporated in Section A of the Best Practice Provisions annexed to the Stock Exchange Listing Rules. The Committee has given full consideration to Section B of the Best Practice Provisions in determining the remuneration packages for directors.

Remuneration Committee

The Remuneration Committee comprises the three non-executive directors and is chaired by Mr DG Richards. The Committee is responsible for measuring 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 Commitee is advised periodically by external consultants.

Remuneration 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 packages which attract, retain and motivate executive directors and management.

The main components of each executive director's remuneration are basic salary, annual bonus and share options.

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. Any bonus payable is pensionable in accordance with the practice adopted for all employees who are members of the group pension schemes.

3) Share options form the basis of longer term incentives for the executive directors and senior executives and are granted at the discretion of the Remuneration Committee.

Directors' pension arrangements

The company operates a pension scheme for directors which is a defined benefit scheme whereby retirement benefits based on final remuneration and length of service are funded through a separate trustee administered scheme. The company pays contributions to the scheme on behalf of executives based on the recommendations of the independent actuary who carries out a valuation of the scheme every three years.

Directors' contracts

Details of service contracts are shown in the Report of the Directors on page 27.
On 1 May 1997 Mr AJ Connolly was appointed to the board as an executive director with a two year rolling service contract.

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

REMUNERATION EXCLUDING SHARE OPTIONS AND PENSION CONTRIBUTIONS	Salary £000	Benefits £000	Bonus (i) £000	Total excluding pensions 1998 £000	Total excluding pensions 1997 £000
Executive directors					
AC Wightman (ii)	**220**	**9**	**40**	**269**	208
AJ Connolly	**93**	**9**	**20**	**122**	-
RC Smurthwaite	**165**	**15**	**-**	**180**	204
PF Mostyn	**130**	**13**	**-**	**143**	116
Non-executive directors					
DG Richards (Chairman)	**65**	**-**	**-**	**65**	56
The Rt. Hon. The Viscount Thurso	**11**	**-**	**-**	**11**	-
Sir Malcolm Field	**17**	**-**	**-**	**17**	-
MS Meyer (iii)	**17**	**-**	**-**	**17**	24
	718	**46**	**60**	**824**	608

(i) Performance related bonuses are payable to executive directors and are part of total pensionable salary.

(ii) AC Wightman is the highest paid director.

(iii) MS Meyer was also paid £9,000 as compensation for loss of office on 22 September 1997.

(iv) Benefits include the value attributed to benefits such as the provision of a company car, fuel and medical insurance.

(v) Contributions payable in respect of directors' pensions were £145,000 (1997 £135,000).

DIRECTORS' PENSION BENEFITS	Accrued pension benefit at 1 February 1997 £000	Increase in accrued pension benefit £000	Accrued pension benefit at 31 January 1998 £000	Transfer value of increase in accrued benefit £000
AC Wightman	18	2	**21**	16
AJ Connolly	-	2	**2**	18
RC Smurthwaite	83	5	**91**	60
PF Mostyn	2	1	**4**	16
	103	10	**118**	110

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

MOVEMENTS IN SHARE OPTIONS HELD BY DIRECTORS

	1 February 1997 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	31 January 1998 Number	Option Price (pence)	Exercise dates Earliest	Latest
AC Wightman	153,900				**153,900**	49.7	04.06.93	03.06.00
	205,200				**205,200**	63.4	14.05.94	13.05.01
	205,200				**205,200**	80.0	26.05.96	25.05.03
	307,800				**307,800**	102.4	20.06.97	19.06.04
	150,000				**150,000**	96.0	13.04.98	12.04.05
AJ Connolly	-	200,000			**200,000**	66.0	01.05.00	30.04.07
RC Smurthwaite	102,600				**102,600**	114.1	04.11.91	03.11.98
	153,900				**153,900**	80.0	26.05.96	25.05.03
	230,850				**230,850**	102.4	20.06.97	19.06.04
	100,000				**100,000**	96.0	13.04.98	12.04.05
PF Mostyn	100,000				**100,000**	96.0	03.05.98	02.05.05
	50,000				**50,000**	88.0	01.11.98	31.10.05
	50,000				**50,000**	98.0	01.05.99	30.04.06
	100,000				**100,000**	69.5	06.11.99	05.11.06
	-	300,000			**300,000**	66.0	23.04.00	22.04.07
Total	**1,909,450**	**500,000**	**-**	**-**	**2,409,450**			

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 1998 was 45p and the range during the year was 42p to 66p.

David Richards
Chairman

Corporate Governance

A summary of our system of corporate governance in respect of the Code of Best Practice by the Committee on the Financial Aspects of Corporate Governance ('the Code') appears below:

Board Composition

At the end of the year the board of directors comprised four executive and three non-executive directors. On 1 May 1997 Mr AJ Connolly was appointed an executive director, and Sir Malcolm Field and The Rt. Hon. The Viscount Thurso were appointed as non-executive directors on 25 June 1997 and 24 September 1997 respectively. On 22 September 1997, Mr MS Meyer resigned as non-executive director.

There is a clear separation of the roles of chairman, chief executive and divisional managing directors. The board meets regularly throughout the year and is responsible for overall group strategy, acquisition and investment policy, approval of major capital expenditure projects and consideration of other significant financial matters. It reviews the strategy and direction of individual trading subsidiaries, their annual budgets, their progress towards the achievement of those budgets and their capital expenditure programmes.

Audit Committee

The Audit Committee comprises the three non-executive directors and meets formally twice a year and whenever it is considered 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. Mr DG Richards has been chairman of the Audit Committee since its foundation in 1991.

Compliance

Areas where the board, after due consideration, did not comply formally with the Code during the financial year are noted below:

(i) One of the non-executive directors was not appointed for specific terms. In future all non-executive directors will be appointed for fixed terms, as they stand for re-election on retirement by rotation;

(ii) From 31 January 1997 until 25 June 1997 there were only two non-executive directors on the board. The board believed that its composition reflected the requirements of the size of the company and gave a reasonable balance between non-executive and executive directors. This view is supported by The City Group for Smaller Companies (CISCO) who believe that two non-executive directors are sufficient for a company of our size. However, during the year, the decision was taken to strengthen the board by the appointment of Sir Malcolm Field and The Rt. Hon. The Viscount Thurso.

Other than for the matters referred to above, since 1 February 1997 the company has complied with all the relevant requirements of the Code.

Internal Financial Controls

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 or unauthorised use and that transactions are properly authorised and recorded.

The framework for the system may be described as follows:

Financial Reporting

The group has a comprehensive system for reporting financial results to the board. Each operating unit reports monthly results, with comparison against quarterly forecasts, budget and prior year. The group reports twice each year to shareholders. Towards the end of each financial year, the operating units prepare detailed budgets for the following year and update their rolling five year strategic plans. Budgets and plans are reviewed by the board prior to formal adoption.

Operating Unit Controls

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.

Controls over Central Functions

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

Investment Appraisal

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, both by the group's own staff and 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.

The auditors have reported to the board that in their opinion the directors' statements on internal financial controls and on going concern on page 25 have provided the disclosures required by Listing Rules 12.43(j) and 12.43(v) and are consistent with the information which came to the auditors' attention as a result of their audit work on the financial statements; and that the directors' other statement on page 35 appropriately reflects the group's compliance with the other paragraphs of the Code specified for their review by Listing Rule 12.43(j). The auditors were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the group's system of internal financial controls or corporate governance procedures nor on the ability of the group to continue in operational existence.

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Wachovia Bank, NA
Leconfield House
Curzon Street
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W1Y 7FB

PUBLIC RELATIONS
Citigate Communications Ltd
26 Finsbury Square
London
EC2A 1DS

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;

(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.

By order of the board
Anne Thomas
Secretary
7 April 1998

Auditors' Report

To the members of Walker Greenbank PLC

We have audited the financial statements on pages 38 to 59 and the directors' remuneration information on pages 30 and 31 which have been prepared under the accounting polices set out on pages 42 and 43.

Respective Responsibilities of Directors and Auditors

As described on page 35, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based upon our audit, on those statements and to report our opinion to you.

Basis of 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 circumstances of the company and the group, 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 as at 31 January 1998 and of 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.

Price Waterhouse

Price Waterhouse
Chartered Accountants and Registered Auditors
10 Bricket Road
St Albans
Hertfordshire AL1 3JX
7 April 1998

Financial Statements

Group Profit and Loss Account

Year ended 31 January 1998

	note	Continuing operations 1998 £000	Discontinued operations 1998 £000	Total 1998 £000	Total *as restated* 1997 £000
TURNOVER	2, 3	94,298	1,895	96,193	100, 877
OPERATING PROFIT/(LOSS)	2, 3, 5	10,276	(118)	10,158	6,851
Net profit on disposal of properties		-	-	-	367
Loss on disposal of discontinued operations	4	-	(1,681)	(1,681)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		10,276	(1,799)	8,477	7,218
Net interest payable	8	(516)	-	(516)	(270)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		9,760	(1,799)	7,961	6,948
Tax on profit/(loss) on ordinary activities	9	(1,838)	(16)	(1,854)	(2,403)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		7,922	(1,815)	6,107	4,545
Dividends (including non-equity)	17			(4,500)	(4,520)
RETAINED PROFIT FOR THE YEAR	23			1,607	25
EARNINGS PER SHARE (PENCE) - basic	10	-		5.05p	3.75p
- underlying	10	6.57p		-	4.74p
DIVIDEND PER SHARE	17			3.70p	3.70p

Balance Sheets

At 31 January 1998

	note	Group 1998 £000	Group *as restated* 1997 £000	Company 1998 £000	Company 1997 £000
FIXED ASSETS					
Tangible assets	11	**26,151**	25,238	**12,144**	12,569
Walker Greenbank PLC shares	12	**3,070**	2,070	**3,070**	2,070
Investments	13	**-**	517	**17,571**	18,027
		29,221	27,825	**32,785**	32,666
CURRENT ASSETS					
Stocks	14	**19,770**	21,432	**-**	-
Debtors	15	**20,863**	22,640	**46,713**	40,332
Cash at bank and in hand		**3,573**	2,199	**920**	9
		44,206	46,271	**47,633**	40,341
CREDITORS: due within one year	16	**(23,822)**	(25,287)	**(35,419)**	(23,850)
Net current assets		**20,384**	20,984	**12,214**	16,491
Total assets less current liabilities		**49,605**	48,809	**44,999**	49,157
CREDITORS: due after more than one year	18	**(1,711)**	(3,488)	**(1,469)**	(3,188)
PROVISIONS FOR LIABILITIES AND CHARGES	21	**(497)**	(452)	**(187)**	(135)
NET ASSETS		**47,397**	44,869	**43,343**	45,834
CAPITAL AND RESERVES (including non-equity interests)					
Share capital	22	**18,206**	18,205	**18,206**	18,205
Share premium account	23	**24,652**	24,649	**24,652**	24,649
Profit and loss account	23	**5,062**	2,412	**485**	2,980
Other reserves	23	**(523)**	(397)	**-**	-
SHAREHOLDERS' FUNDS	24	**47,397**	44,869	**43,343**	45,834

A C Wightman

A J Connolly

Directors

These accounts were approved by the directors on 7 April 1998

Group Cash Flow Statement

Year ended 31 January 1998

	note	1998 £000	1998 £000	1997 *as restated* £000	1997 *as restated* £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26		**13,794**		6,506
RETURNS ON INVESTMENT AND SERVICING OF FINANCE					
Interest received		**263**		125	
Interest paid		**(774)**		(391)	
Interest element of finance lease payments		**(3)**		(4)	
Dividends paid on non-equity shares		**(76)**		(51)	
			(590)		(321)
TAXATION			**(2,639)**		(2,060)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible fixed assets		**(4,345)**		(7,320)	
Purchase of investments		**(1,000)**		-	
Proceeds from disposal of investment properties		**485**		2,801	
Proceeds from disposal of tangible fixed assets		**507**		76	
			(4,353)		(4,443)
ACQUISITION AND DISPOSALS					
Sale of discontinued operation		**332**		-	
Purchase of overseas distribution businesses		**(32)**		(647)	
			300		(647)
EQUITY DIVIDENDS PAID			**(4,422)**		(4,362)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING			**2,090**		(5,327)
MANAGEMENT OF LIQUID RESOURCES					
Bills of exchange receivable			**(70)**		131
FINANCING					
Issue of ordinary share capital		**4**		496	
Principal repayments of finance lease obligations		**(7)**		(19)	
Proceeds of medium term loans		**-**		2,213	
Repayment of borrowings		**(1,086)**		(272)	
			(1,089)		2,418
INCREASE/(DECREASE) IN CASH	28		**931**		(2,778)

Statement of Total Recognised Gains and Losses

Year ended 31 January 1998

	1998 £000	1997 *as restated* £000
Profit for the financial year	**6,107**	4,545
Currency translation differences	**(558)**	(321)
Total recognised gains and losses relating to the year	**5,549**	4,224
Prior year adjustment (as explained in note 1)	**(3,838)**	
Total recognised gains and losses recognised since 31 January 1997	**1,711**	

Note of Historical Cost Profits and Losses

Year ended 31 January 1998

	1998 £000	1997 *as restated* £000
Profit on ordinary activities before taxation	**7,961**	6,948
Realisation of property revaluation gains	**112**	55
Difference between historical cost depreciation charge and actual depreciation charge	**14**	16
Historical cost profit on ordinary activities before taxation	**8,087**	7,019
Historical cost profit for the year retained after taxation and dividends	**1,733**	96

Reconciliation of Movements in Shareholders' Funds

Year ended 31 January 1998

	1998 £000	1997 *as restated* £000
Profit for the financial year	**6,107**	4,545
Dividends	**(4,500)**	(4,520)
Retained profit for the year	**1,607**	25
Currency translation differences	**(558)**	(321)
New share capital subscribed	**4**	1,816
Goodwill written-off	**(32)**	(1,014)
Goodwill transferred to profit and loss account on disposal of discontinued operation	**1,507**	-
Net addition to shareholders' funds	**2,528**	506
Opening shareholders' funds (originally £48,707,000 before deducting prior year adjustment of £3,838,000)	**44,869**	44,363
Closing shareholders' funds	**47,397**	44,869

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 made up to 31 January 1998. Profits arising on trading between group undertakings are excluded.

The group profit and loss account includes the results of all companies acquired during the year from their effective date of acquisition using the acquisition method.

No profit and loss account is presented for Walker Greenbank PLC as provided by Section 230 of the Companies Act 1985. £2,005,000 (£2,873,000) of the profit attributable to shareholders has been dealt with in the accounts of the parent company.

PRIOR YEAR ADJUSTMENT

The cost of pattern books and shade cards for ranges launched in the year is charged directly to the profit and loss account. This represents a change to the previous policy of capitalising and amortising these costs and, consequently, the results for the prior year have been restated to be prepared on a consistent basis. The effect of this change in policy on the current year when comparing to the original basis is to increase the profit after taxation by £136,000 (reduce by £1,507,000).

Costs incurred in developing pattern books and shade cards for ranges not yet launched are held within work in progress in stocks and are written off in the year of launch. Pattern books and shade cards held for resale are included in finished goods at the lower of cost and net realisable value.

Following this change in accounting policy print rollers are now shown as part of plant and machinery within tangible fixed assets. Previously they were included within a separate category of pattern books, shade cards and print rollers.

GOODWILL

Purchased goodwill and goodwill arising on consolidation, being the difference between the consideration payable and the fair value of the net assets acquired, are written off against the profit and loss account reserve upon acquisition. Goodwill is charged against the disposal proceeds on the disposal of a business with a corresponding adjustment to reserves for the amount previously written off.

FOREIGN CURRENCY

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 continued

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.

TURNOVER

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

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 to 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%
Short and Long Leaseholds	Over the unexpired period of lease
Plant, Equipment and Vehicles	Between 5% 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 income as incurred.

DEFERRED TAXATION

Deferred taxation is provided on all timing differences only to the extent that they are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.

2 **SEGMENTAL ANALYSIS**

(a) Classes of business	Turnover 1998 £000	Turnover *as restated* 1997 £000	Operating profit/(loss) 1998 £000	Operating profit/(loss) *as restated* 1997 £000	Non-interest bearing operating net assets 1998 £000	Non-interest bearing operating net assets *as restated* 1997 £000
Continuing operations:						
Fabrics, wallcoverings and other businesses	**94,298**	97,816	**10,276**	7,210	**55,706**	55,399
Discontinued operations:	**1,895**	3,061	**(118)**	(359)	**180**	781

(b) Geographical segments	Turnover 1998 £000	Turnover *as restated* 1997 £000	Operating profit/(loss) 1998 £000	Operating profit/(loss) *as restated* 1997 £000	Non-interest bearing operating net assets 1998 £000	Non-interest bearing operating net assets *as restated* 1997 £000
By origin on continuing operations:						
United Kingdom	**74,522**	77,703	**10,271**	8,747	**54,012**	53,058
Continental Europe	**15,779**	17,183	**(477)**	(340)	**594**	1,427
North America	**3,997**	2,930	**482**	(1,197)	**1,100**	914
	94,298	97,816	**10,276**	7,210	**55,706**	55,399
By destination on continuing operations:						
United Kingdom	**60,627**	61,926				
Continental Europe	**21,625**	23,812				
North America	**5,198**	4,413				
Rest of the world	**6,848**	7,665				
	94,298	97,816				

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

Discontinued operations' activities were located solely in the United Kingdom, and the operations had no turnover outside the United Kingdom.

3 **ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS**

	Continuing operations 1998 £000	Discontinued operations 1998 £000	Total 1998 £000	Continuing operations *as restated* 1997 £000	Discontinued operations *as restated* 1997 £000	Total *as restated* 1997 £000
Turnover	**94,298**	**1,895**	**96,193**	97,816	3,061	100,877
Cost of sales	**(39,104)**	**(1,071)**	**(40,175)**	(43,825)	(1,707)	(45,532)
Gross profit	**55,194**	**824**	**56,018**	53,991	1,354	55,345
Net operating expenses						
Distribution costs	**(22,154)**	**(49)**	**(22,203)**	(25,970)	(193)	(26,163)
Administrative expenses	**(22,787)**	**(893)**	**(23,680)**	(20,941)	(1,520)	(22,461)
Other operating income	**23**	**-**	**23**	130	-	130
Operating profit	**10,276**	**(118)**	**10,158**	7,210	(359)	6,851

3 ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS continued

The 1997 continuing operations' operating profit included exceptional operating expenses of £1,206,000, comprising £544,000 in respect of the restructuring of the Consumer Division's warehousing and distribution, and £662,000 in respect of the centralisation of Muraspec's customer services department which resulted in the closure of five regional branches in the UK.

4 LOSS ON SALE OF DISCONTINUED OPERATIONS

The Healthcare Division was sold on 31 October 1997 for a cash consideration of £981,000. The disposal comprised the sale of the trade, fixed assets, stock and prepayments.

The loss on disposal of £1,681,000 included the effect of £1,507,000 of goodwill which was previously written off direct to reserves (note 23), and £649,000 of legal fees and other payments for a related legal dispute.

The taxation effect of this disposal is to decrease the taxation charge by £201,000.

5 OPERATING PROFIT

	1998	1997 *as restated*
	£000	£000
Operating profit is after charging:		
Auditors' remuneration:		
Audit fees	**120**	120
Taxation and other services	**83**	83
Depreciation of owned assets	**3,024**	2,648
Depreciation of assets held under finance leases and hire purchase contracts	**104**	134
Hire of motor vehicles and plant and machinery	**1,231**	1,265
Other operating leases	**1,192**	1,136

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

6 EMOLUMENTS OF DIRECTORS

The emoluments of the directors who held office during the year are shown in the Report of the Remuneration Committee on pages 30 and 31.

7 EMPLOYEE INFORMATION, EXCLUDING DIRECTORS

	1998	1997
	£000	£000
Wages and salaries	**23,702**	24,844
Social security costs	**2,455**	2,615
Other pension costs	**776**	1,277
	26,933	28,736

The average weekly number of employees during the year:	**Number**	Number
Sales, warehousing and administration	**786**	798
Manufacturing	**372**	361
	1,158	1,159

8 NET INTEREST PAYABLE

	1998 £000	1997 £000
Interest receivable:		
Bank and other short term deposit interest receivable	**263**	129
Interest payable:		
Bank and other short term interest on loans and overdrafts wholly repayable within 5 years	**(764)**	(378)
Bank interest on loans not wholly repayable within 5 years	**(12)**	(17)
Finance charges payable under finance leases and hire purchase contracts	**(3)**	(4)
	(779)	(399)
Net interest payable	**(516)**	(270)

9 TAXATION

	1998 £000	1997 *as restated* £000
Corporation tax at 31% (33%)	**2,318**	2,450
Deferred taxation (note 21)	**117**	150
Overseas taxation	**232**	152
	2,667	2,752
Adjustments with respect to prior years	**(813)**	(349)
	1,854	2,403

The adjustments with respect to prior years relate to the release of reserves set aside in previous years for tax liabilities which are now not expected to materialise.

10 EARNINGS PER SHARE

Earnings per share is based on the profit on ordinary activities after taxation and preference dividends, amounting to £6,037,000 (£4,456,000) and the weighted average of 119,556,097 (118,781,690) ordinary shares in issue during the year. No material dilution of earnings per share would arise if all outstanding share options were exercised.

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:

	1998 Pence per share	1998 £000	1997 Pence per share *as restated*	1997 £000 *as restated*
Profit attributable to ordinary shareholders	**5.05**	**6,037**	3.75	4,456
Discontinued operations loss after taxation	**1.52**	**1,815**	0.31	357
Exceptional operating items after taxation	**-**	**-**	0.68	808
	6.57	**7,852**	4.74	5,621

11 TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant, equipment and vehicles *as restated* £000	Total *as restated* £000
GROUP			
Cost or valuation:			
1 February 1997	15,560	27,702	43,262
Additions	391	4,079	4,470
Disposals	(364)	(636)	(1,000)
Currency movements	(20)	(167)	(187)
31 January 1998	**15,567**	**30,978**	**46,545**
Depreciation:			
1 February 1997	1,931	16,093	18,024
Charge	242	2,886	3,128
Disposals	(49)	(579)	(628)
Currency movements	(7)	(123)	(130)
31 January 1998	**2,117**	**18,277**	**20,394**
Net book value			
31 January 1998	**13,450**	**12,701**	**26,151**
31 January 1997	13,629	11,609	25,238
Analysis of cost and valuation:			
At cost	13,846	30,978	44,824
At valuation 1993	1,721	-	1,721
	15,567	**30,978**	**46,545**

Land and buildings were valued on 31 January 1993 at open market value on the basis of existing use.

	£000
The net book value of land and buildings comprises:	
Freehold land	3,493
Freehold buildings	9,643
Long leaseholds	79
Short leaseholds	235
Net book value at 31 January 1998	**13,450**

11 TANGIBLE FIXED ASSETS continued

	Group and Company £000
If shown on a historical cost basis, land and buildings would be stated at:	
Cost	14,640
Depreciation	(2,048)
Net book value at 31 January 1998	**12,592**

COMPANY	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation:			
1 February 1997	13,154	514	13,668
Additions	48	168	216
Disposals	(406)	-	(406)
31 January 1998	**12,796**	**682**	**13,478**
Depreciation:			
1 February 1997	801	298	1,099
Charge	172	112	284
Disposals	(49)	-	(49)
31 January 1998	**924**	**410**	**1,334**
Net book value			
31 January 1998	**11,872**	**272**	**12,144**
31 January 1997	12,353	216	12,569

Included in the amounts for plant, equipment and vehicles above are the following amounts relating to leased assets:

	Group finance leases £000	Company finance leases £000
Net book value		
31 January 1998	**56**	-
31 January 1997	160	-

12 WALKER GREENBANK PLC SHARES

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Shares held:				
3,573,151 ordinary shares (1997: 2,058,000) of 15p each in Walker Greenbank PLC				
- cost	**3,070**	2,070	**3,070**	2,070
- nominal value	**536**	309	**536**	309

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 then must be exercised within the following seven years.

The expenses borne by Walker Greenbank PLC in relation to the Trust amounted to £17,000 (£9,000) in the year.

At 31 January 1998, the Trust held 3,573,151 ordinary shares of 15p each in Walker Greenbank PLC, representing 3.0% of the total called up share capital, with a market value on that date of £1,608,000. Of these 3,125,100 shares were held under options to employees.

13 INVESTMENTS

	£000
GROUP AND COMPANY	
Investment property:	
1 February 1997	517
Disposal	(517)
31 January 1998	-

	£000
COMPANY	
Shares in subsidiary undertakings:	
1 February 1997	17,510
Re-capitalisation of subsidiary	61
	17,571
Investment properties	-
31 January 1998	**17,571**
31 January 1997	18,027

13 **INVESTMENTS** continued

The principal group operating companies which are all wholly owned are as follows:

Abaris Holdings Limited
- registered in England and Wales
John O Borge as - incorporated in Norway
Muraspec SARL - incorporated in France
Textile Wallcoverings International Limited*
- incorporated in the USA
Whittaker & Woods Inc* - incorporated in the USA
Whittaker & Woods BV - incorporated in Holland
Whittaker & Woods GmbH*
- incorporated in Germany
Whittaker & Woods SRL - incorporated in Italy

With the exception of Abaris Holdings Limited which operates in the UK, Belgium, Dubai and Poland, all other companies operate in their country of incorporation. All companies are involved in the design, manufacture and distribution of wallcoverings and fabrics.

**Shares held by subsidiary company.*

14 **STOCKS**

	Group 1998 £000	Group *as restated* 1997 £000
Raw materials	**2,024**	2,904
Work in progress	**1,901**	1,670
Finished goods	**15,845**	16,858
	19,770	21,432

15 **DEBTORS**

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Trade debtors	**18,129**	19,444	**18**	16
Amounts owed by subsidiary undertakings	**-**	-	**45,417**	39,444
Other debtors	**1,138**	1,325	**951**	792
Prepayments	**1,596**	1,871	**327**	80
	20,863	22,640	**46,713**	40,332

Amounts owed by subsidiary undertakings in the company include long term loans recoverable in more than one year of £3,993,000 (£3,461,000).

16 **CREDITORS: DUE WITHIN ONE YEAR**

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Current instalments due on loans (note 20)	**777**	278	**750**	250
Bank overdrafts	**4,095**	3,420	**10,744**	1,390
Obligations under finance leases and hire purchase contracts	**-**	7	**-**	-
Trade creditors	**8,149**	9,973	**209**	335
Amounts owed to subsidiary undertakings	**-**	-	**19,369**	17,202
Corporation tax	**2,204**	3,041	**329**	1,127
Other taxes and social security	**853**	1,051	**44**	386
Proposed dividends (note 17)	**2,906**	2,904	**2,906**	2,904
Other creditors	**2,025**	1,722	**767**	23
Accruals	**2,813**	2,891	**301**	233
	23,822	25,287	**35,419**	23,850

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 1998 an amount of £24,000 (£6,028,000) was guaranteed by the company.

17 **DIVIDENDS**

	1998 £000	1997 £000
Equity:		
Ordinary - paid	**1,556**	1,565
- proposed	**2,874**	2,866
	4,430	4,431
Non-equity:		
Preference - paid	**38**	51
- proposed	**32**	38
	70	89
Total dividends	**4,500**	4,520

The directors propose a final dividend in respect of the year ended 31 January 1998 of 2.40p (2.40p) per ordinary share payable on 7 July 1998 to shareholders registered at the close of business on 12 June 1998. This makes a total dividend for the year of 3.70p (3.70p) per ordinary share.

18 CREDITORS: DUE AFTER MORE THAN ONE YEAR

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Loans (note 20)	**1,583**	3,332	**1,469**	3,188
Overseas tax	**128**	156	**-**	-
	1,711	3,488	**1,469**	3,188

19 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
Operating leases which expire:				
Within one year	-	80	-	3
Between one and five years	547	239	320	25
Over five years	256	-	86	-
	803	319	406	28

20 LOANS

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Secured loans:				
US dollar bank loan repayable by instalments over more than five years at 84.2% of prime rate of USA lender	**141**	172	-	-
Unsecured loans:				
Bank loans				
- French franc loan repayable October 1998, bearing interest at 7.75% per annum	**500**	564	**500**	564
- Belgian franc loan repaid April 1997, bearing interest at 5.8125% per annum	-	874	-	874
- US dollar loan repayable October 1999, bearing interest at 7.0% per annum	**762**	781	**762**	781
- US dollar loan repayable November 1999, bearing interest at 0.7% over LIBOR	**457**	469	**457**	469
- repayable by June 1999, bearing interest at 9.3125% per annum and repayable in equal annual instalments of £250,000	**500**	750	**500**	750
Total loans	**2,360**	3,610	**2,219**	3,438
Amounts due at 31 January 1998 are repayable as follows:				
Over five years	**4**	33	-	-
Between two and five years	**82**	2,457	-	2,374
Between one and two years	**1,497**	842	**1,469**	814
After more than one year (note 18)	**1,583**	3,332	**1,469**	3,188
Within one year (note 16)	**777**	278	**750**	250
	2,360	3,610	**2,219**	3,438

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

Exchange gains of £93,000 (exchange gains of £99,000) on translation of foreign currency borrowings have been taken directly to reserves and exchange gains of £61,000 (exchange gains of £87,000) on translation of foreign currency borrowings have been taken to the profit and loss account.

21 PROVISIONS FOR LIABILITIES AND CHARGES

	Group	Group *as restated*	Company	Company
	1998	1997	**1998**	1997
	£000	£000	**£000**	£000
DEFERRED TAXATION				
Deferred taxation provided in the accounts is as follows:				
Capital allowances in excess of depreciation	**1,436**	1,409	**119**	77
Other timing differences	**(213)**	(231)	**68**	58
Total deferred taxation provided	**1,223**	1,178	**187**	135
Advance corporation tax	**(726)**	(726)	**-**	-
	497	452	**187**	135

	Group *as restated*	Company
	£000	£000
Deferred taxation movement for the year:		
1 February 1997	1,178	135
Current year charge	117	40
Adjustment in respect of prior years	(72)	12
31 January 1998	**1,223**	**187**

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

The group's deferred tax balance as at 31 January 1997 has been reduced by £1,478,000 as a result of the change in accounting policy, as described in note 1.

22 SHARE CAPITAL

Ordinary shares of 15p each:	Number of shares	£
Authorised: 1 February 1997 and 31 January 1998	**170,000,000**	**25,500,000**
Allotted, called up and fully paid:		
1 February 1997	119,418,175	17,912,726
Issued during the year	10,260	1,539
Conversion of preference shares	308,174	46,226
31 January 1998	**119,736,609**	**17,960,491**

Cumulative convertible redeemable preference shares of 25p each ('preference shares')	Number of shares	£
Authorised: 1 February 1997 and 31 January 1998	**6,000,000**	**1,500,000**
Allotted, called up and fully paid:		
1 February 1997	1,170,649	292,662
Conversion to ordinary shares	(186,097)	(46,524)
31 January 1998	**984,552**	**246,138**

The preference shares bear a fixed cumulative preferential dividend of 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 ordinary shares for every 5 preference shares. Any preference shares which remain unconverted after August 2005 may be redeemed by the company at 100p per share.

The holders of the preference shares do not have any voting rights at general meetings of the company unless the dividend payable on preference shares is six months or more in arrears or unless a resolution is to be proposed at such meeting for the winding up of the company, the reduction of its share capital or any abrogation or variation of any of the rights or privileges of the holders of the preference shares. The holders of the preference shares are entitled, on a winding up, to receive in priority to any payment to the holders of ordinary shares out of the assets available for distribution the amount paid up or credited as paid up thereon plus a premium of 75p per share together with any dividend arrears.

No provision has been made for the redemption of the preference shares as the amounts involved are not significant.

23 **RESERVES**

	Share premium account £000	Profit and loss account £000	Other reserves: Revaluation reserve £000	Capital reserve £000	Merger reserve £000	Total £000
GROUP						
1 February 1997 as previously stated	24,649	6,250	984	1,569	(2,950)	(397)
Prior year adjustment (note 1)	-	(3,838)	-	-	-	-
1 February 1997 as restated	24,649	2,412	984	1,569	(2,950)	(397)
Goodwill written off in the year	-	(32)	-	-	-	-
Goodwill transferred to the profit and loss account	-	1,507	-	-	-	-
Issue of shares	3	-	-	-	-	-
Transfer of additional depreciation on revalued assets	-	14	(14)	-	-	(14)
Retained earnings for the year	-	1,607	-	-	-	-
Currency translation movements	-	(558)	-	-	-	-
Property disposals	-	112	(112)	-	-	(112)
31 January 1998	**24,652**	**5,062**	**858**	**1,569**	**(2,950)**	**(523)**

	Share premium account £000	Profit and loss account £000	Other reserves: Revaluation reserve £000	Capital reserve £000	Merger reserve £000	Total £000
COMPANY						
1 February 1997	24,649	2,980	-	-	-	-
Deficit for the year	-	(2,495)	-	-	-	-
Issue of shares	3	-	-	-	-	-
31 January 1998	**24,652**	**485**	-	-	-	-

	£000
Capital reserve represents:	
Share premium of companies acquired and accounted for under merger accounting principles	1,276
Capital reserve arising on consolidation	293
	1,569
Revaluation reserve represents:	
Tangible fixed assets - land and buildings	858

The cumulative amount of goodwill which has been written off to the profit and loss account reserve in respect of existing group companies is £12,473,000 (£13,948,000).

The write off in the year of £32,000 relates to the purchase of an overseas distribution business. Consideration of £32,000 was paid by way of amounts receivable written off, to purchase £nil of net assets held at fair value.

24 **SHAREHOLDERS' FUNDS**

	Group 1998 £000	Group *as restated* 1997 £000	Company 1998 £000	Company 1997 £000
Equity:				
Ordinary share capital	**17,960**	17,913	**17,960**	17,913
Share premium	**24,047**	23,930	**24,047**	23,930
Profit and loss account	**5,062**	2,412	**485**	2,980
Other reserves	**(523)**	(397)	**-**	-
	46,546	43,858	**42,492**	44,823
Non-equity:				
Preference share capital	**246**	292	**246**	292
Share premium	**605**	719	**605**	719
	851	1,011	**851**	1,011
Total shareholders' funds	**47,397**	44,869	**43,343**	45,834

25 **CAPITAL EXPENDITURE**

	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Authorised and contracted	**61**	395	**-**	-

26 **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1998 £000	1998 £000	1997 *as restated* £000	1997 *as restated* £000
Operating profit		**10,158**		6,851
Depreciation	**3,128**		2,782	
(Profit)/loss on disposal of tangible fixed assets	**(103)**		11	
Decrease/(increase) in stocks	**1,014**		(2,154)	
Decrease/(increase) in operating debtors and prepayments	**1,370**		(1,695)	
(Decrease)/increase in creditors and provisions	**(1,773)**		711	
		3,636		(345)
Net cash inflow from operating activities		**13,794**		6,506

27 **ANALYSIS OF NET DEBT**

	At 1 February 1997 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	At 31 January 1998 £000
Cash at bank and in hand	2,199	**1,621**		**(247)**	**3,573**
Overdrafts	(3,420)	**(690)**		**15**	**(4,095)**
		931			
Debt due within 1 year	(278)	**271**	**(777)**	**7**	**(777)**
Debt due after 1 year	(3,332)	**815**	**777**	**157**	**(1,583)**
Finance leases	(7)	**7**		**-**	**-**
		1,093			
Current asset investments	292	**70**		**-**	**362**
	(4,546)	**2,094**	**-**	**(68)**	**(2,520)**

28 **RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1998 £000	1997 £000
Increase/(decrease) in cash in the period	**931**	(2,778)
Decrease/(increase) in debt and lease financing	**1,093**	(1,922)
Increase/(decrease) in liquid resources	**70**	(131)
Change in net debt from cash flows	**2,094**	(4,831)
Exchange movement	**(68)**	52
Movements in net debt in period	**2,026**	(4,779)
Net debt at 1 February 1997	**(4,546)**	233
Net debt at 31 January 1998	**(2,520)**	(4,546)

29 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 as.

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 1996 for the major scheme and 6 April 1995 for the Abaris Holdings Limited Pension Scheme (formerly Warner Fabrics Scheme). The John O Borge as. scheme was valued in accordance with The Norwegian Financial Accounting Standard for Pension Benefits as at 31 December 1995.

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	5.0% per annum in excess of Guaranteed Minimum Pension

Assets have been valued using the discounted income method assuming a dividend growth rate of 4.5% per annum.

At the latest actuarial valuation, the aggregate market value of the assets of the major scheme was £22,173,000. The actuarial value of the assets of the scheme was sufficient to cover 106% 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 (formerly Warner Fabrics Scheme) was £2,423,000. 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 aggregate market value of the assets of the John O Borge as. scheme as at 31 December 1995 was £627,000 with a surplus of £131,000.

The total pension cost for the group was £921,000 (£1,412,000) of which £639,000 (£1,194,000) related to the major defined benefit scheme. This charge is net of a pension refund received in the year of £274,000 relating to a company which was disposed of in a prior year.

30 POST BALANCE SHEET EVENTS

On 3 April 1998 agreement was reached in principle by the group to dispose of its commercial wallcoverings business for a cash consideration in excess of £70 million.

In February 1998 the board decided to bring Cole & Son and Warner Fabrics under the management of Zoffany. The cost of this reorganisation is expected to be approximately £300,000, which will be charged in the year ended 31 January 1999.

Five Year Record

	1994 £000	1995 £000	1996 £000	1997 £000	**1998 £000**
CONTINUING OPERATIONS					
Turnover	59,911	72,756	92,308	97,816	**94,298**
Overseas turnover	16,147	21,981	33,103	35,890	**33,671**
Operating profit	6,818	8,167	8,651	7,210	**10,276**
Profit before taxation	6,560	8,256	8,846	7,307	**9,760**
Capital expenditure	2,989	3,415	5,206	7,320	**4,345**
Earnings per share (as restated)	4.72p	5.76p	5.23p	4.74p	**6.57p**
Average number of employees	799	918	1,093	1,159	**1,158**
Turnover per employee	£75,000	£79,000	£84,000	£84,000	**£81,000**

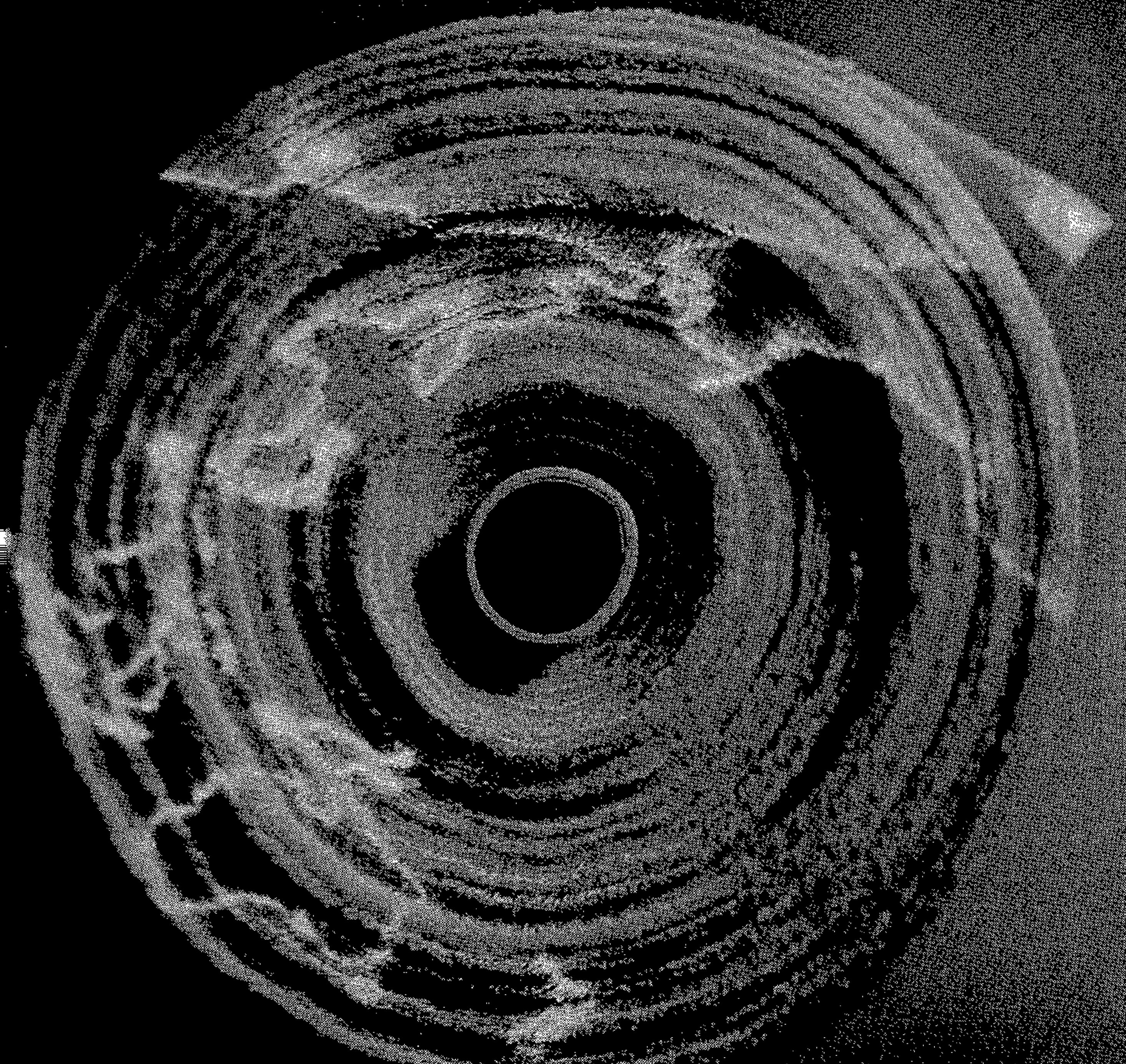
	1994 £000	1995 £000	1996 £000	1997 £000	**1998 £000**
TOTAL GROUP					
Dividends	3,279	4,024	4,427	4,520	**4,500**
Shareholders' funds	29,027	46,762	44,363	44,869	**47,397**
Dividend per share	3.30p	3.60p	3.70p	3.70p	**3.70p**

The earnings per share figures have been restated to reflect the bonus element of the rights issue in January 1995.

All previous years have been restated for the prior year adjustment as described in note 1, and exclude the results of the discontinued operation.

FINANCIAL CALENDAR

Annual General Meeting 24 June 1998
Record date 12 June 1998
Final dividend payable 7 July 1998
Announcement of half-year results October 1998



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