

2010

ANNUAL REPORT AND ACCOUNTS

Walker Greenbank PLC

Luxury interior
furnishings group



Luxury interior furnishings group

Walker Greenbank PLC is a luxury interiors furnishings group whose brands include Harlequin, Sanderson, Morris & Co. and Zoffany. Our brands are targeted at the mid to upper end of the premium market. They have worldwide distribution including prestigious showrooms at Chelsea Harbour, London and the D&D building, Manhattan, New York. Half of the brand's turnover is sourced in-house from the Group's own specialist manufacturing facilities.

FRONT COVER:
A PAINTER'S GARDEN COLLECTION, SANDERSON, DESIGN: SUMMER TREE

INSIDE FRONT COVER:
WALLPAPER: FLORINE FROM AMILIE COLLECTION, HARLEQUIN
CUSHIONS: AMILIE COLLECTION, HARLEQUIN

Highlights from 2010

0.50^p

The Group is returning to the dividend list after nine years, declaring a dividend of 0.50p per share reflecting the underlying strength of the business

£60.38^m

Second half revenues were up 1.8% compared with the corresponding period last year giving full year revenue of £60.38 million (2009: £63.70 million)

£2.42^m

Operating profit of £2.42 million (2009: £3.56 million) with improvement in the second half profitability

£1.55^m

Profit before taxation of £1.55 million (2009: £2.79 million) and earnings per share of 2.10p (2009: 2.96p)

17%

Our mid-market brands, Harlequin and Sanderson have performed well during the economic downturn

Gearing reduced substantially to 17% (2009: 31%)

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Our business at a glance

Walker Greenbank PLC is a luxury interior furnishings group of companies which design, manufacture, market and distribute wallcoverings, furnishing fabrics and associated products for the consumer market.



LANARK COLLECTION,
ZOFFANY

Our Brands

HARLEQUIN

Harlequin

Harlequin is a core supplier of high quality, design led collections to the mid to premium end of the worldwide furnishings market.



Sanderson

Sanderson

Founded in 1860 and granted a Royal warrant in 1923, Sanderson is one of the most renowned brands in interiors worldwide, offering classic, inspirational product often based on documents from its extensive archive. It is aimed at the mid to upper end of the interiors market.



Morris & Co.

The Morris & Co. business has a heritage that dates back to the mid 19th century when it was founded by William Morris, the acclaimed designer. Its unique heritage is preserved in the modern interpretation of its high quality fabrics and wallcoverings.

ZOFFANY

Zoffany

Zoffany offers a range of products of the highest quality including wallpaper, fabrics, trimmings, carpets, paint and furniture. The designs are inspired by the rich traditions of the past but look equally at home in contemporary interiors.

VINTAGE COLLECTION,
SANDERSON
DESIGN: SQUIRREL
& DOVE



Our Manufacturing

Anstey

Anstey Wallpaper Company is the world's leading specialist commission printer. The business operates at the premium end of the market, offering a unique combination of design, printing and finishing of wallcoverings by gravure, rotary, flexo, surface, screen and hand block printing methods. As well as producing for the Walker Greenbank brands it also produces for third party customers.

Standfast

Standfast & Barracks is situated in Lancaster and was bought by Walker Greenbank in March 2000. The business is acknowledged as a worldwide leader in its field. It specialises in high quality rotary, flat bed and digital printing, concentrating on very high specification for the exclusive furnishing and apparel markets, printing on a wide range of fabrics.

Our Distribution

USA

Our distribution in the USA is carried out by Walker Greenbank Inc. utilising third party showrooms supported by Walker Greenbank Inc. offices based in New Jersey and our own showroom in Manhattan.

France

Our distribution in France is carried out by Arthur Sanderson France through a network of sales agents, our own sales force and a showroom in Rue du Mail, Paris.



BAKARI COLLECTION,
HARLEQUIN

Sanderson – 150 years of producing luxury interior furnishings



Arthur Sanderson establishes himself in Islington, London, as an importer of French wallpapers. Merchandise features expensive, luxurious wallpapers, such as the panoramic and imitation-leather papers manufactured by Paul Balin of Paris, for whom Sanderson is the sole agent in England.

In January, the showroom occupies 53 Berners Street; by April 1901 the company has also leased 51-55; this confirms Sanderson as the largest wallpaper showroom in London. The Sanderson family home in Chiswick is donated to the town for use as a free library in 1898 when the family moves to Kensington.

1860

1895

1882

1919



Arthur Sanderson dies leaving the business in the hands of his three sons, the business having been renamed Arthur Sanderson & Sons the previous year. It now manufactures wallpaper at Chiswick. It is now well established as a leader in the decorating trade.

In August, Sanderson goes into receivership; three weeks later it is purchased by Walker Greenbank plc. The Sanderson bedlinen license is sold to Bedeck Ltd. Walker Greenbank invests heavily in product development and almost two years' worth of collections are launched in the second half of 2004, culminating in the return of new Options collections in January 2005.

A textile-printing factory is established at Uxbridge, producing Sanderson's own range of fabrics, which had been commission-printed since 1914. These are first called 'Eton Rural Cretonnes' and later 'Eton Rural Fabrics'. The paint factory of Messrs Casson & Co. in Kensal Road, London, is purchased and the Berners Street showroom is expanded again.

2003

2010

2000

In March Sanderson celebrates its 150th anniversary with a special collection of fabrics and wallpapers inspired by its archive, a three month-long exhibition at the Fashion and Textile Museum, London and a coffee table book written by Mary Schoeser and published by Thames & Hudson.

In August, Sanderson's new headquarters are established in Denham as the manufacturing at Uxbridge ceases; seven months later, in March 2001, there is a management buyout.



Arthur Bengough Sanderson becomes the holder of a Royal Warrant as Purveyor of Wallpapers and Paints to King George V. This is said to be the first Warrant granted for the supply of these products.

Sanderson products appear in the Festival of Britain on London's South Bank, where the Royal Festival Hall is decorated exclusively with the company's papers. Imported textiles are introduced; among the fabrics are those with designs by Picasso and Gio Ponti. Royal Warrants are granted to the firm in 1951 and 1955. Sanderson launches a series of exhibitions at Berners Street in 1952, 1954 and 1956. Dersine Fancy Papers, introduced in 1935, are highly successful during the 1950s and 1960s.

1924

1951

1940



WestPoint Pepperell is aggressively acquired by Farley Industries: in the following year Sanderson is sold to the largest textile manufacturer in the Netherlands, Gamma Holdings NV.

Morris & Co. goes into voluntary liquidation. Sanderson buys the wallpaper business together with the rights to use the company name, acquiring blocks, logbooks and existing stock, including the entire contents of the Hanover Square showroom. Due to a massive paper shortage and rationing, no new Sanderson pattern books are issued from 1940 until 1950. The Sanderson factories meanwhile engage in war work.

Consumers in this period become wealthier, younger and more interested in individualistic styles. Sanderson becomes part of the newly formed Reed International's Decorative Products Division. Spectrum Paint is introduced.

1989

1965

1985

1960

The company celebrates its 125th anniversary with a revamped showroom and an exhibition. WestPoint Pepperell, Inc. of Georgia, USA, purchases Sanderson from Reed International.

Sanderson celebrates its centenary in a long awaited new building at 58-60 Berners Street, designed by Slater & Uren (now The Sanderson Hotel).

Very Sanderson

150 Years of English Decoration

Our brands

HARLEQUIN

Despite the tough market conditions suffered in the first half of the year, Harlequin has managed to maintain its revenues at the same level as last year, having been 10% down in the first half, and to continue its position as the leading mid-market contemporary brand in the UK.

- > UK revenues maintained
- > Export growth in Far East, Middle East and Australasia
- > Growth in licensing revenues

www.harlequin.uk.com

LALIKA COLLECTION,
HARLEQUIN



Our brands



Sanderson

FOUNDED BY WILLIAM MORRIS IN 1841

MORRIS & Co

www.sanderson-uk.com

Despite the difficult trading conditions in the first half, Sanderson and Morris & Co, two globally recognised brands, have continued their commitment to invest in product and design leading to strong second-half growth of 10%, with a year-on-year overall revenue improvement of 2%.

- > Small growth in European markets was buoyed by strong growth in Scandinavia and Eastern Europe
- > Strong investment in Sanderson & Morris & Co. in terms of marketing and product
- > 2010 is the 150th anniversary for Sanderson, with Morris & Co's 150th anniversary next year

A PAINTER'S GARDEN COLLECTION,
SANDERSON



Our brands

ZOFFANY

Zoffany, which is positioned at the upper end of the premium market, has experienced revenue declines of 18% with the second half only marginally better than the first half, where the decline was 23%.

- > Customers appearing to trade down to the benefit of our mid-market brands
- > Far East, Middle East and Australasia achieved growth
- > More mature markets of Europe and USA declined

www.zoffany.com

GUSTAVUS COLLECTION, ZOFFANY
DESIGN: ELEONORA





MOSAIC COLLECTION,
ZOFFANY

Chairman's Statement

AMILIE COLLECTION,
HARLEQUIN
DESIGN: ELODIE



Overview

I am pleased to report that the gradually improving trend in revenue seen in the latter part of the first half of the year continued to gain momentum with the result that second half revenues were up 1.8% compared with the corresponding period last year.

We are encouraged by the positive revenue performance of the second half, which resulted in a considerably improved operating profit, although revenue for the year as a whole fell 5% and operating profits were £2,415,000 (2009: £3,561,000).

We have reduced net debt substantially at the year end to £3,114,000 from £6,218,000 in 2009. This places the Group in a strategically strong position in continuing uncertain market conditions.

Our mid-market brands Harlequin and Sanderson, which account for 80% of our brands' revenues, have performed well during the economic downturn. The quality of design and value of the products have helped Harlequin and Sanderson to grow annual revenues. However in a price-conscious market, our premium-end brand, Zoffany, has, not surprisingly, experienced a significant decline in revenues.



IONE COLLECTION,
SANDERSON
DESIGN: LACECAP

I am pleased to report that in the UK, currently the largest market for our brands, retail performance has been relatively robust with annual revenues down only 2%, having been down 10% at the half year. We remain focused on international expansion where we see significant opportunity. However, in the year, Continental Europe and the USA have experienced much tougher trading conditions, being down 20% and 25% respectively. Encouragingly, we have grown our revenues in the Rest of the World by 14% particularly in the Far East and Australasia.

Manufacturing significantly improved its second half performance, following a first half programme to reduce the cost base and a second-half return in customer confidence leading to increased revenues. Profitability was substantially improved, with a first half operating loss before exceptional items of £84,000 being turned into a full year operating profit before exceptional items of £633,000.

Financials

Revenue decreased 5% to £60,378,000, from £63,698,000 over the same period last year. The operating profit for the year was £2,415,000 (2009: £3,561,000) and the profit before tax was £1,552,000 (2009: 2,787,000). The profit after tax declined to £1,173,000 (2009: £1,622,000).

Earnings per share were 2.10p (2009: 2.96p).

Interest cover on bank borrowings increased to 9.2 times, compared with 5.1 times last year.

The Group's net indebtedness at the year end reduced to £3,114,000 (2009: £6,218,000). This represents a reduction in gearing to 17% (2009: 31%). The cash inflow from operating activities was £4,338,000 (2009: £2,830,000), reflecting lower interest costs and strong working capital management. At the year end, the Group had available banking facilities of £12,395,000 (2009: £12,773,000) representing headroom of £9,281,000 (2009: £6,555,000).

Dividend

It has been our intention to return to the dividend list at the appropriate time, based on the strength of our business and our confidence in the future. Our decision to pay a final dividend for the year ending 31 January 2010 marks a major milestone in the Company's recent history, reflecting the strength of our cash flows and our modest level of debt.

We are now at the point where we can continue to invest in the Company's growth and at the same time pay dividends. The Directors have therefore decided to recommend the payment of a final dividend of 0.50p per share (2009: nil) which will be payable on 6 August 2010 to shareholders on the register on 9 July 2010.

People

On behalf of the Board, I would like to thank all of our management and employees for their loyalty and commitment during a challenging year.

Outlook

Whilst the market in which we operate has been difficult during the year, we have successfully reduced our cost base, improved our manufacturing efficiency, and most importantly have halved our net debt. The strength of our brands, the excellence of our product design and the depth of our distribution has returned the Group to second half revenue growth. The robust nature of our balance sheet allows us to invest in our business going forward in order to ensure strong medium-term growth.

We have started our new financial year in line with internal projections and we look forward to the unique opportunity created by the 150th anniversary of Sanderson during the coming year. Whilst remaining cautious we are convinced by the potential of the Group, which is in a strong position to exploit domestic and international opportunities even in uncertain market conditions.

Terry Stannard
Non-executive Chairman
2 June 2010

Chief Executive's Review

VOLUME V COLLECTION,
MORRIS & CO



Strategy

The trading year just completed has been the toughest the Group has encountered for many years, as a direct consequence of the global downturn. However, through strict cost control and tight cash management, whilst maintaining our commitment to product investment and design excellence, we have finished the year with a growing momentum and in a strategically strong position.

Whilst our turnover and trading profits have inevitably declined in the year as a whole we remain committed to the five key elements of our growth strategy, which comprise:

- > Organic growth – to continue to develop the growth opportunities that exist for our influential mid market brands in the UK retail market by extending their market positions;
- > Geographic expansion – to focus on the distribution and marketing of our brands in Europe and the Rest of the World where as a Group we are presently underdeveloped, and to invest in marketing and distribution in the North American market, where again our Group is currently immature relative to our peers;
- > Contract sales – to drive the expansion of our developing contracts business through further investment in contract specific product supported by the strength of our brand names, our ability to competitively

- source product and our manufacturing capability, predominantly focusing at the mid to upper end of the contract market;
- > Licensing income – to exploit the global recognition of the Sanderson and Morris & Co brand names and to develop further the licensing opportunities that exist for Harlequin in the UK; and
 - > Acquisitions – to evaluate acquisition opportunities that may arise and fit with our current brand portfolio and potentially provide synergistic and earnings enhancing opportunities.

Overview

As the Chairman has highlighted, the gradually improving revenue trend we experienced in the latter part of the first half has continued, leading to a considerably improved performance in the second half.

UK retail brand revenues, currently our most important geographic market representing 51% of external brand revenues, declined by 2%. We have seen a significant improvement in the second half with revenues up 7% having suffered a decline of 10% in the first half. This was particularly influenced by the strength of our mid-market brands of Harlequin and Sanderson.

Overall, overseas retail revenues have experienced an annual decline of 8%, suffering most significantly from very weak

USA and continental European markets, down 25% and 20% respectively in local currency. Revenues in the Rest of the World have grown 14% driven by strong performances from the Far East, Middle East and Australasian markets.

Continued commitment and investment in our Contracts business in an extremely challenging market environment has seen revenue increase in the second half, following a first half revenue decline. There has been a consistent level of specification activity throughout the year but a much higher level of conversion into projects in the second half.

Licensing income has fallen due primarily to extremely tough market conditions for some of our bed linen retailers, where we have seen an annual income decline in excess of 40%. Our continued commitment and success in developing new licence arrangements supported by our globally recognised brands has helped mitigate this problem resulting in an overall decline of 13%.

External manufacturing has experienced an annual decline in revenues of 8%. However this is very much a story of two halves, with the first half suffering from reduced volumes and customer de-stocking and the second half benefiting from a first half cost reduction programme and a return of customer confidence leading to increased revenues and substantially improved profitability.

The brands

Walker Greenbank has continued its strong product investment and commitment to customer service within its four premium interior furnishing brands. We believe we have witnessed a shift in consumer sentiment in which we have seen revenue growth in our mid-market brands of Harlequin and Sanderson, despite extremely challenging market conditions, whilst Zoffany, which is positioned at the upper end of the premium furnishings market, has seen a revenue decline.

Total revenues have declined year on year by 3%, having been down by 11% at the half year. This represents a second half revenue increase of 5%. Year on year operating profits before exceptional items were down 12%.

Harlequin

Despite the tough market conditions suffered in the first half of the year, it is pleasing to report that Harlequin has managed to maintain its revenues at the same level as last year, having been 10% down in the first half, and to continue its position as the leading mid-market contemporary brand in the UK.

UK revenues were flat but export showed a small growth, however, significant declines were experienced in continental Europe and USA mitigated by growth in the Far East, Middle East and Australasia. Harlequin has grown its licensing income principally with the development of a range of product lines in the John Lewis Partnership. The mix of the three main product categories, woven fabric, printed fabric and wallpaper has remained broadly unchanged.

Arthur Sanderson & Sons incorporating the Morris & Co brand

Despite the difficult trading conditions in the first half, Sanderson and Morris & Co, two globally recognised brands, have continued their commitment to invest in product and design leading to strong second-half growth of 10%, with a year-on-year overall revenue improvement of 2%. Small growth in European revenues was buoyed by strong growth in Scandinavia and Eastern Europe with the traditional markets of Western Europe experiencing tougher market conditions. As with Harlequin the Australasian market proved strong for Sanderson. There was no significant change in product mix with all ranges growing but wallpaper and printed fabric doing better than woven fabric. We have and will continue to invest strongly in Sanderson and Morris & Co in product and marketing support with particular emphasis on the important milestones of Sanderson's 150th anniversary in 2010 followed in 2011 with Morris & Co's 150th anniversary.

Zoffany

This brand, which is positioned at the upper end of the premium market, has experienced revenue declines of 18% with the second half only marginally better than the first half, where the decline was 23%. Zoffany appears to have suffered from customers that are trading down to the benefit of our mid-market brands of Harlequin and Sanderson. Both the UK and export markets suffered similar overall declines. The Far East, Middle East and Australasia achieved growth whilst the more mature markets of Europe and USA had considerable declines. Woven fabric which forms a significant proportion of Zoffany's revenue suffered higher year-on-year reductions than printed fabric and wallpaper.

Overseas

USA

The US market continues to be extremely challenging. Revenues in our US business are down 18%, equating to 28% in constant currency. Whilst the second half has shown a slight improvement the market remains enormously difficult. Despite this the US remains an important part of the Group's medium to long-term growth strategy. The level of investment in patterning and marketing was significantly reduced during the year to reflect the difficult market and this action has enabled the US business to mitigate the very significant reduction in revenues. We will continue to invest in marketing, patterning and sample support as and when we see improvements in the market.

Europe

Following continued focus on the organisation of our French business we have maintained the level of revenue in a difficult European market.

The Group's Italian distribution business in Rome for Harlequin and Zoffany was sold in December 2009 to B&B Distribuzione in Milan, which has distributed Sanderson successfully for many years. We are confident that the amalgamation of all our brands under one dedicated distributor will lead to significant growth over the coming years in the important Italian market.

Manufacturing

Our manufacturing businesses suffered lower volumes in the early part of the year as customers reduced product launches and stock levels in the face of the recession. We reacted quickly in the early part of the year to reduce headcount through a redundancy programme in order to mitigate these lower volumes. This cost reduction combined with growing customer confidence and improved volumes in the second half has turned a first

half operating loss before exceptional items of £84,000 into a full year operating profit before exceptional items of £633,000.

Anstey

Anstey our wallpaper printing factory suffered an overall revenue decline of 15% having been down 23% at the half year. Its revenues are down more significantly in its export markets than in the UK being hit most severely by the difficulties in the US market. Despite this the factory has returned a healthy second half profit. Our brands, and our peer group, are starting to develop exciting new products to expand the overall demand for wallpaper and we remain confident about the medium-term prospects for Anstey.

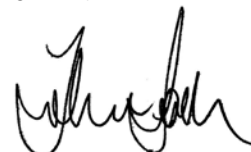
Standfast

Standfast, our fabric printing factory, has maintained revenues over the same period last year having been 13% down at the half year. Its cost reduction programme in the very early part of the year, followed by its main UK competitor going into administration and emerging in a significantly reduced form, has helped Standfast deliver revenue growth in the second half of 13% and a significant return to profitability having incurred a first half operating loss. Woven fabric has enjoyed many years of growth and market dominance, however, our brands have seen for the first time in the second half of the year the return of an appetite for the design and colour that only printed fabric can offer. Both Harlequin and Sanderson have recently launched some of the most successful printed fabric ranges for a number of years, which bodes well for the future prospects of the Standfast factory.

Summary

It is disappointing that the global recession has inevitably set us back this year. However the prompt action we took to reduce our cost base in the early part of the year and the commitment to significantly reduce our net debt has placed the Group in a strong position.

We have four world renowned brands within our Group and a strong financial base that allows us to significantly invest in our business going forwards. We remain confident that we are well placed to return the Group to its growth path.



John Sach

Group Chief Executive
2 June 2010

Financial Review

IONE COLLECTION,
SANDERSON



Income statement and exceptional items

The Chairman's Statement and Chief Executive's Review provide an analysis of the key factors impacting the revenue and operating profit. In addition to the information on our brands and production facilities included in these reports, the Group has included in note 4 of the consolidated financial statements, further information on our segments.

Exceptional items are both material and their nature is sufficient to warrant separate disclosure and identification. During the year redundancy costs of £332,000 (2009: £146,000) were incurred to reduce the cost base of the Group during the economic downturn. There was net income from an insurance claim of £225,000 (2009: costs £150,000) for marketing material products held at a third party's premises which were destroyed in a fire in the previous year. The insurance loss in the previous year arose due to the uncertainty over the level of insurance settlement recoverable.

Interest

The net interest charge for the year was £263,000 (2009: £695,000) including amortisation of debt issue costs capitalised. The reduced cost reflects the reduced average level of borrowings during the year and the reduction in interest rates over the year.

Net defined benefit pension

The charge during the year was £600,000 (2009: £79,000). This is a consequence of the significant decrease in asset values at the start of the financial year compared with that at the beginning of the previous year, leading to a fall in expected return on assets.

Current taxation

There is a small corporation tax credit of £32,000 arising from recovery of withholding tax suffered on overseas licence income in the previous year.

Deferred taxation

Due to the substantial brought forward corporation tax losses (£20.1 million), the Group does not anticipate paying UK corporation tax for the immediate future. However, as the majority of the corporation tax losses have now been recognised as a deferred tax asset, in the current and future years there will be a deferred tax charge in the Income Statement until such time as the losses have been fully utilised at which point the Group will incur and pay UK corporation tax.

The Group also continues to recognise the deferred tax asset arising from the pension deficit. As the pension deficit has increased during the year an increase in the associated deferred tax asset has been recognised in the Statement of Comprehensive Income.

Earnings per share ('EPS')

The basic and diluted EPS was 2.10p (2009: 2.96p).

Operating cash flow and net debt

The Group generated net cash inflow from operating activities during the year of £4,338,000 (2009: £2,830,000) reflecting strong working capital controls during the year and lower interest costs.

The Group paid interest of £239,000 (2009: £704,000) and capital expenditure of £1,067,000 (2009: £1,687,000). The depreciation and amortisation charge during the period of £1,786,000 (2009: £1,846,000) continues to be greater than required capital expenditure but the level of capital expenditure going forward will increase substantially.

The Group made additional payments to the Pension schemes of £1,063,000 (2009: £1,052,000) to reduce the deficit, part of the ongoing planned reduction, along with £289,000 (2009: £275,000) of regular contributions to fund scheme expenses.

The Group purchased 610,000 shares at a cost of £128,000 in January 2010 to satisfy LTIP awards expected to vest in future periods.

Net debt in the Group has reduced by £3,104,000 to £3,114,000 (2009: £6,218,000) representing gearing of 17% (2009: 31%).

The Group utilises facilities provided by Barclays Bank Plc. There is a term property facility of £3 million (2009: £3,400,000) at the year end expiring in July 2017. There is also a facility linked to working capital which allows the Group to manage more effectively seasonal fluctuations in working capital. This facility was renewed in March 2010 for a further three year term expiring in July 2013. The borrowings at the end of the year under the working capital facility were £2,467,000 (2009: £3,868,000), representing headroom of £9,281,000 (2009: £6,555,000). The headroom is set out below:

	Utilisation £000	Availability £000
Property	2,980	3,000
Inventory	–	3,000
Receivables	2,467	6,395
	5,447	12,395
Less: Cash and cash equivalents	(2,333)	
Net Debt	3,114	(3,114)
Headroom		9,281

The total facilities have a current limit of £16.5 million (2009: £17 million).

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

Pension deficit

The pension deficit has increased this year. The key factors affecting the movement in the deficit have been: contributions of £1,352,000 from the Company to reduce the deficit; an increase in the liabilities of the scheme arising predominantly from lower discount rates during the year; a change to mortality assumptions bringing them in line with that used in the triennial valuation in April 2009; and finally the significant increase in scheme assets reflecting the improvement in the economic climate compared to the end of the previous financial year. The impact of these factors is shown as follows:

	2010 £000
Deficit at beginning of period	(4,161)
Scheme expenses	(289)
Other finance expense	(311)
Contributions	1,352
Actuarial gain on scheme assets	2,665
Change in mortality assumptions	495
Actuarial losses from the change in discount factor	(7,694)
Gross deficit at the end of the year	(7,943)

Long-Term Incentive Plan

There has been a new award of shares during the year under the Long-Term Incentive Plan ('LTIP') and the award granted in July 2006 has vested. There has been a charge of £145,000 (2009: £373,000) in the Income Statement relating to these awards.

Disposals

There were no major disposals during the year, however, the Group's loss making Italian distribution business, Whittaker & Woods SRL was sold in December for net asset value.

Going concern

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

Foreign currency risk

All foreign currencies are bought and sold centrally on behalf of the Group. Regular reviews take place of the foreign currency

cash flows and unmatched exposures are covered by forward contracts wherever economically practical.

The Group does not trade in financial instruments and hedges are only used for anticipated cash flows. There is a hedging asset of £175,000 (2009: liability £812,000) at the end of the year in relation to US dollar position.

Credit risk

The Group no longer seeks credit insurance as this was no longer considered a commercial solution to reducing credit risk. The Board reviews the internal credit limits of all major customers and reviews the credit risk regularly. The aging profile of trade debtors shows that generally customers do pay to terms however there have been specific bad debts during the year. The current economic environment creates a significant level of risk and in addition to specific provisioning, a provision has been required of £172,000 which is a collective assessment of the risk.



Alan Dix
Group Finance Director
2 June 2010

Directors and Advisers

Directors

Terry Stannard (60)

Non-executive Chairman (A,R,N)

Terry joined the Board as a Non-executive Director in September 2007 and became Non-executive Chairman on 31 January 2009 following the retirement of Ian Kirkham from the Board. He has particular expertise in international brand-based businesses and his executive career included senior roles at United Biscuits and the positions of Chief Executive of Uniq plc and Terranova Foods plc. Since 2001, he has focused on non-executive appointments at both quoted and unquoted businesses. He is currently Non-executive Chairman of Gardman Holdings Ltd, Antler Ltd and TCS Foods plc and holds non-executive director roles at Brintons Ltd, Bradford & Sons Ltd, Macphie of Glenbervie Ltd and Moloney Ventures Ltd.

Fiona Goldsmith (43)

Non-executive Director (A,R,N)

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

John Sach (54)

Chief Executive Officer

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

David Smallridge (54)

Executive Director

David joined the Group in 2002 with a wide experience as a managing director of consumer products businesses. He was appointed to the Board in December 2004 following his appointment as Managing Director of the Group's four main fabric and wallcovering brands, Harlequin, Sanderson, Morris & Co. and Zoffany.

Alan Dix (51)

Group Finance Director

In July 2005, Alan Dix was appointed Group Finance Director. He is a Chartered Accountant with experience from a broad range of industries.

A – Audit Committee
R – Remuneration Committee
N – Nominations Committee

Advisers

Stockbrokers and Advisers

Arden Partners plc

125 Old Broad Street
London EC2N 1AR

Auditors

PricewaterhouseCoopers LLP

10 Bricket Road
St Albans
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Directors' Report and Accounts

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Report of the Directors

The Directors submit their Annual Report together with the audited financial statements of the Company and its subsidiary undertakings ('the Group') for the year ended 31 January 2010.

Principal activities, Business Review and future developments

The principal activities of the Group are the design, manufacture, marketing and distribution of wallcoverings, furnishing fabrics and associated products for the consumer market. A review of activities and the future developments of the Group are given in the Chief Executive's Review on page 12, which, taken with the Chairman's Statement on page 10, the Financial Review on page 14 and the other information in the Report of the Directors, represents the Group's Business Review and are incorporated into this report by reference.

The Directors do not expect there to be any significant change in the principal activities of the Group in the foreseeable future.

Group result

The profit before taxation amounted to £1,552,000 (2009: £2,787,000). The Directors recommend payment of a final ordinary dividend of 0.5p per share, amounting to £283,000 (excluding dividends on treasury shares and shares held by the employee benefit trust) which will be recognised in the financial statements for the following year (2009: no dividend paid).

Key Performance Indicators

The KPI's for the business are primarily financial.

	2010	2009
Revenue (decline)/growth	(5)%	2%
Operating profit margin before exceptional items	4.2%	6.1%
Gearing	17%	31%
Pension deficit as a percentage of shareholders' funds	42%	21%
Earnings per share	2.10p	2.96p

Additional commentary and analysis of strategic objectives of the Group are contained in the Chief Executive's Review and Note 4 of the consolidated financial statements.

Business risks

The Directors have identified a number of financial risks for the Group and these are explained and the degree of risk highlighted in note 2 of the financial statements and in the Financial Review. Where commercially appropriate the Group insures against financial loss caused by unforeseen events by the means of insurance policies. Apart from the impact of an event of a global nature or a significant downturn in the UK market there are no other significant business

risks. Whilst the trading conditions in North America remain difficult, this will affect trading of our business in North America but this business is not currently a significant profit contributor to the overall Group.

Pensions

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

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. All Group businesses apply the principles of equal opportunity in recruitment, career progression and remuneration. Disabled persons are given full and fair consideration for employment where an appropriate vacancy occurs, having regard to their particular aptitudes and abilities. Whenever possible, arrangements are made for the continuing employment of persons who have become disabled during service and for appropriate training of all disabled employees, who are given equal consideration with all other employees in promotion and career development.

Payments to suppliers

The Group agrees terms and conditions for its business transactions with suppliers and makes payment in accordance with those terms and conditions subject to the supplier meeting its obligations. The amount of trade creditors shown in the consolidated balance sheet at 31 January 2010 represents 80 days (2009: 92 days) of average purchases during the year for the Group.

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

Market value of interests in land including buildings

The Directors do not believe there is a significant difference between the current market value of the Group's interests in land including buildings and their carrying values in the financial statements.

Political and charitable donations

The Group has not made any political donations (2009: nil). During the year the Group made no charitable donations (2009: nil).

Directors

The Board of Directors as at the date of this report and during the year ended 31 January 2010 is set out on page 16, together with biographical details. Details of the Directors' service contracts are set out in the Directors' Remuneration Report on page 21.

At the forthcoming Annual General Meeting ('AGM') A N Dix will retire by rotation and being eligible will offer himself for re-election.

Directors' share interests

The Directors in office at 31 January 2010 and their interests in the shares of the Company were as follows:

	1p ordinary shares 31 January 2010 Number	1p ordinary shares 31 January 2009 Number
T Stannard	70,000	35,000
F Goldsmith	45,000	nil
J D Sach	1,054,890	610,000
D H Smallridge	531,742	120,000
A N Dix	407,345	132,000

On 15 April 2010 the following share purchases were made:

J D Sach	38,480 shares
D H Smallridge	28,180 shares
A N Dix	22,190 shares

The share price on 1 February 2009 was 10.25p and on 31 January 2010 was 22.5p.

Long-Term Incentive Plan

The movement in awards made under the Group's Long-Term Incentive Plan ('LTIP') during the year is shown as part of the Directors' Remuneration Report on page 21.

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

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

Acquisition of own shares

On 13 November 2009 the Company transferred 1,690,093 ordinary shares of 1p each previously held in Treasury into the Company's Employee Benefit Trust. On 8 January 2010 the Company made market purchases into treasury of 610,000 ordinary shares of 1p each at a price of 21p per ordinary share. The total number of shares held in Treasury is 610,000. It is intended that these ordinary shares will be used to satisfy future awards made under the Company's LTIP.

Substantial shareholdings

At 7 May 2010 the Company is aware of the following substantial shareholdings in its ordinary share capital, comparatives at 7 June 2009 are shown. Gartmore Investment Limited 20.09% (2009: 20.2%), BlackRock Investment Management 6.12% (2009: 5.8%), Brewin Dolphin 4.98% (2009: 4.45%), Barclays Wealth 4.28% (2009: 4.06%), British Airways Pension Investment Management 4.14% (2009: 2.91%), Royal London Asset Management 3.68% (2009: 3.75%), TD Waterhouse Investment Management 3.48% (2009: 2.74%), Axa Framlington 3.42% (2009: 3.49%) and Walker Greenbank EBT 3.17% (2009: 4.45%).

Annual General Meeting

The Annual General Meeting will be held on 28 July 2010 as stated in the Notice of Meeting separately distributed to shareholders.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the AGM.

So far as each of the Directors in office at the date of this report is aware, there is no relevant audit information of which the Group's auditors are unaware. Relevant information is defined as information needed by the Group's auditors in connection with preparing their report. Each Director has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board



Julian Wilson
Company Secretary
2 June 2010

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX

Registered number 61880

Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Julian Wilson
Company Secretary
2 June 2010

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX

Registered number 61880

Directors' Remuneration Report

Introduction

As a company listed on the Alternative Investment Market ('AIM'), the Company is not required to comply with the Directors' Remuneration Report requirements set out in Schedule 8 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' ('the Regulations'). Whilst the Company is not required to comply with the Regulations, it has used the Regulations as guidance and voluntarily presented selected disclosures that reflect the extent of the Company's application of the Regulations.

Remuneration committee

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

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

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

The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice from external advisors when it considers is appropriate. In determining the Directors' remuneration for the year, including the structure of long-term incentive plans for management, the Committee consulted BDO LLP about its proposals. BDO LLP also provide taxation advice and consultancy services to the Group.

Remuneration policy

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

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

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

Basic salary and benefits in kind

Salary is normally reviewed annually in February, or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary including industry standard executive remuneration and relative pay levels within the Group. Each Executive Director is provided with health care benefits.

Annual performance related bonus

Each Executive Director's remuneration package includes a performance related bonus. For the year ended 31 January 2010, the maximum bonus payable was 55% of basic salary. Consistent with the current remuneration package for Executive Directors, 10% of the bonus for the year (post taxation) was used by Executive Directors to purchase shares in the Company on 15 April 2010 which they will hold for at least a two year period. Annual financial performance targets are set along with individual objectives.

Long-Term Incentive Plan ('LTIP')

All equity based awards are subject to an overall limitation on the number of shares issued to 10% of total shares in issue within any 10 year period. The LTIP was approved by shareholders in 2006 and is valid for a 10 year period.

The LTIP seeks to motivate and retain Executive Directors and other senior management within the Group, to enable them to potentially benefit from improved total shareholder return ('TSR') and the profit before tax ('PBT') performance of the Group. The Committee administers the LTIP and the grant of nil cost options under the LTIP. The maximum annual value of nil cost options that can be made to an individual is equivalent to 150% of basic salary at the date of grant. The options granted during the year will only become exercisable (vest) if the performance conditions are met, which includes continued employment of the individual by the Group.

A full summary of the performance conditions attaching to outstanding awards can be found on page 56. To the extent that these performance conditions are not met at the end of the vesting period, the options will lapse. The performance condition, being the Group's profit before tax for the year ended 31 January 2009, for options granted under the LTIP in 2006 was met with 1,918,609 shares vesting to the Executive Directors on 25 July 2009 following completion of the service condition.

1,700,000 options were awarded to the Executive Directors in May 2009.

Pensions

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

J Sach, D Smallridge and A Dix are members of a Group Personal Pension Plan sponsored by the Group. For the purposes of determining employer contributions to that scheme, annual performance related bonuses are not included in the pensionable pay of the Executive Directors.

Directors' Remuneration Report continued

Directors' contracts

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

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

Non-executive Directors

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

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Salary £000	Annual bonus £000	LTIP Awards ¹ £000	Benefits in kind £000	Pension contribution £000	2010 Total £000	2009 Total £000
Executive Directors							
J D Sach	220	121	126	6	33	506	258
D H Smallridge	160	88	117	1	24	390	177
A N Dix	126	50	78	1	13	268	140
Non-executive Directors							
T Stannard ²	60	–	–	–	–	60	26
F Goldsmith ³	26	–	–	–	–	26	4
I Kirkham ⁴	–	–	–	–	–	–	65
	592	259	321	8	70	1,250	670

1 'LTIP Awards' shown above refer to the pre-tax gains made on exercise of nil priced share options following vesting of awards on 25 July 2009.

2 Appointed Chairman 31 January 2009.

3 Appointed 17 December 2008.

4 Resigned 31 January 2009.

Directors' pension entitlements

Accrued annual pension benefits for J Sach at the year end were £11,406 (2009: £10,188).

Directors' LTIP Awards

	Date of grant	Maximum awards at 1/2/09	Granted in year	Exercised in year	Lapsed in year	Maximum awards at 31/1/10
J D Sach	25/07/2006	805,298	–	754,052	51,246	–
	24/05/2007	495,283	–	–	–	495,283
	27/05/2009	–	800,000	–	–	800,000
	Sub-total	1,300,581	800,000	754,052	51,246	1,295,283
D H Smallridge	25/07/2006	745,297	–	697,869	47,428	–
	24/05/2007	353,774	–	–	–	353,774
	27/05/2009	–	600,000	–	–	600,000
		1,099,071	600,000	697,869	47,428	953,774
A N Dix	25/07/2006	498,405	–	466,688	31,717	–
	24/05/2007	283,019	–	–	–	283,019
	27/05/2009	–	300,000	–	–	300,000
		781,424	300,000	466,688	31,717	583,019

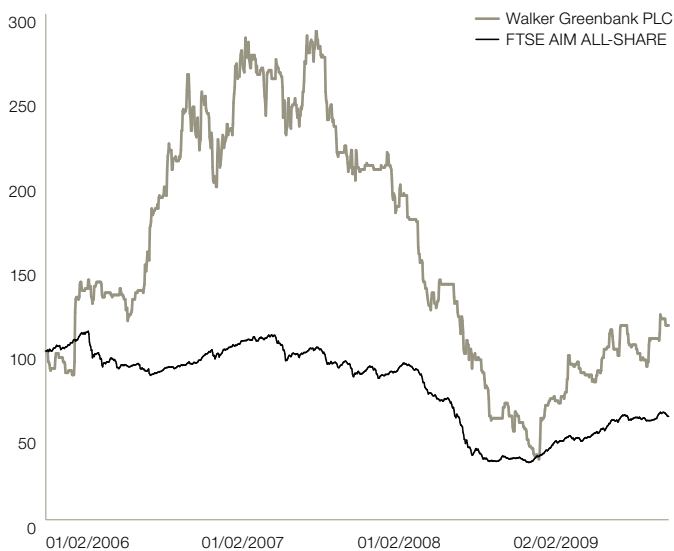
On 20 May 2010 further awards were made to the Executive Directors as follows: John Sach 680,000, David Smallridge 495,000 and Alan Dix 292,000.

The award of shares on 24 May 2007 has a four year vesting period and is subject to the achievement of a profit before tax of at least £3.7 million for the financial year ended 31 January 2011. The award begins to vest upon the Company achieving a profit before tax of £3.7 million and increases on a sliding scale to achieve maximum award at a profit before tax of £4.3 million. The share price on the date of grant was 53.0p.

The award of shares on 27 May 2009 has a three year vesting period and is subject to a minimum profit before tax hurdle of £3.1 million for the financial year ended 31 January 2012. The award begins to vest to Executive Directors upon the Company achieving Total Shareholder Return at the median of its comparator group operating in the Household sector and increases on a sliding scale to achieve maximum award if the Company tops its comparator group. The share price on the date of grant was 14.25p.

The share price reached a high of 24.00p and a low of 7.00p during the financial year end 31 January 2010. The average share price during the financial year was 16.77p. The share price on 31 January 2010 was 22.50p.

Total Shareholder Return Index for the four financial years ending 31 January 2010



Approval

This report was approved by the Directors and signed on its behalf by:

Julian Wilson
Company Secretary
2 June 2010

Corporate Governance Statement

As a Company listed on the Alternative Investment Market (AIM) the Company is not required to adhere to the Combined Code on Corporate Governance ('the Code') June 2008. Whilst the Company is not required to comply with the Code, it has used the Code as best practice guidance and voluntarily presented disclosures that reflect the extent of the Company's application of the Code.

The Board

The Company is supervised by the Board of Directors. The Board comprises three Executive Directors and two Non-executive Directors.

The Board considers, after careful review, that the Non-executive Directors bring an independent judgement to bear. All Non-executive Directors have contracts which contain six month notice clauses. These are available for inspection at the Company's registered office and at the Annual General Meeting. All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association and the principles of the Code. The Non-executive Directors continue to retire for re-election at least every third year. All Directors undergo a performance evaluation before being proposed for re-election to ensure their performance continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

The Board meets at least nine times each year and has a formal schedule of matters reserved to it. It is responsible for overall Group strategy; approval of major capital expenditure projects; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Nomination Committee

The Nomination Committee is chaired by T Stannard and comprises F Goldsmith, the other Non-executive Director and the Chief Executive.

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

Remuneration Committee

The Remuneration Committee is chaired by T Stannard Non-executive Chairman and F Goldsmith the other Non-executive Director. The Remuneration Committee is responsible for making recommendations to the Board in relation to all aspects of remuneration for Executive Directors and designated senior managers. The Remuneration Committee believes that the presence of the Chief Executive is important when determining the remuneration of the other Executive Directors.

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

Audit Committee

The Audit Committee is chaired by F Goldsmith and comprises T Stannard, the other Non-executive Director. Although all the Committee members are considered to be appropriately experienced to fulfill their role, F Goldsmith is considered as having significant, recent and relevant experience in line with the Code. Further details of each of the independent Directors are set out on page 16. The Audit Committee meets at least twice each year. It considers any matter relating to the financial affairs of the Group and to the Group's external audit that it determines to be relevant. In particular the Committee oversees the monitoring of the adequacy of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the Group's external auditors report to the Non-executive Directors.

Internal control

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

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

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

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

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

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Relations with shareholders

The Group encourages two way communications with both its institutional and private investors and responds in a timely fashion to all queries received. All shareholders receive notice of the Annual General Meeting at which all Committee chairmen will be available for questions.

Independent Auditors' Report

To the members of Walker Greenbank Plc

We have audited the group financial statements of Walker Greenbank plc for the year ended 31 January 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- > give a true and fair view of the state of the group's affairs as at 31 January 2010 and of its profit and cash flows for the year then ended;
- > have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- > certain disclosures of directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Walker Greenbank plc for the year ended 31 January 2010.



Owen Mackney (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
2 June 2010

Consolidated Income Statement

Year ended 31 January 2010

	Note	2010 £000	2009 £000
Revenue	4	60,378	63,698
Profit from operations before exceptional items		2,522	3,857
Exceptional items:			
– redundancy expenses	5	(332)	(146)
– net proceeds from insurance recovery/(costs from insurance event)	5	225	(150)
Profit from operations	4–6	2,415	3,561
Net defined benefit pension charge	8	(600)	(79)
Net borrowing costs	9	(263)	(695)
Net finance costs		(863)	(774)
Profit before taxation		1,552	2,787
Deferred tax – exceptional	12	–	(320)
Deferred tax – other	12	(411)	(788)
Current taxation	12	32	(57)
Total tax (charge)/credit	12	(379)	(1,165)
Profit for the year		1,173	1,622
Earnings per share – Basic and diluted	13	2.10p	2.96p

The notes on pages 31 to 59 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 January 2010

	Note	2010 £000	2009 £000
Profit for the year		1,173	1,622
Other Comprehensive Income:			
Actuarial gains/(losses) on scheme assets	23	2,665	(7,458)
Changes in actuarial mortality assumptions	23	495	–
Actuarial (losses)/gains on scheme liabilities	23	(7,694)	5,458
Currency translation differences		175	(350)
Cash flow hedges		987	(702)
Recognition of deferred tax asset relating to pension scheme liability		1,059	211
Other comprehensive expense for the year, net of tax		(2,313)	(2,841)
Total comprehensive expense for the year attributable to the owners of the parent		(1,140)	(1,219)

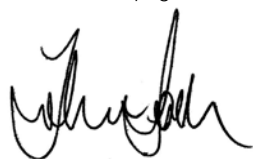
The notes on pages 31 to 59 form an integral part of the consolidated financial statements.

Consolidated Balance Sheet

At 31 January 2010

	Note	2010 £000	2009 £000
Non-current assets			
Intangible assets	14	5,687	5,877
Property, plant & equipment	15	8,160	8,734
Deferred income tax assets	16	5,806	5,158
Trade and other receivables	17	-	12
		19,653	19,781
Current assets			
Trade and other receivables	17	10,309	12,552
Inventories	18	13,238	13,887
Derivative financial instruments	21	175	-
Cash and cash equivalents	19	2,333	1,050
		26,055	27,489
Total assets		45,708	47,270
Current liabilities			
Trade and other payables	20	(13,548)	(15,118)
Derivative financial instruments	21	-	(812)
Borrowings	22	(2,867)	(400)
		(16,415)	(16,330)
Net current assets		9,640	11,159
Non-current liabilities			
Borrowings	22	(2,580)	(6,868)
Retirement benefit obligation	23	(7,943)	(4,161)
		(10,523)	(11,029)
Total liabilities		(26,938)	(27,359)
Net assets		18,770	19,911
Equity			
Share capital	25	590	590
Share premium account		457	457
Foreign currency translation reserve		(165)	(340)
Accumulated losses		(22,794)	(20,491)
Other reserves		40,682	39,695
Total equity		18,770	19,911

The notes on pages 31 to 59 form an integral part of the consolidated financial statements.



J D Sach
Director



A N Dix
Director

These accounts were approved by the Directors on 2 June 2010.

Consolidated Cash Flow Statement

Year ended 31 January 2010

	Note	2010 £000	2009 £000
Cash flows from operating activities			
Cash generated from operations	28	4,592	3,536
Interest paid		(239)	(704)
Interest received		–	35
Income tax received		50	–
Income tax paid		(65)	(37)
		4,338	2,830
Cash flows from investing activities			
Purchase of intangible fixed assets		(272)	(420)
Purchase of property, plant & equipment		(795)	(1,267)
Proceeds from sale of subsidiary	32	–	–
Proceeds on sale of property, plant and equipment		–	7
		(1,067)	(1,680)
Cash flows from financing activities			
Purchase of treasury shares		(128)	(83)
Net repayment of borrowings		(1,845)	(2,064)
		(1,973)	(2,147)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		1,298	(997)
Cash, cash equivalents and bank overdrafts at beginning of year		1,050	2,017
Exchange (losses)/gains on cash and bank overdrafts		(15)	30
Cash, cash equivalents and bank overdrafts at end of year	29	2,333	1,050

The notes on pages 31 to 59 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 January 2010

	Share capital £000	Share premium account £000	Accumulated losses £000	Other Reserves			Translation reserve £000	Total £000
				Capital reserve £000	Merger reserve £000	Hedge reserve £000		
Balance at 1 February 2008	590	457	(20,655)	43,457	(2,950)	(110)	10	20,799
Profit for the year	-	-	1,622	-	-	-	-	1,622
Other comprehensive income:								
Actuarial losses on scheme assets	-	-	(7,458)	-	-	-	-	(7,458)
Other actuarial gains on scheme liabilities	-	-	5,458	-	-	-	-	5,458
Deferred tax relating to pension scheme liabilities	-	-	211	-	-	-	-	211
Currency translation differences	-	-	-	-	-	-	(350)	(350)
Cash flow hedging reserve – released to income statement	-	-	-	-	-	110	-	110
Cash flow hedging reserve – recognised in equity during the year	-	-	-	-	-	(812)	-	(812)
Total comprehensive income/(expense)	-	-	(167)	-	-	(702)	(350)	(1,219)
Transactions with owners:								
Reserve for long-term incentive plan	-	-	414	-	-	-	-	414
Purchase of treasury shares	-	-	(83)	-	-	-	-	(83)
31 January 2009	590	457	(20,491)	43,457	(2,950)	(812)	(340)	19,911
Balance at 1 February 2009	590	457	(20,491)	43,457	(2,950)	(812)	(340)	19,911
Profit for the year	-	-	1,173	-	-	-	-	1,173
Other comprehensive income:								
Actuarial gains on scheme assets	-	-	2,665	-	-	-	-	2,665
Changes in actuarial mortality assumptions	-	-	495	-	-	-	-	495
Other actuarial losses on scheme liabilities	-	-	(7,694)	-	-	-	-	(7,694)
Deferred tax relating to pension scheme liability	-	-	1,059	-	-	-	-	1,059
Currency translation differences	-	-	-	-	-	-	175	175
Cash flow hedging reserve – released to income statement	-	-	-	-	-	812	-	812
Cash flow hedging reserve – recognised in equity during the year	-	-	-	-	-	175	-	175
Total comprehensive income/(expense)	-	-	(2,302)	-	-	987	175	(1,140)
Transactions with owners:								
Reserve for long-term incentive plan	-	-	127	-	-	-	-	127
Purchase of treasury shares	-	-	(128)	-	-	-	-	(128)
Balance at 31 January 2010	590	457	(22,794)	43,457	(2,950)	175	(165)	18,770

Notes to the Consolidated Accounts

1. Accounting policies and general information

General information

Walker Greenbank PLC is a luxury interior furnishings group whose brands include Harlequin, Sanderson, Morris & Co. and Zoffany. The brands are targeted at the mid to upper end of the premium market. They have worldwide distribution including prestigious showrooms at Chelsea Harbour, London and the D&D building, Manhattan, New York. Half of the brand's turnover is sourced in-house from the Group's own specialist manufacturing facilities of Standfast & Barracks, the fabric printing business situated in Lancaster, and Anstey Wallpaper Company situated in Loughborough. The manufacturing businesses produce for other interior furnishing businesses both in the UK and throughout the world. The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is registered and domiciled in the UK.

Basis of preparation

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

In preparing these financial statements the Group has applied the IFRS's adopted by the European Union and the IFRIC interpretations where the effective date is relevant to the financial year commencing on 1 February 2009 or ending 31 January 2010.

Since the Group's previous annual financial report for the year ended 31 January 2009 the following pronouncements are now effective and have been adopted by the Group:

- > IAS 1 (revised) 'Presentation of financial statements' – adoption of this standard has resulted in presentational changes to the primary financial statements. Under IAS 1 (revised), entities can choose to present one performance statement (the Statement of Comprehensive Income) or two performance statements (the Income Statement and the Statement of Comprehensive Income). The Group has elected to produce two statements: the Income Statement and Statement of Comprehensive Income.
- > IFRS 8 'Operating segments' – adoption of this standard has resulted in changes to the reportable segments of the Group, as further explained in note 4.

The Group has also adopted a number of other standards, amendments and interpretations which are effective in the year ended 31 January 2010 but the initial application of these has not had an effect on either the current or prior periods.

The Group has not applied the following new standards, amendments and interpretations for which adoption is not mandatory for the year ending 31 January 2010 and/or which have not yet been endorsed by the EU. The Group has not concluded its evaluation of the impact of these pronouncements but at this stage does not expect there to be any material impact on the financial statements.

- > IFRS 1 (revised) 'First time adoption'
- > Amendment to IFRS 1 (revised) 'First time adoption – additional exemptions'
- > Amendment to IFRS 1 (revised) 'First time adoption – fair value hierarchy exemption'
- > Amendment to IFRS 2 'Share-based payments 'group cash-settled share-based payment transactions'
- > IFRS 3 (revised) 'Business combinations'
- > IFRS 9 'Financial instruments'
- > Amendment to IAS 24 'Related party disclosures'
- > IAS 27 (revised) 'Consolidated and separate financial statements'
- > Amendment to IAS 32 'Financial Instruments: disclosure and presentation – classification of rights issues'
- > Amendment to IAS 39 'Financial instruments: recognition and measurement – eligible hedged items'
- > IFRS Annual improvements (2009)
- > IFRIC 12 'Service concession arrangements'
- > Amendment to IFRIC 14 'Prepayment of minimum funding requirements'
- > IFRIC 16 'Hedges of a net investment in a foreign operation'
- > IFRIC 17 'Distributions of non cash assets to owners'
- > IFRIC 18 'Transfer of assets from customers'
- > IFRIC 19 'Extinguishing financial liabilities with equity instruments'

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

The financial statements of the Company as an entity continue to be prepared under United Kingdom Generally Accepted Accounting Practice and are presented separately from the consolidated financial statements (pages 62 to 69).

Notes to the Consolidated Accounts continued

1. Accounting policies continued

Basis of Consolidation

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

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

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

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquirer. The identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

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

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

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

Foreign currencies

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

Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date. All unhedged exchange differences are recognised in the income statement for the period and classified as other operating income or charges.

The assets and liabilities of the Group's overseas subsidiaries on consolidation are translated at the rates of exchange ruling at the balance sheet date. The income and expenses are translated at the weighted average rate during the period. Differences on translation are recognised in a separate foreign currency translation reserve within equity. On disposal of an overseas subsidiary, the cumulative exchange differences for that subsidiary are recognised in the income statement as part of the profit or loss on disposal.

Intangible Assets – Goodwill

Goodwill arising on acquisition is initially measured at cost, being the excess of the fair value of the consideration for the acquisition over the Group's interest in the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is not amortised, but reviewed for impairment annually, any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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

Intangible Assets – Archive

The Arthur Sanderson and William Morris archive comprises a historic record of unique designs that are used to generate a significant royalty income in the business. The archive is valued at historical cost. The Directors believe that the archive has an indefinite useful life and is therefore not subject to amortisation. The carrying value of this asset is reviewed annually and provision made for any impairment in the carrying value if required.

Intangible Assets – Software assets

Acquired computer software licences are capitalised at the cost incurred to bring the asset into use, including where relevant directly attributable internal costs incurred in preparing the software for operation. The costs are amortised to their estimated residual value over their estimated useful life which range from three to six years.

1. Accounting policies continued

Intangible Assets – Collection design

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment loss. Historical cost comprises the purchase price and costs directly incurred in bringing the asset into use. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, at each balance sheet date.

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

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

Government grants received for property, plant and equipment are classified within the cost of property, plant and equipment and released to the income statement over the life of the asset.

Impairment of non-financial assets

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

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

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

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

Inventories

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

Marketing materials

Marketing materials consist of patterning books and other marketing assets used to support the sale of the Group's products. They are recognised at the lower of cost and net realisable value. Cost comprises direct materials plus costs of production. Net realisable value is based on estimated recoveries from customers and distributors for those pattern books expected to be sold, less anticipated costs of disposals. As books are sold or otherwise utilised, their cost is charged to the income statement as an expense. An impairment allowance is made for any slow moving and obsolete marketing materials including those expected to be given away free of charge. The Group's policy is to classify marketing materials on the balance sheet within trade and other receivables.

1. Accounting policies continued

Financial assets and liabilities – measurement basis

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

Non-derivative financial assets are classified according to the purpose for which the asset was acquired. The Group's financial assets are classified as either:

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

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

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

- > 'trade and other payables' – these are typically non-interest bearing and following initial recognition are included in the balance sheet at amortised cost;
- > 'bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs. Finance charges are accounted for on an accruals basis and charged to the consolidated income statement using the effective interest rate method;
- > 'borrowings' – these are recorded initially at the fair value, net of direct issue costs, and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are accounted for on an accruals basis in the income statement, using the effective interest method, and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group does not have any non-derivative financial assets or liabilities classified as 'at fair value through profit and loss'.

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

Derivative financial instruments and hedge accounting – measurement basis

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

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

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

Derivatives that do not qualify for hedge accounting under IAS 39 are classified as 'financial assets or liabilities at fair value through the profit or loss'. They are initially recognised at fair value, with fair value being remeasured at each reporting date. The fair value of the derivative is based on market price of comparable instruments at the balance sheet date. Changes in fair value are included in the consolidated income statement within finance costs.

1. Accounting policies continued

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

Cash & cash equivalents

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

For the purposes of the cash flow statement it is the Group's policy to classify interest income and expense, and other finance costs, within 'cash flows from operating activities'.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is considered material.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets used by the Group which have been funded through finance leases are capitalised in property, plant and equipment and the resulting lease obligations are included in liabilities. The assets are depreciated over their useful lives and the interest element of the rental obligations is charged to the income statement over the period of the lease, and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease. Rent free periods receivable on entering an operating lease are released on a straight-line basis over the term of the lease.

Employee benefits – pension obligations

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

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

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

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

Scheme expenses met by the Group, expected returns on plan assets, and interest on pension scheme liabilities are classified within 'Net defined benefit pension costs' on the consolidated income statement.

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

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

Employee benefits – share based payments under long-term incentive plans ('LTIP')

The Group issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met. The total amount recognised in the income statement as an expense is adjusted to reflect the actual number of awards that vest.

Employee benefits – short-term bonus plans

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

Notes to the Consolidated Accounts continued

1. Accounting policies continued

Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Consideration paid including any directly attributable incremental costs (net of income taxes) on the purchase of the Company's equity share capital (treasury shares) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity shareholders.

Revenue

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

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

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

Exceptional items

Items that are both material and whose nature is sufficient to warrant separate disclosure and identification are disclosed within the financial statements and classified within their relevant income statement category.

Taxation including deferred tax

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that effects neither the tax profit nor the accounting profit.

IAS 12 'Income taxes' requires that the measurement of deferred tax should have regard to the tax consequences that would follow from the manner of expected recovery or settlement at the balance sheet date of the carrying amount of its assets and liabilities. In calculating its deferred tax liability the Group's policy is to regard the depreciable amount of the carrying value of its property, plant and equipment to be recovered through continuing use in the business, unless included within assets held for resale, where the policy is to regard the carrying amount as being recoverable through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

1. Accounting policies continued

Segmental reporting

Walker Greenbank is a designer, manufacturer and distributor of furnishings, fabrics and wallpaper. The Group predominantly manages its operations as three reportable segments which are the brands, manufacturing and overseas.

Reportable segments consist of one or more operating segments. Aggregation of operating segments into reportable segments occurs when aggregation criteria, as laid down in IFRS 8 'Operating Segments' are satisfied, including similar economic characteristics or when operating segments are less than quantitative limits as laid down in IFRS 8. After applying aggregation, segmental information is disclosed in a manner consistent with the internal reporting to the chief operating decision maker ('CODM'). The Group considers its CODM to be the Board of Directors, who are responsible for allocating resources and assessing performance of the operating segments.

Interest received

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

2. Financial risk management

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

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

Foreign exchange risk

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

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

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

For the year ended 31 January 2010, the average sterling to US dollar translation rate applied by the Group including the impact of hedging contracts was £1 : US\$1.88. If the rate had been £1 : US\$1.78 lower with all other variables held constant, profit before tax would have been higher by £149,000. If the rate had been £1 : US\$1.98 higher with all other variables held constant, profit before tax would have been lower by £134,000.

For the year ended 31 January 2010, the average sterling to euro translation rate applied by the Group including the impact of hedging contracts was £1 : €1.12. If the rate had been £1 : €1.02 lower with all other variables held constant, profit before tax would have been lower by £110,000. If the rate had been £1 : €1.22 higher with all other variables held constant, profit before tax would have been higher by £92,000.

The sensitivity of movements in other currencies is not considered material to the performance of the Group.

Interest rate risk

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

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings at variable rate are denominated in either UK pounds or euros. The Group regularly analyses its interest rate exposure calculating the impact on profit and loss of a defined interest rate shift. Based on the calculations the Board consider refinancing, renewal of existing positions, alternative financing and hedging.

In July 2007 the Group entered into a financing contract with Barclays Bank PLC which was renewed in March 2010, variable interest rates were negotiated on all the loans. The Board continues to monitor the interest rates monthly.

For the year ended 31 January 2010, had benchmark interest rate levels been 0.5% higher/lower than actual experience, with all other variables held constant, the profit before tax of the Group would have been lower/higher by £51,000 due to the change in interest rate expense on variable rate borrowings.

Notes to the Consolidated Accounts continued

2. Financial risk management continued

Credit risk

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

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

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

There is no difference between the carrying amount and the maximum credit risk exposure.

Liquidity risk

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

During the year the Group had facilities with Barclays Bank PLC. A significant element of the facility is linked to working capital, which allows the Group to manage its cash more effectively during the seasonal fluctuations in working capital associated with the industry. This element of the facility was due to expire in July 2010 but was renewed in March 2010 and will now expire in July 2013.

Management monitors rolling forecasts of the Group's cash and loan facility utilisation on a monthly basis. The Group ensures that it has adequate facilities available to cover both its short-term and medium-term commitments. In addition, the Group's liquidity management policy is to project cash flows in major currencies and consider the level of liquid assets necessary to meet these liabilities as they fall due.

Capital risk management

The Group's objectives when managing capital are:

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

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

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

During the year to 31 January 2010, the Group's strategy, which was unchanged from the previous year, was to reduce the average gearing ratio. The average gearing ratios for 2010 and 2009 were as follows:

	Year ended	
	31 January 2010 £000	31 January 2009 £000
Average net debt	8,565	11,233
Total equity	18,770	19,911
(Less)/add: amounts recognised in equity relating to currency contracts	(175)	812
Adjusted capital	18,595	20,723
Average net debt to adjusted capital ratio	46%	54%
Year end net debt to adjusted capital ratio	17%	31%

2. Financial risk management continued

The Group considers the average debt to adjusted equity ratio to be too high currently, and will continue to reduce debt and the pension deficit by cash generated from operations until the ratio is at a level considered appropriate.

The gearing ratio at the year end is lower than the average gearing ratio as the level of trade debtors is lower at the year end than the average during the year due to the seasonal nature of trading in the months of December and January.

Fair value estimation

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

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

3. Critical accounting estimates and assumptions

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

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

a) Retirement benefit obligations

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

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

b) Impairment of non-financial assets

The Group tests annually whether goodwill or its indefinite life intangible asset has suffered any impairment, in accordance with its accounting policy and of other intangibles and property, plant and equipment whenever impairment triggers are apparent. The recoverable amounts of cash generating units have been determined based on value in use ('VIU') calculations. These calculations require use of estimates of future revenue, margins, and other operating and administrative expenses, and of discount rates. Further disclosures relating to the estimates and assumptions applied, and carrying amounts of the non-financial assets, are set out in note 14 and 15.

The Group makes provision for impairment in the carrying amount of its inventories and marketing materials. The nature of the Group's products are exposed to changes in taste and attitudes from time to time, which can affect the demand for those products. The Group has skilled and experienced management who utilise historical sales information, and exercise their judgement, in making estimates about the extent of provisions necessary based on the realisable value of inventory and expected future benefit to the Group of marketing materials taking into account the estimated price and volume of future sales or usage less the further costs of sale and holding costs. Further disclosures relating to the effect on the income statement of the establishment and reversal of such provisions against inventory are included in note 7. Details of the carrying amount of marketing materials is disclosed in note 17 and of inventories in note 18.

c) Deferred tax recognition

Following the completion of the Group's recovery programme and return to sustained profitability over recent years, the Group has considered it appropriate to partially recognise at the balance sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits. The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of companies within the Group, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of share-based payment awards. Further disclosures relating to the effect on the income statement of the recognition of deferred tax assets are included in note 12, and the amount of deferred tax asset recognised and other relevant disclosures are included in note 16.

Notes to the Consolidated Accounts continued

3. Critical accounting estimates and assumptions continued

d) Share based payment awards

The Group has granted awards to Executive Directors and Senior Management which include vesting conditions relating to the future financial performance of the Group as measured by Profit before tax ('PBT') and the relative performance of the Group's Total shareholder return ('TSR') against comparator companies. The fair value of the awards granted is charged against the income statement over the vesting period; the amount of that charge is dependent upon the Group's estimates of how many awards will ultimately vest, which is linked directly to its estimates regarding future PBT and TSR achievement. Further disclosures relating to performance targets are included in the Directors' Remuneration Report on pages 21 to 23 and the effect on the financial statements of share awards is included in note 25.

4. Segmental analysis

Walker Greenbank is a designer, manufacturer and distributor of luxury interior furnishings, fabrics and wallpaper. The Board of Walker Greenbank PLC predominantly manages the operations of the Group as two divisions which are the Brands and Manufacturing, which has been the basis of segmentation information disclosed in previous financial years. Following the adoption of the principles set out in IFRS 8 'Operating Segments' the Group has identified its operating segments and applied aggregation criteria, as set out in IFRS 8, and has determined that the reportable segments of the Group are as follows:

- > Brands – comprising the design, marketing, sales and distribution, and licencing activities of Harlequin, Sanderson, Zoffany and Morris & Co brands operated from the UK in the retail and contract sectors of the market.
- > Manufacturing – comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast respectively.
- > Overseas – comprising the marketing, sales and distribution operations of the Group's foreign based subsidiaries in Europe and the United States.

This is the basis on which the Group presents its operating results to the Board of Directors of the parent company, which is considered to be the Chief Operating Decision Maker ('CODM') for the purposes of IFRS 8. Additional revenue-only data is also reported to the CODM and is disclosed on the basis explained below. Other Group wide activities and expenses, predominantly related to corporate head office costs, defined benefit pension costs, long-term incentive plan expenses, taxation and eliminations of intersegment items, are presented within 'Eliminations and unallocated'.

Segment information for the comparative period year ended 31 January 2009 has been restated to ensure consistent form of presentation following adoption of IFRS 8 principles.

a) Principal measures of profit and loss – income statement segmental information

Year ended 31 January 2010	Brands £000	Manufacturing £000	Overseas £000	Eliminations & unallocated £000	Total £000
Revenue – external	41,757	11,936	6,685	–	60,378
Revenue – internal	1,397	10,168	–	(11,565)	–
Total revenue	43,154	22,104	6,685	(11,565)	60,378
Operating profit/(loss) before exceptional items	4,616	633	5	(2,732)	2,522
Exceptional items (refer note 5):					
– redundancy expenses	(78)	(182)	(72)	–	(332)
– net proceeds from insurance recovery	225	–	–	–	225
Profit/(loss) from operations	4,763	451	(67)	(2,732)	2,415
Net borrowing costs	–	–	–	(263)	(263)
Net pension charge	–	–	–	(600)	(600)
Profit before taxation	4,763	451	(67)	(3,595)	1,552
Tax charge	–	–	–	(379)	(379)
Profit for the year	4,763	451	(67)	(3,974)	1,173

4. Segmental analysis continued

Year ended 31 January 2009	Brands £000	Manufacturing £000	Overseas £000	Eliminations & unallocated £000	Total £000
Revenue – external	42,766	12,963	7,969	–	63,698
Revenue – internal	1,942	10,992	–	(12,934)	–
Total revenue	44,708	23,955	7,969	(12,934)	63,698
Operating profit/(loss) before exceptional items	5,240	931	(8)	(2,306)	3,857
Exceptional items (refer note 5):					
– redundancy expenses	–	(146)	–	–	(146)
– net costs of insurance event	(150)	–	–	–	(150)
Profit/(loss) from operations	5,090	785	(8)	(2,306)	3,561
Net borrowing costs	–	–	–	(695)	(695)
Net pension charge	–	–	–	(79)	(79)
Profit before taxation	5,090	785	(8)	(3,080)	2,787
Tax charge	–	–	–	(1,165)	(1,165)
Profit for the year	5,090	785	(8)	(4,245)	1,622

The segmental income statement disclosures are measured in accordance with the Group's accounting policies as set out in note 1. Operating profit before and after exceptional items is regularly reported to the CODM and accordingly is disclosed above.

Intersegment revenue earned by Manufacturing from sales to Brands is determined on normal commercial trading terms as if Brands were any other third party customer. Intersegment revenue earned by Brands for sales to Overseas, via the corporate head office, is also principally based on commercial trading terms.

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

b) Additional segmental revenue information

The segmental revenues of the Group are also reported to the CODM in more detail. One of the analyses presented is by strategic objective of the Group although profitability measures on this basis are not reported. These are the external retail sales in each major geographical area, the contract sector revenues throughout the world including those in the Group's overseas subsidiaries, licence revenue and external manufacturing revenues.

Revenue by strategic objective	2010 £000	2009 £000
United Kingdom retail	24,723	25,221
Continental Europe retail	9,030	10,186
North America retail	4,664	5,572
Rest of the World retail	3,657	3,196
Contract (includes all global revenues)	5,265	5,285
Licence	1,103	1,275
Manufacturing	11,936	12,963
	60,378	63,698

Revenue of the Brands reportable segments – revenue from retail operations in all territories where the sale is sourced from the United Kingdom Brands operations, including sales to overseas subsidiaries, together with contract and license revenue:

Brand Revenue Analysis	2010 £000	2009 £000
Harlequin	19,236	19,220
Sanderson incorporating Morris & Co	15,243	14,877
Zoffany	8,675	10,611
	43,154	44,708

Notes to the Consolidated Accounts continued

4. Segmental analysis continued

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

Manufacturing Revenue Analysis	2010 £000	2009 £000
Standfast	12,511	12,613
Anstey	9,593	11,342
	22,104	23,955

Revenue of the Overseas reportable segments – revenue of the Group's overseas subsidiaries from retail operations which also includes contract and licence revenue:

Overseas Revenue Analysis	2010 £000	2009 £000
United States of America	5,095	6,228
France	1,017	972
Italy	573	769
	6,685	7,969

c) Other income statement segmental information

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

Year ended 31 January 2010	Brands £000	Manufacturing £000	Overseas £000	Eliminations & unallocated £000	Total £000
Depreciation	552	689	76	7	1,324
Amortisation	408	54	–	–	462
Impairment losses – trade receivables	210	15	12	–	237
Reversal of prior period impairment losses – trade receivables	(1)	(54)	–	–	(55)
Impairment losses – inventory	1,025	86	–	–	1,111
Share-based payment charges	–	–	–	145	145

Year ended 31 January 2009	Brands £000	Manufacturing £000	Overseas £000	Eliminations & unallocated £000	Total £000
Depreciation	625	733	104	7	1,470
Amortisation	358	18	21	–	376
Impairment losses – trade receivables	267	25	12	–	304
Reversal of prior period impairment losses – trade receivables	–	(5)	–	–	(5)
Impairment losses – inventory	603	4	29	–	636
Reversal of prior period impairment losses – inventory	–	(95)	–	–	(95)
Share-based payment charges	–	–	–	373	373

d) Principal measures of assets and liabilities – balance sheet segmental information

Segment assets consist primarily of goodwill, intangible assets, property, plant and equipment, trade and other receivables including inter segment receivables, and inventories. Segment liabilities consist primarily of trade and other payables including inter segment payables.

Unallocated assets and liabilities consists primarily of cash, deferred tax assets, borrowings, derivative financial instruments, and retirement benefit obligations and elimination of inter segment balances. Segment assets and liabilities and unallocated assets and liabilities are measured in accordance with the Group's accounting policies as set out in note 1.

Year ended 31 January 2010	Brands £000	Manufacturing £000	Overseas £000	Eliminations & unallocated £000	Total £000
Assets	26,171	15,216	827	3,494	45,708
Liabilities	(11,124)	(4,127)	(1,642)	(10,045)	(26,938)
Total net assets	15,047	11,089	(815)	(6,551)	18,770
Capital expenditure – intangible assets	236	36	–	–	272
Capital expenditure – property, plant and equipment	601	147	47	–	795

4. Segmental analysis *continued*

Year ended 31 January 2009	Brands £000	Manufacturing £000	Overseas £000	Eliminations & unallocated £000	Total £000
Assets	27,181	15,841	2,315	1,933	47,270
Liabilities	(11,135)	(5,003)	(3,255)	(7,966)	(27,359)
Total net assets	16,046	10,838	(940)	(6,033)	19,911
Capital expenditure – intangible assets	275	145	–	–	420
Capital expenditure – property, plant and equipment	418	632	57	–	1,107

e) Additional entity-wide disclosures

Revenue by geographical location of customers	2010 £000	2009 £000
United Kingdom	39,969	41,026
Continental Europe	9,750	10,987
United States of America	6,442	7,893
Rest of the World	4,217	3,792
	60,378	63,698

No single customer of the Group accounts for 10% or more of total revenue. Within the sub-totals for Continental Europe and Rest of the World shown above there are no individual countries that account for 10% or more of total revenue.

Non-current assets by geographical territory	2010 £000	2009 £000
United Kingdom	13,468	14,157
Continental Europe	208	213
United States of America	171	241
	13,847	14,611

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

5. Exceptional items

Items that are both material and whose nature is sufficient to warrant separate disclosure and identification are disclosed within the financial statements and classified within their relevant income statement category. In the current period, 'Redundancy expenses' of £332,000 (2009: £146,000) incurred to reduce the cost base of the Group during the economic downturn and 'Net proceeds from insurance recovery' of £225,000 (2009: costs from insurance event £150,000) for marketing material products held at third party's premises which were destroyed in a fire in the previous year have been presented as exceptional in accordance with the Group's accounting policy for exceptional items. The insurance loss in the previous year arose due to the uncertainty over the level of insurance settlement recoverable. 'Redundancy expenses' are classified within administration expenses, proceeds from insurance recovery are classified within other operating income/(expense) and costs from insurance event are presented within distribution expenses.

6. (a) Analysis of operating profit by function of expense

	2010 £000	2009 £000
Turnover	60,378	63,698
Cost of sales	(24,359)	(25,567)
Gross profit	36,019	38,131
Net operating expenses:		
Distribution costs	(10,539)	(11,603)
Administration expenses	(22,526)	(23,329)
Other operating (expense)/income	(539)	362
Net operating expenses	(33,604)	(34,570)
Operating profit	2,415	3,561

The corresponding amounts for distribution costs and administration expenses have been amended to ensure a consistent classification for all periods presented.

Notes to the Consolidated Accounts continued

6. (b) Analysis of revenue by category

	2010 £000	2009 £000
Sale of goods	59,275	62,423
Licence royalty income	1,103	1,275
	60,378	63,698

6. (c) Analysis of expense by nature

	2010 £000	2009 £000
Changes in inventories of finished goods and work in progress	616	1,093
Raw materials and consumables used	19,008	19,405
Employee benefit expense	18,153	18,828
Depreciation and amortisation charges	1,786	1,846
Transportation expenses	1,590	2,068
Advertising costs	610	981
Operating lease payments	1,854	1,712
Other expenses	13,807	14,566
Total cost of sales, distribution costs and administrative expenses	57,424	60,499

7. Group operating profit

	2010 £000	2009 £000
Group operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	1,324	1,470
Amortisation of intangibles	462	376
Cost of inventories recognised as expense in cost of sales	19,624	20,498
Impairment of inventories	1,111	636
Reversal of impairment of inventories	-	(95)
Impairment of trade receivables	237	304
Reversal of impairment of trade receivables	(55)	(5)
Net foreign exchange (gains)/losses	766	(472)
Operating lease rentals:		
• Hire of motor vehicles and plant and machinery	459	494
• Land and buildings	1,395	1,218
Loss/(profit) on disposal of fixed assets	-	6
Income from sub leases	14	81

	2010 £000	2009 £000
Auditor's remuneration:		
• Fees payable to Company's auditor for the audit of parent Company and consolidated financial statements	50	50
• Audit of Company's subsidiaries pursuant to legislation	75	75
• Other services	12	-
	137	125

8. Net defined benefit pension costs

	2010 £000	2009 £000
Expected return on pension scheme assets	2,306	2,829
Interest on pension scheme liabilities	(2,617)	(2,633)
Scheme expenses met by Group	(289)	(275)
Net (charge)/income	(600)	(79)

9. Net borrowing costs

	2010 £000	2009 £000
Interest expense:		
Interest payable on bank borrowings	(218)	(685)
Amortisation of issue costs of bank loans	(24)	(26)
Other interest and similar charges payable	(21)	(19)
Total borrowing expense	(263)	(730)
Interest income:		
Interest receivable on bank deposits	–	35
Net borrowing costs	(263)	(695)

10. Emoluments of Directors

	Salary £000	Bonus £000	LTIP £000	Benefits £000	Sub-total Aggregate emoluments £000	Pension £000	2010 Total £000	2009 Total £000
Executive Directors:								
John Sach	220	121	126	6	473	33	506	258
David Smallridge	160	88	117	1	366	24	390	177
Alan Dix	126	50	78	1	255	13	268	140
Non-executive Directors:								
Ian Kirkham (retired 31 January 2009)	–	–	–	–	–	–	–	65
Terry Stannard	60	–	–	–	60	–	60	26
Fiona Goldsmith	26	–	–	–	26	–	26	4
	592	259	321	8	1,180	70	1,250	670

Executive Directors have been granted awards under long-term incentive plans in the form of nil priced share options. During the year the award granted in July 2006 vested. The vesting conditions were set in 2006 and comprised a profit before tax target for the year ended 31 January 2009 and that the participants were employed at the end of the three year vesting period. Accordingly, the gain on exercise of the award, being the market value of the shares at the vesting date in July 2009, are included in aggregate emoluments above ('LTIP') for the current year, notwithstanding that this relates to performance of the Group in a prior period.

In both years, retirement benefits were accruing to one Director under a defined benefit scheme, who is the highest paid Director. Accrued annual pension benefits at the year end were £11,406 (2009: £10,188). Benefits are accruing under defined contribution schemes for three Directors (2009: three Directors).

Further information on remuneration of Directors is included in the Directors' Remuneration Report set out on pages 21 to 23.

11. Employee information

	2010 £000	2009 £000
Wages and salaries	15,339	15,971
Social security costs	1,660	1,659
Other pension costs	677	679
Share based payment awards, including NIC thereon	145	373
Redundancy expense	332	146
Employee benefit expense	18,153	18,828
	2010 Number	2009 Number
The average monthly number of employees (including Directors) during the year		
Brands, including warehousing	211	232
Manufacturing	271	312
Overseas	28	29
Corporate and administration	19	21
	529	594

Notes to the Consolidated Accounts continued

11. Employee information continued

Compensation of key management personnel

	2010 £000	2009 £000
Short-term employee benefits (including short-term incentives)	2,481	2,164
Post employment benefits (including pension costs)	132	126
Share-based payment awards	145	373
	2,758	2,663

The Group regards its key management personnel to be its Directors and Senior Management having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. Share-based payment awards reflects the charge in the income statement and does not reflect the market value of shares expected to vest.

12. Tax

	2010 £000	2009 £000
Current tax:		
– overseas, current tax	(18)	(57)
– overseas, adjustment in respect of prior year	50	–
Current tax	32	(57)
Deferred tax:		
– ordinary	(422)	(788)
– adjustment in respect of prior year	11	–
– exceptional	–	(320)
Deferred tax	(411)	(1,108)
Tax charge for the year	(379)	(1,165)
	2010 £000	2009 £000
Profit on ordinary activities before tax	1,552	2,787
Tax on profit on ordinary activities at standard rate 28% (2009: 28%)	(435)	(780)
Non deductible expenditure	(22)	(59)
Parent and overseas losses and temporary differences not recognised	17	(6)
Exceptional impact of phasing out of Industrial Building Allowances	–	(320)
Adjustments in respect of prior years	61	–
Tax charge for year	(379)	(1,165)

Factors affecting current and future tax charges

The Group does not anticipate that UK corporation tax will become payable on profits within the immediate future due to the availability of tax losses of approximately £20.1 million (2009: £21.3 million).

13. Earnings per share

Basic and diluted earnings per share ('EPS') is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held in the employee share trust and those held in treasury (note 25), which are treated as cancelled.

	2010			2009		
	Earnings £000	Weighted average number of shares (000s)	Per share amount pence	Earnings £000	Weighted average number of shares (000s)	Per share amount pence
Basic and diluted earnings per share	1,173	55,977	2.10	1,622	54,880	2.96

On 27 July 2009 2,386,794 shares vested under the companies Long-Term Incentive Plan and these were removed from the Walker Greenbank PLC Employee Benefit Trust ('EBT'). On 13 November 2009 1,690,093 shares were transferred from treasury to the EBT. On 8 January 2010 Walker Greenbank PLC purchased 610,000 ordinary shares of 1p each in the Company at 21p per ordinary share. Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2009: 59,006,162) ordinary shares of which 610,000 (2009: 1,690,093) ordinary shares are held in treasury and a further 1,852,445 (2009: 2,549,146) ordinary shares are held by the EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS. At 31 January 2010 the market value of the treasury shares was £137,250.

14. Intangible assets

	Goodwill £000	Arthur Sanderson & William Morris Archive £000	Collection design assets £000	Software assets £000	Total £000
Cost:					
1 February 2008	1,400	4,300	689	4,623	11,012
Additions	–	–	268	152	420
31 January 2009	1,400	4,300	957	4,775	11,432
Additions	–	–	227	45	272
31 January 2010	1,400	4,300	1,184	4,820	11,704
Amortisation:					
1 February 2008	841	–	251	4,087	5,179
Charge	–	–	148	228	376
31 January 2009	841	–	399	4,315	5,555
Charge	–	–	200	262	462
31 January 2010	841	–	599	4,577	6,017
Net book amount:					
31 January 2010	559	4,300	585	243	5,687
31 January 2009	559	4,300	558	460	5,877

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

Amortisation of £462,000 (2009: £376,000) is included in administrative costs.

Impairment tests for Goodwill & Arthur Sanderson & William Morris Archive

The carrying value of goodwill at the year end of £559,000 (2009: £559,000) is attributable to the manufacturing segment. The Archive is attributable to the brands.

The Group tests goodwill and the Archive for impairment annually or more frequently if there are indications that they might be impaired. There was no impairment charge recognised in the year (2009: none).

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

The Group estimates the VIU using a discounted cash flow model ('DCF'), where the projected cash flows for separate or collective groups of CGUs are discounted using a pre-tax rate of 10.50% (2009: 9.50%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2009: two years) of its VIU calculation, with extrapolation beyond the last explicit year using an assumption of growth for future years ranging from 1% to 2% (2009: 1% to 2%) depending upon the CGU being tested. The cash flows used in the calculation of the VIU are derived from past experience and are based on operating profit forecasts, which in turn rely upon assumptions relating to sales growth, margins and operating and administrative expenses. The cash flows have not included the benefits arising from any future asset enhancement expenditure, as this is not permitted by IAS 36. The VIU calculations therefore exclude significant benefits anticipated from future capital expenditure. The growth rates included within the assumptions supporting the VIU calculations do not therefore represent the Group's anticipated total forecast growth, but rather only the growth deriving from capital expenditure completed at the balance sheet date.

The recoverable amount of the Archive intangible asset is estimated based on VIU, and comprises estimated future cash flows from royalty income relating to the Archive. A discount rate of 10.50% (2009: 9.50%) is applied.

The Group does not consider there to be reasonably probable changes to the key assumptions that would result in impairment of either goodwill or the Archive as at 31 January 2010.

Notes to the Consolidated Accounts continued

15. Property, plant and equipment

	Land and buildings £000	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost:				
1 February 2008	5,404	14,880	1,295	21,579
Additions	–	1,079	28	1,107
Disposals	–	(361)	(27)	(388)
Currency movements	–	198	38	236
31 January 2009	5,404	15,796	1,334	22,534
Additions	–	780	15	795
Disposals	–	(43)	–	(43)
Currency movements	–	(63)	(13)	(76)
31 January 2010	5,404	16,470	1,336	23,210
Depreciation:				
1 February 2008	983	10,573	1,032	12,588
Charge	109	1,220	141	1,470
Disposals	–	(348)	(27)	(375)
Currency movements	–	83	34	117
31 January 2009	1,092	11,528	1,180	13,800
Charge	109	1,134	81	1,324
Disposals	–	(29)	–	(29)
Currency movements	–	(33)	(12)	(45)
31 January 2010	1,201	12,600	1,249	15,050
Net book amount:				
31 January 2010	4,203	3,870	87	8,160
31 January 2009	4,312	4,268	154	8,734

Depreciation expense of £1,324,000 (2009: £1,470,000) has been charged in administrative expenses.

	2010 £000	2009 £000
The net book amount of land and buildings comprises		
Freehold land	450	450
Freehold buildings	3,753	3,862
Net book amount	4,203	4,312

Land and buildings are stated at historical cost.

The carrying value of assets providing security under the Barclays facility was land and buildings of £4,203,000 (2009: £4,312,000).

16. Deferred income tax assets

A deferred tax asset of £5,806,000 (2009: £5,158,000) is recognised in respect of tax losses and other temporary differences and £411,000 has been charged to the income statement during the year as some of the tax losses have been utilised.

	2010 £000	2009 £000
Taxable temporary differences on property, plant and equipment	(581)	(872)
Taxable temporary differences on intangible assets	(149)	(128)
Other temporary differences	40	–
Tax losses	4,272	4,993
	3,582	3,993
Pension scheme obligations	2,224	1,165
	5,806	5,158

16. Deferred income tax assets *continued*

The movements in deferred tax asset on pension scheme obligations are recognised in the Statement of Comprehensive Income.

At the balance sheet date the Group has unused UK tax losses of £20.1 million (2009: £21.3 million) available for offset against future profits. A deferred asset is recognised in respect of £15.3 million (2009: £17.7 million) of such losses as the Group believes that realisation of the related tax benefit through future taxable profit is probable and can be readily accessed under existing tax legislation. No deferred tax has been recognised on the remaining £4.8 million (2009: £3.6 million) as these losses are not readily available for offset against the Group's future profits under existing tax legislation and therefore the realisation of these losses is not considered probable. In addition, tax losses in overseas subsidiaries of £1,518,000 are available for offset of future taxable profits by those subsidiaries, however the realisation of these losses is not considered probable. The recognition of deferred tax on losses will be assessed at each reporting date.

Potential deferred tax assets at 31 January 2010 of £2,187,000 (2009: £1,800,000) relating to tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation.

	2010 £000	2009 £000
Tax losses	1,876	1,528
Other deductible temporary differences	311	272
	2,187	1,800

There are also capital tax losses at 31 January 2010 of £2,485,000 (2009: £2,485,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

17. Trade and other receivables

	2010 £000	2009 £000
Current		
Trade receivables	8,224	9,053
Less: Provision for impairment of trade receivables	(408)	(423)
Net trade receivables	7,816	8,630
Other receivables	430	1,111
Marketing materials	1,137	1,385
Prepayments	926	1,426
	10,309	12,552
Non-current		
Other receivables	-	12

The value of trade receivables providing funding under the Barclays facility was £6,395,000 (2009: £6,721,000).

There is no material difference between the carrying amount and the fair value of the trade and other receivables.

Credit quality of financial assets**(i) Neither past due nor impaired**

Included in the Group's trade receivable balances are debtors with a carrying value of £4,599,000 (2009: £4,849,000) which are neither past due nor impaired at the reporting date. The nature of the Group's business means that it has a long standing relationship with the majority of its customers, who either have no experience of historical default or only temporary late payments with full recovery of balances due.

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

Notes to the Consolidated Accounts continued

17. Trade and other receivables continued

(ii) Past due – not individually impaired

Included in the Group's trade receivable balances are debtors with a carrying value of £3,199,000 (2009: £3,561,000) which are past due at the reporting date for which the Group does not consider the receivable for these customers to be individually impaired as there has not been a significant decline in credit quality and the Group believes that the amounts are still recoverable. The table below shows the aging analysis of the receivables:

	2010 £000	2009 £000
1–30 days past due	1,757	1,653
31–60 days past due	1,224	1,490
61–90 days past due	192	339
91+ days past due	26	79
	3,199	3,561

(iii) Past due – individually impaired

As at 31 January 2010, trade receivables of £426,000 (2009: £643,000) were individually determined to be impaired and provided for. The amount of the provision was £236,000 (2009: £281,000). The main factors used to assess the impairment of trade receivables is the age of the balance and circumstances of the individual customer. It has been assessed that a proportion of the receivables is expected to be recovered.

The Directors believe that in the current economic environment there is objective evidence of credit deterioration and an impairment of £172,000 (2009: £142,000) representing a collective assessment of risk has been made. Due to the nature of Group's products, there is limited amount of stock left in the possession of customers that could act as collateral under terms of trade. As the value of this stock is immaterial, it has not been disclosed in the financial statements.

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

	2010 £000	2009 £000
Sterling	6,656	7,101
Dollars	152	522
Euros	1,361	2,064
Other	77	66
	8,246	9,753

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

	2010 £000	2009 £000
United Kingdom	5,118	5,284
Continental Europe	1,564	2,117
United States of America	333	833
Rest of the World	801	396
	7,816	8,630

Provisions for impairment

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

	2010 £000	2009 £000
At 1 February	(423)	(186)
Provision for receivables impaired	(237)	(304)
Receivables written off in the year as uncollectible	193	68
Unused amounts reversed	55	5
Exchange difference	4	(6)
At 31 January	(408)	(423)

The creation and release of provision for impaired trade receivables have been included within 'administrative expenses' in the income statement.

18. Inventories

	2010 £000	2009 £000
Raw materials	1,335	1,368
Work in progress	1,346	1,069
Finished goods	10,557	11,450
	13,238	13,887

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £19,624,000 (2009: £20,498,000)

The value of inventories providing security under the Barclays facility, if it were to be fully drawn, was £7,959,000 (2009: £8,637,000).

19. Cash and cash equivalents

	2010 £000	2009 £000
Cash at bank and in hand	2,333	1,050

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

20. Trade and other payables

	2010 £000	2009 £000
Trade payables	8,364	9,973
Corporation tax	38	85
Other taxes and social security	894	1,043
Other creditors and deferred revenue	398	780
Accruals	3,854	3,237
	13,548	15,118

21. Derivative financial instruments

	2010 £000	2009 £000
Forward foreign exchange contracts – cash flow hedges – asset/(liability)	175	(812)

Forward foreign exchange contracts

The Group's US based subsidiary, Walker Greenbank Inc., sells products to local customers with sales invoiced in US dollars. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of these sales. The Group considers that it is highly probable that future sales of this nature will continue to arise over at least the next 12 months. During the year Walker Greenbank PLC has entered into monthly forward foreign exchange contracts up to July 2011, with a third party, to buy sterling and sell dollars. The Group has designated these contracts as cash flow hedges of the foreign currency risk arising from the highly probable future forecast sales transactions. As at the reporting date the fair value of the forward foreign contracts deferred in the hedging reserve relating to the benefit on these anticipated future transactions is an asset of £175,000 (2009: Liability £820,000). The amounts deferred in equity will be released into the income statement in the period or periods during which the hedged forecast transactions effect the income statement, which is expected to be within 18 months of the balance sheet date.

The Brands make more purchases from the euro zone than sales made to the euro zone. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of the purchases. The Group considers that the level of this exposure will reduce over the next 12 months. As at the reporting date there were no forward foreign contracts. The fair value of the forward contracts in the hedging reserve last year was an asset of £8,100.

Notes to the Consolidated Accounts continued

22. Borrowings

	2010 £000	2009 £000
Non-Current:		
Term loan	2,580	3,000
Trade receivables loan	–	3,862
Stock loan	–	6
	2,580	6,868
Current:		
Term loan	400	400
Trade receivables loan	2,467	–
Stock loan	–	–
	2,867	400
Total borrowings	5,447	7,268

In March 2010, the Group agreed terms to renew the Receivables and Inventory facilities from Barclays Bank PLC. The total facilities from Barclays Bank Plc comprises: a variable rate Term Loan secured on the Group's freehold property which is being repaid on a 10 year profile, and Receivables and Inventory Financing Agreements which provide three year variable rate floating loans secured on the eligible trade receivables and eligible inventories at any point in time (the working capital facilities). The working capital facilities may be drawn down in either sterling or euro. The total Barclays facilities are capped at £16.5 million (2009 £17.0 million); the utilisation of the facilities at the year end was £5,447,000 (2009: £7,268,000). The term loan bears interest at variable rates based on a margin above the Bank of England base rate. The working capital facilities bear finance costs in the form of discount charges which are calculated periodically and vary at margins above the base rate published by Bank of England (for sterling loans) or the European Central Bank (for euro loans).

As the Receivables and Inventory facilities had a term of less than one year at the year end, borrowings under these facilities have to be disclosed as current debt.

Under the Barclays Bank PLC facilities, the Group is subject to financial covenants which apply to the term loan, being interest cover and debt service. The receivables and inventory financing agreements require compliance with a number of operational covenants. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to its financiers that it was in full compliance with its financial and operational covenants throughout each of the periods presented.

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant. The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair Value	
	2010 £000	2009 £000	2010 £000	2009 £000
Property loan	2,580	3,000	2,600	3,000
Trade receivables loan	–	3,862	–	3,918
Stock loan	–	6	–	6
	2,580	6,868	2,600	6,924

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 1.75% (2009: 2.75%).

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity profile of undiscounted cash flows on variable interest rate borrowings has assumed interest rates as at the balance sheet date.

	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
31 January 2010				
Borrowings	2,867	821	1,286	670
Trade and other payables	12,616	–	–	–
	15,483	821	1,286	670

22. Borrowings *continued*

31 January 2009	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	494	4,339	1,365	1,510
Derivative financial instruments	812	–	–	–
Trade and other payables	13,990	–	–	–
	15,296	4,339	1,365	1,510

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

	2010 £000	2009 £000
Sterling	5,447	7,215
Euro	–	53
Total	5,447	7,268

23. Retirement benefit obligations**Defined contribution schemes**

The Group contributes to the defined contribution section of the Abaris Holdings Limited Pension Scheme and to a Group Personal Pension Plan which is also a defined contribution scheme. Contributions are charged to the income statement as incurred, and amounted to £388,000 (2009: £404,000). Active members of the schemes are also able to make contributions.

Defined benefit schemes

The Group operates the following funded defined benefit pension schemes in the UK which offer pensions on retirement and death benefits to members: the Walker Greenbank Pension Plan, the Abaris Holdings Limited Pension Scheme and the WG Senior Management Pension Scheme. Pension benefits are related to the members' salary at retirement and their length of service. The schemes are closed to new members and the future accrual of benefits. The most recent finalised triennial funding valuation for the defined benefit schemes was April 2006; a funding valuation as at April 2009 has been undertaken and was in consultation phase with the Trustees at the balance sheet date. An updated valuation for IAS 19 financial reporting purposes has been completed at the balance sheet date. The Group's contributions to the schemes for the year beginning 1 February 2010 are expected to be £1,380,000.

The principal assumptions applied when valuing the defined benefit schemes were:

	2010	2009
Discount rate	5.70%	6.90%
Rate of salary increase	3.30%	3.20%
Rate of increase to LPI pensions in payment	3.20%	3.20%
Rate of increase to pensions (in excess of GMP) in deferment	3.30%	3.20%
Rate of inflation	3.30%	3.20%
Expected return on plan assets	6.50%	6.60%

Members are assumed to commute 25% of their pension (2009: 25%).

The assumptions used in determining the overall expected return on assets of the scheme have been set with reference to yields available on government bonds and appropriate risk margins for equities and other classes of assets.

The mortality assumptions applied are based on the Self Administered Pension Scheme with medium cohort effect and a floor of 1% p.a. on future mortality improvements (2009: PA92 with medium cohort tables). The mortality assumptions imply the expected future lifetime from age 65 as follows:

	2010	2009
Non-pensioner male currently 45	23.2	23.1
Pensioner male currently 65	21.3	21.9
Non-pensioner female currently 45	26.0	25.9
Pensioner female currently 65	24.1	24.8

Notes to the Consolidated Accounts continued

23. Retirement benefit obligations continued

The amounts recorded in the balance sheet are determined as follows:

	2010 £000	2009 £000
Equities	22,299	22,458
Property	–	–
Fixed interest	14,379	10,526
Insured annuities	1,598	1,609
Cash and other	311	470
Fair value of plan assets	38,587	35,063
Present value of funded defined benefit obligations	(46,530)	(39,224)
Net liability in balance sheet	(7,943)	(4,161)

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

	2010 £000	2009 £000
Benefit obligation at beginning of year	39,224	44,260
Scheme expenses	289	275
Interest cost	2,617	2,633
Contributions by plan participants	–	–
Actuarial (gain) – change in mortality assumptions	(495)	–
Actuarial loss/(gain) – other	7,694	(5,458)
Benefits paid	(2,799)	(2,486)
Benefit obligation at end of year	46,530	39,224

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

	2010 £000	2009 £000
Fair value of plan assets at beginning of year	35,063	40,851
Expected return on plan assets	2,306	2,829
Actuarial gain/(loss)	2,665	(7,458)
Contributions by employers	1,352	1,327
Contributions by plan participants	–	–
Benefits paid	(2,799)	(2,486)
Fair value of plan assets at end of year	38,587	35,063

The amounts recognised in the income statement are:

	2010 £000	2009 £000
Scheme expenses	289	275
Interest on obligation	2,617	2,633
Expected return on plan assets	(2,306)	(2,829)
Settlement and curtailments	–	–
Net defined benefit pension charge/(income)	600	79

The actual return on assets over the period was a gain of £4,971,000 (2009: loss of £4,629,000)

Actuarial gains and (losses) recognised in the Consolidated Statement of Comprehensive Income

	2010 £000	2009 £000
Actual return on scheme assets higher/(less) than expected return	2,665	(7,458)
Change in mortality assumptions	495	–
Other actuarial (losses)/gains on scheme liabilities	(7,694)	5,458
	(4,534)	(2,000)

Other actuarial losses (2009: gains) on scheme liabilities in the period arise mainly from decreases (2009: increases) in the discount rate used in determining the present value of scheme liabilities. The cumulative amount of actuarial losses reported in the Statement of Comprehensive Income (including amounts reported in the equivalent statement prior to the adoption of IFRS) before deferred taxation was £20,921,000 (2009: £16,351,000).

23. Retirement benefit obligations *continued***History of schemes' assets, obligations and experience adjustments**

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of defined benefit obligation	(46,530)	(39,224)	(44,260)	(45,508)	(47,222)
Fair value of scheme's assets	38,587	35,063	40,851	39,990	39,189
(Deficit) in the schemes	(7,943)	(4,161)	(3,409)	(5,518)	(8,033)
Experience adjustments arising on scheme liabilities	(7,694)	5,458	2,064	(1,284)	*
Experience adjustments arising on scheme assets	2,665	(7,458)	(1,364)	(1,310)	*

* Information not readily available for periods prior to the date of transition to IFRS.

24. Financial instruments by category

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

	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
31 January 2010				
Assets as per balance sheet				
Derivative financial instruments	–	–	175	175
Trade and other receivables	8,246	–	–	8,246
Cash and cash equivalents	2,333	–	–	2,333
Total	10,579	–	175	10,754

	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
31 January 2010				
Liabilities as per balance sheet				
Borrowings	–	5,447	–	5,447
Trade and other payables	–	12,616	–	12,616
Total	–	18,063	–	18,063

	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
31 January 2009				
Assets as per balance sheet				
Trade and other receivables	9,753	–	–	9,753
Cash and cash equivalents	1,050	–	–	1,050
Total	10,803	–	–	10,803

	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
31 January 2009				
Liabilities as per balance sheet				
Derivative financial instruments	–	–	812	812
Trade and other payables	–	7,268	–	7,268
Borrowings	–	13,990	–	13,990
Total	–	21,258	812	22,070

Notes to the Consolidated Accounts continued

25. Share capital

Ordinary shares of 1p each:	Number of shares	£
Authorised share capital:		
1 February 2009 and 31 January 2010	85,000,000	850,000
Allotted, called up and fully paid:		
1 February 2009 and 31 January 2010	59,006,162	590,062

All holders of ordinary shares have the right to vote at general meetings of the Company and to distributions from dividends or on winding up of the Company.

On 27 July 2009 2,386,794 shares vested under the Company's Long-Term Incentive Plan and these were removed from the Walker Greenbank PLC Employee Benefit Trust ('EBT'). On 13 November 2009 1,690,093 shares were transferred from treasury to the EBT. On 8 January 2010 Walker Greenbank PLC purchased 610,000 ordinary shares of 1p each in the Company at 21p per ordinary share at a total cost of £128,100. Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2009: 59,006,162) ordinary shares of which 610,000 (2009: 1,690,093) ordinary shares are held in treasury and a further 1,852,445 (2009: 2,549,146) ordinary shares are held by the EBT with a cost of £380,534 (2009: £601,202). Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2010 was £416,800 (2009: £261,287).

The total number of shares held in treasury at the year end represented 1.0% (2009: 2.9%) of the issued shares. The market value of these shares at 31 January 2010 was £137,250 (2009: £173,235).

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

Long-Term Incentive Plans ('LTIPs')

The Group operates a Long-Term Incentive Plan. Up to the balance sheet date, there have been three awards under this plan, in which Executive Directors and senior management of the Group participate. The first award vested during the year. The LTIP has previously been approved by the shareholders at an Annual General Meeting.

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

	Award Two	Award Three
Grant date of awards	24 May 2007	27 May 2009
Grant date fair value of award (pence per award)	53.00	7.92
Vesting date of awards	24 May 2011	25 May 2012
Maximum number of awards	1,415,093	2,150,000
Vesting condition based on	PBT	TSR with PBT floor
Relevant date for determination of vesting conditions	Year ending 31 January 2011	TSR as at 27 May 2012. PBT for year ending 31 January 2012

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 21 to 23.

The fair value at grant date of Award Two was estimated based on the share price of the Group at grant date. Award Three includes vesting conditions that are market based, and allowance for these are included within the fair value at grant date. The weighted average fair value of options granted during the period determined using the Monte-Carlo valuation model was 7.92 per option. The significant inputs into the model were weighted average share price of £0.1425 at the grant date, exercise price shown above, dividend yield of 0%, an expected option life of three years, and an annual risk-free interest rate of 2%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 11 for the total expense recognised in the income statement for share options granted to Directors and employees.

25. Share capital *continued*

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

	2010 Number	2009 Number
At 1 February	3,964,093	3,964,093
Granted	2,150,000	–
Forfeited	–	–
Exercised	2,386,794	–
Expired	162,206	–
At 31 January	3,565,093	3,964,093

Refer to note 11 for disclosure of the charge to the consolidated income statement arising from share based payments.

On 20 May 2010 further awards were made to the Executive Directors and senior management, a total of 2,117,000 ordinary shares.

26. Capital reserve

Capital reserve represents:	£000
Share premium of companies acquired under merger accounting principles	1,276
Capital reserve arising on consolidation	293
Capital redemption reserve for deferred shares	1,003
Capital redemption reserve for 'B' shares	40,885
At 31 January 2010 and 2009	43,457

27. Dividends

The Directors have recommended the payment of a final dividend in respect of the year ended 31 January 2010 of 0.50p per share, a total of £283,000 (excluding dividends on shares held in treasury or by the employee benefit trust), which is subject to the approval of shareholders at the annual general meeting on 28 July 2010. Accrual of the dividend is not recognised in these financial statements in accordance with IFRS accounting principles.

28. Cash generated from operations

	2010 £000	2010 £000	2009 £000	2009 £000
Operating profit		2,415		3,561
Depreciation	1,324		1,470	
Amortisation	462		376	
Charge for long-term incentive plan recognised in equity	127		414	
Loss/(profit) on disposal of property, plant and equipment	–		6	
Unrealised foreign exchange (gains)/losses included in operating profit	221		(499)	
Defined benefit pension cash contributions	(1,352)		(1,327)	
Changes in working capital				
Decrease/(increase) in inventories	649		(1,341)	
Decrease/(increase) in trade and other receivables	2,062		1,164	
(Decrease)/increase in trade and other payables	(1,316)		(288)	
		2,177		(25)
Cash generated from operating activities		4,592		3,536

Notes to the Consolidated Accounts continued

29. Analysis of net debt

	1 February 2009 £000	Cash flow £000	Working capital facilities (see note below) £000	Current portion of term facilities £000	Other non-cash changes £000	Exchange movement £000	31 January 2010 £000
Cash and cash equivalent	1,050	1,298	–	–	–	(15)	2,333
Borrowings due within one year	(400)	400	(2,445)	(400)	(22)	–	(2,867)
Borrowings due after one year	(6,868)	1,445	2,445	400	(2)	–	(2,580)
	(7,268)	1,845	–	–	(24)	–	(5,447)
Net debt	(6,218)	3,143	–	–	(24)	(15)	(3,114)

The working capital facilities provided by Barclays in place at the end of the financial year were due to end their term in July 2010 and have been classified as Borrowings due within one year. These facilities were renewed in March 2010 for another three year term. Other non-cash charges are amortisation of issue costs relating to the borrowings.

30. Commitments

a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2010 £000	2009 £000
Property, plant and equipment	–	96
	–	96

b) Lease commitments

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

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

	Land & buildings 2010 £000	Other 2010 £000	Land & buildings 2009 £000	Other 2009 £000
Within one year	1,395	321	960	396
Between one and five years	4,917	174	3,305	512
Over five years	4,284	–	4,282	–
	10,596	495	8,547	908

The Group expects to receive total sub-lease rental income of £14,000 (2009: £81,000) under the terms of sub-lease agreements entered into with third parties.

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

31. Principal subsidiary undertakings

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

Abaris Holdings Limited	– registered in England and Wales
Walker Greenbank Inc*	– incorporated in the USA
Whittaker & Woods SRL	– incorporated in Italy (disposed on 16 December 2009)
Arthur Sanderson & Sons SARL*	– incorporated in France

Investments in Group companies are ordinary shares.

* Shares held by subsidiary company.

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

32. Disposal of subsidiary

On 16 December 2009, the Group strengthened its distribution arrangement in Italy through the sale of its Whittaker & Woods SRL subsidiary for consideration receivable of £72,000. The net assets disposed of were:

	£000
Property, plant and equipment	10
Current assets	
Stock	4
Trade debtors	224
Cash	17
Other debtors	23
	268
Current liabilities	
Trade creditors	(4)
Creditors intergroup	(86)
Other creditors	(116)
	(206)
Net Assets	72

Of the consideration receivable £17,000 was received prior to the balance sheet date with the remainder due in installments within the next 18 months. The disposal does not have a material impact on the Group financial position or results for the year, and does not satisfy the criteria of IFRS 5 for presentation as a discontinued activity.

33. Contingent assets

Vat claim

Following the judgement in the Fleming case, Walker Greenbank PLC has registered a claim with HM Revenue and Customs for the recovery of VAT associated with the expenses incurred on the issue of shares over the period from 1973 to 1997. There are ongoing discussions with HM Revenue and Customs on this matter.

Loss of profit claim

As a consequence of loss of pattern books in a fire in January 2009, some collection launches were either abandoned or delayed. A loss of profit claim is currently being made against insurers.

Independent Auditors' Report

To the members of Walker Greenbank Plc

We have audited the parent company financial statements of Walker Greenbank plc for the year ended 31 January 2010 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- > give a true and fair view of the state of the company's affairs as at 31 January 2010;
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the group financial statements of Walker Greenbank plc for the year ended 31 January 2010.



Owen Mackney (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
2 June 2010

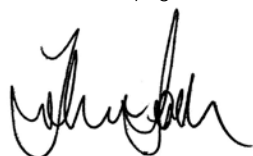
Walker Greenbank PLC Company Accounts – UK GAAP

Company Balance Sheet

At 31 January 2010

	Note	2010 £000	2009 £000
Fixed assets	4	4,219	4,335
Investments	5	43,557	43,755
		47,776	48,090
Current assets and liabilities			
Debtors	6	16,576	15,307
Creditors: amounts falling due within one year	8	(11,979)	(9,639)
Net current assets		4,597	5,668
Total assets less current liabilities		52,373	53,758
Creditors: amounts falling due after more than one year	9	(2,600)	(3,000)
Net assets		49,773	50,758
Capital and reserves:			
Share capital	11	590	590
Share premium account	12	457	457
Retained earnings	12	6,838	7,823
Other reserves	12	41,888	41,888
Total shareholders' funds		49,773	50,758

The notes on pages 63 to 69 form an integral part of the Company financial statements.



J D Sach
Director



A N Dix
Director

These accounts were approved by the Directors on 2 June 2010.

Notes to the Accounts

1. Accounting policies

Accounting convention

The financial statements are prepared on a going concern basis and under the historical cost convention. They have been prepared in accordance with applicable accounting standards and United Kingdom Generally Accepted Accounting Practice, with the Companies Act 2006, and with the accounting policies set out below which have been consistently applied to all periods presented unless otherwise indicated.

Profit and loss account

No profit and loss account is presented for Walker Greenbank PLC ('the Company') as it has applied the exemption provided by Section 408 of the Companies Act 2006. A loss of £984,000 (2009: loss £4,103,000) has been dealt with in the accounts of the parent Company.

Consolidation

These financial statements present information relating to the entity Walker Greenbank PLC, and are not consolidated. The consolidated financial statements of the Group of which the Company is the parent are separately presented within this Annual Report and Accounts under IFRS.

Fixed assets

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

Freehold buildings	2%
Short leasehold improvements	Over the unexpired period of the lease
Plant, equipment and vehicles	Between 5% and 33%
Computer assets	Between 12.5% and 33%

Land and buildings are stated at cost less any provision for impairment.

Impairment of fixed assets and investments

Fixed assets and investments are subject to review for impairment in accordance with Financial Reporting Standard No.11. Where impairment triggers are identified the recoverable amount of the relevant asset, or group of assets within an income generating unit, is determined, being the higher of value in use and net realisable value. If the carrying amount of the asset exceeds its recoverable amount an impairment loss is calculated. Any impairment is recognised in the profit and loss account in the year in which it occurs. Where impairments have been identified in prior years and recoverable amount was based on value in use, an updated discounted cash flow is prepared annually to assess whether the previous impairment in value has reversed. When all conditions are met, the impairment is reversed and recognised in profit and loss in the year in which the reversal occurs.

Financial instruments

The Company is listed on the Alternative Investment Market regulated by The London Stock Exchange. It is not required to adopt FRS26 'Financial Instruments: Measurement' or FRS29 'Financial Instruments: Disclosures' in these financial statements, and has not elected to voluntarily do so.

The Company continues to adopt the amortised cost basis of accounting for financial instruments, and had not elected to voluntarily apply fair value measurements of financial instruments, including derivative financial instruments.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of transaction. All exchange differences are taken to the profit and loss account. Further disclosure of the Group's financial risk management policies is included in note 2 of the consolidated financial statements of the Group which are separately presented from these Company accounts.

Employee share ownership plan ('ESOP')

Where the Company's issued share capital is acquired by an ESOP trust sponsored by the Company the cost of acquisition is deducted from profit and loss reserves in accordance with UITF Abstract 38. No gain or loss is recognised in the profit and loss account or statement of total recognised gains and losses on the purchase, sale, issue or cancellation of shares, including transfers to and from treasury shares. Dividends receivable on shares held by the ESOP are excluded from the profit and loss account, and are excluded from amounts recognised as dividends payable by the Company.

Employee benefits – share based payments under long-term incentive plans ('LTIP')

In accordance with the transitional provisions, FRS20 has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2005.

Notes to the Accounts continued

1. Accounting policies continued

The Group issues equity-settled share-based payments to certain employees which must be measured at fair value and are recognised as an expense in the income statement with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met. The total amount recognised in the income statement as an expense is adjusted to reflect the actual number of awards that vest.

The Company applies UITF Abstract 44 'FRS20 – Group and treasury shares'. A portion of the fair value of awards granted to employees providing services to the Company's subsidiary companies are recognised as an additional investment in those subsidiaries, and not as an expense of the Company.

Employee benefits – pensions

The Walker Greenbank Group operates both defined benefit and defined contribution pension schemes for the benefit of its employees. Further details of these schemes are included in note 23 of the consolidated financial statements of the Group presented within the Annual Report and Accounts. Defined benefit pension schemes are now accounted for within the separate financial statements of the Group's trading subsidiary, Abaris Holdings Limited. The parent Company recognises contributions to defined contribution schemes in respect of its employees as expenses when incurred.

Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Consideration paid including any directly attributable incremental costs (net of income taxes) on the purchase of the Company's equity share capital (treasury shares) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity shareholders.

Deferred taxation

Deferred taxation is recognised in respect of timing differences that have originated but not reversed at the balance sheet date and that give rise to an obligation to pay more tax or a right to pay less tax in the future. Deferred tax is calculated using the average rates that are expected to apply when the timing differences reverse, based on tax rates that have been substantively enacted by the balance sheet date. No provision has been made for any liability arising from the distribution of past earnings of subsidiary undertakings. Deferred tax assets are only recognised when it is more likely than not that they will be recovered in the foreseeable future.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets used by the Company which have been funded through finance leases are capitalised in tangible fixed assets and the resulting lease obligations are included in liabilities. The assets are depreciated over their useful lives and 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.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Rent free periods receivable on entering an operating lease are released on a straight-line basis to the next break point in the lease.

Related party

The Company has applied the exemption available in FRS 8 and has decided not to disclose transactions with wholly owned subsidiary undertakings.

2. Auditors' remuneration

	2010 £000	2009 £000
Audit fee – fees payable to the Company auditor for the audit of the parent Company and the consolidation of the Group accounts	50	50

3. Emoluments of Directors

	Salary £000	Bonus £000	LTIP £000	Benefits £000	Sub-total aggregate emoluments £000	Pension £000	2010 Total £000	2009 Total £000
Executive Directors:								
John Sach	220	121	126	6	473	33	506	258
David Smallridge	160	88	117	1	366	24	390	177
Alan Dix	126	50	78	1	255	13	268	140
Non-executive Directors:								
Ian Kirkham (retired 31 January 2009)	–	–	–	–	–	–	–	65
Terry Stannard	60	–	–	–	60	–	60	26
Fiona Goldsmith (appointed 17 December 2008)	26	–	–	–	26	–	26	4
	592	259	321	8	1,180	70	1,250	670

Executive Directors have been granted awards under long-term incentive plans in the form of nil priced share options. During the year the award granted in July 2006 vested. The vesting conditions were set in 2006 and comprised a profit before tax target for the year ended 31 January 2009 and that the participants were employed at the end of the three year vesting period. Accordingly, the gain on exercise of the award, being the market value of the shares at the vesting date in July 2009, are included in aggregate emoluments above ('LTIP') for the current year, notwithstanding that this relates to performance of the Group in a prior period.

In both years, retirement benefits were accruing to one Director under a defined benefit scheme, who is the highest paid Director. Accrued annual pension benefits at the year end were £11,406 (2009: £10,188).

Benefits are accruing under defined contribution schemes for three Directors (2009: three Directors).

Further information of remuneration is included in the Directors' Remuneration Report set out on pages 21 to 23.

4. Tangible fixed assets

	Land and buildings £000	Plant, equipment and vehicles £000	Computer assets £000	Total £000		
Cost:						
31 January 2009	5,404	50	18	5,472		
Additions	–	–	–	–		
Disposals	–	–	–	–		
31 January 2010	5,404	50	18	5,472		
Depreciation:						
31 January 2009	1,092	28	17	1,137		
Charge	109	7	–	116		
Disposals	–	–	–	–		
31 January 2010	1,201	35	17	1,253		
Net book amount:						
31 January 2010	4,203	15	1	4,219		
31 January 2009	4,312	22	1	4,335		
The net book amount of land and buildings comprises:						
			2010 £000	2009 £000		
Freehold land			450	450		
Freehold buildings			3,753	3,862		
Net book value			4,203	4,312		

The value of assets secured under the Barclays facility was property of £4,203,000 (2009: £4,312,000).

Notes to the Accounts continued

5. Investments

	2010 £000	2009 £000
Shares in subsidiary undertakings		
Cost:		
As at 1 February 2009	44,793	44,714
Additions	29	79
Disposal of subsidiary	(227)	–
As at 31 January 2010	44,595	44,793
Provision for impairment:		
Beginning of year and end of year	(1,038)	(1,038)
Net book amount	43,557	43,755

Additions in both years relate to the application of the Company's accounting policy for share-based payments.

Walker Greenbank PLC is registered and domiciled in the United Kingdom. It is the parent Company of the Walker Greenbank Group. The principal Group operating companies that traded during the year and are wholly owned are as follows:

Abaris Holdings Limited	– registered in England and Wales
Walker Greenbank Inc*	– incorporated in the USA
Arthur Sanderson & Sons Inc*	– incorporated in the USA
Arthur Sanderson & Sons SARL*	– incorporated in France
Whittaker & Woods SRL	– incorporated in Italy (disposed of on 16 December 2009)

Whittaker & Woods SRL was sold on 16 December 2009 for consideration of £72,000.

Investments in Group companies are ordinary shares.

* Shares held by subsidiary company.

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

The carrying value of the investment in Abaris Holdings Limited is reviewed annually by reference to its value in use to the Company. The value in use was calculated using future expected cash flow projections, discounted at 10.5% (2009: 9.5%) on a pre tax basis, and is not intended to reflect a realisable value on disposal.

6. Debtors

	2010 £000	2009 £000
Amounts owed by subsidiary undertakings	16,071	15,005
Other debtors	229	165
Prepayments	276	137
	16,576	15,307

Included within other debtors is an amount repayable after one year of £nil (2009: £12,000). Amounts owed by subsidiary undertakings are non-interest bearing and are unsecured. These loans are callable on demand by the Company should payment be required, but full settlement within the next 12 months is unlikely to be sought.

7. Disclosure of fair value of derivative financial instruments

	2010 £000	2009 £000
Forward foreign exchange contracts – cash flow hedges	175	(812)

Forward foreign exchange contracts

The Group's US based subsidiary, Walker Greenbank Inc., sells products to local customers with sales invoiced in US dollars. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of these sales. The Group considers that it is highly probable that future sales of this nature will continue to arise over at least the next 12 months. During the year Walker Greenbank PLC has entered into monthly forward foreign exchange contracts up to July 2011, with a third party, to buy sterling and sell dollars. The Group has designated these contracts as cash flow hedges of the foreign currency risk arising from the highly probable future forecast sales transactions. As at the reporting date the fair value of the forward foreign contracts relating to the benefit on these anticipated future transactions is an asset of £175,000 (2009: Liability £820,000).

The Group make more purchases from the euro zone than sales made to the euro zone. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of the purchases. The Group considers that the level of this exposure will reduce over the next 12 months. As at the reporting date there were no Euro forward foreign contracts. The fair value of the Euro forward contracts entered into by Walker Greenbank PLC last year was an asset of £8,100.

8. Creditors: due within one year

	2010 £000	2009 £000
Bank term loans (note 9)	400	400
Bank overdrafts	1,074	1,069
Trade creditors	244	94
Amounts owed to subsidiary undertakings	9,307	7,500
Other taxes and social security	43	40
Other creditors	59	139
Accruals	852	397
	11,979	9,639

Amounts owed to subsidiary undertakings are non-interest bearing and are unsecured. These loans are payable on demand by the Company should payment be required, but full settlement within the next 12 months is unlikely to be sought.

9. Creditors: due after more than one year

	2010 £000	2009 £000
Bank term loan	2,600	3,000

The term loan is secured by a floating charge over the property (note 4). Interest is charged at 1.25% (2008: 1.25%) over base rate.

Repayment of total borrowings

	2010 £000	2009 £000
Over five years	1,000	1,400
Between two and five years	1,200	1,200
Between one and two years	400	400
After more than one year	2,600	3,000
Within one year (note 8)	400	400
	3,000	3,400

The Company has facilities from Barclays Bank PLC which comprises a variable rate Term Loan secured on the Group's freehold property of £4 million which is being repaid on a 10 year profile.

Notes to the Accounts continued

9. Creditors: due after more than one year continued

Under the Barclays Bank PLC facilities, the Group is subject to various financial covenants which apply to the term loan, including interest cover and debt service.

Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to its financiers that it was in full compliance with its financial and operational covenants throughout each of the periods presented.

There is a set off arrangement for Group bank accounts held with the UK clearing bank.

10. Provisions – deferred tax liability

	2010 £000	2009 £000
Balance at start of the year	–	74
(Credit)/charge to profit and loss account	–	(74)
Balance at end of the year	–	–

Unrecognised net deferred tax assets at 31 January 2010 are £1,656,000 (2009: £1,430,000) relating to tax losses and other short-term timing differences. These will be realised as and when they reverse against suitable future taxable profits.

	2010 £000	2009 £000
Depreciation in excess of capital allowances	7	7
Tax losses	1,345	1,158
Other timing differences	304	265
	1,656	1,430

There is also capital tax loss of the Company at 31 January 2010 of £4,885,000 (2009: £4,885,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

11. Share capital

Ordinary shares of 1p each:	Number of shares	£
Authorised share capital:		
1 February 2009 and 31 January 2010	85,000,000	850,000
Allotted, called up and fully paid:		
1 February 2009 and 31 January 2010	59,006,162	590,062

All holders of ordinary shares have the right to vote at general meetings of the Company and to distributions from dividends or on winding up of the Company.

On 27 July 2009 2,386,794 shares vested under the Company's Long-Term Incentive Plan and these were removed from the Walker Greenbank PLC Employee Benefit Trust ('EBT'). On 13 November 2009 1,690,093 shares were transferred from treasury to the EBT. On 8 January 2010 Walker Greenbank PLC purchased 610,000 ordinary shares of 1p each in the Company at 21p per ordinary share at a total cost of £128,100. Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 59,006,162 (2009: 59,006,162) ordinary shares of which 610,000 (2009: 1,690,093) ordinary shares are held in treasury and a further 1,852,445 (2009: 2,549,146) ordinary shares are held by the EBT with a cost of £380,534 (2009: £601,202). Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

The market value of shares held by the EBT at 31 January 2010 was £416,800 (2009: £261,287).

The total number of shares held in treasury at the year end represented 1.0% (2009: 2.9%) of the issued shares. The market value of these shares at 31 January 2010 was £137,250 (2009: £173,235).

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

11. Share capital continued

Long-Term Incentive Plans ('LTIPs')

The Group operates a Long-Term Incentive Plan. Up to the balance sheet date, there have been three awards under this plan, in which Executive Directors and senior management of the Group participate. The first award vested during the year. The LTIP has previously been approved by the shareholders at an Annual General Meeting. Further details are included in note 25 of the consolidated financial statements of the Group which are separately included within this Annual Report and Accounts, and in the Directors' Remuneration Report set out on pages 23 to 25.

On 20 May 2010 further awards were made to the Executive Directors and senior management a total of 2,117,000 ordinary shares.

12. Shareholders fund and reserve movement

	Share capital £000	Share premium account £000	Profit and loss account £000	Capital reserve £000	Total £000
1 February 2008	590	457	11,595	41,888	54,530
Reserve for long-term incentive plan liabilities	–	–	414	–	414
Loss for the year	–	–	(4,103)	–	(4,103)
Treasury shares	–	–	(83)	–	(83)
31 January 2009	590	457	7,823	41,888	50,758
Reserve for long-term incentive plan liabilities	–	–	127	–	127
Loss for the year	–	–	(984)	–	(984)
Treasury shares	–	–	(128)	–	(128)
31 January 2010	590	457	6,838	41,888	49,773

Capital reserve represents

Capital redemption reserve for deferred shares	1,003
Capital redemption reserve for 'B' shares	40,885
	41,888

13. Operating lease commitments

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

	Land and buildings 2010 £000	Other 2010 £000	Land and buildings 2009 £000	Other 2009 £000
Operating leases which expire:				
Within one year	–	–	–	–
Between one and five years	–	–	–	–
Over five years	479	–	453	–
	479	–	453	–

14. Contingent liability

The Company is party to a cross guarantee relating to the borrowings of its subsidiary Abaris Holdings Limited under the funding arrangement with Barclays Bank plc.

15. Post balance sheet event

The Directors have recommended the payment of a final dividend of 0.5p per share, a total of £283,033 (excluding dividends on shares held in treasury or by the employee benefit trust), which is not recognised in these financial statements in accordance with UK GAAP.

16. Related party transactions

The Company made contributions to Walker Greenbank Group Personal Pension Plan of £83,000 for the year ended 31 January 2010 (2009: £73,000).

Five Year Record

	2006 UK GAAP £000	2007 IFRS £000	2008 IFRS £000	2009 IFRS £000	2010 IFRS £000
Turnover	48,392	54,369	62,448	63,698	60,378
Overseas turnover by location of customer	18,916	18,374	20,908	22,672	20,409
Operating profit	5,018	3,757	3,961	3,561	2,415
Operating profit before exceptional items	758	2,481	3,961	3,857	2,522
EBITDA	2,845	4,323	5,783	5,703	4,308
Profit before taxation	2,625	2,694	3,099	2,787	1,552
Capital expenditure	710	1,447	1,797	1,527	1,067
Profit per share	4.51p	4.67p	14.49p	2.96p	2.10p
Average number of employees	539	548	586	594	529
Dividends	–	–	–	–	–
Shareholders' funds	8,597	12,943	20,799	19,911	18,770
Dividend per share	–	–	–	–	–

The data for 2007 has been restated from UK GAAP to International Financial Reporting Standards. Data prior to 2007 has not been restated.

EBITDA is based on operating profit before exceptional items.

Shareholder information

Financial Calendar

Annual General Meeting	28 July 2010
Announcement of half-year results	October 2010

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Notes

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