

2007

Walker Greenbank PLC

Annual Report and Accounts

Walker Greenbank PLC Annual Report and Accounts 2007



HARLEQUIN


Sanderson

FOUNDED 1790
MORRIS & C^o

ZOFFANY

Walker Greenbank PLC is a designer, manufacturer and distributor of furnishing fabrics and wallpaper, whose international brands include Sanderson, Morris & Co., Harlequin and Zoffany.

Walker Greenbank

Our Brands

Harlequin

Harlequin has built a reputation as one of the leading brands in the home furnishings market offering quality contemporary fabrics and wallcoverings.

See page 2

Sanderson

Sanderson is internationally recognised as a leading global brand in interior design and decorating.

See page 4

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.

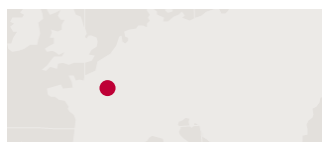
See page 4

Zoffany

Zoffany offers a range of products of the highest quality including wallpaper, fabrics, trimmings, carpets, paint and furniture.

See page 6

Overseas Distribution Sites



France



USA



Italy

Our UK Manufacturing Sites

Anstey

Wallpaper

See page 8

Standfast & Barracks

Printed fabrics

See page 8

FRONT COVER: *Extravagance Wallpaper Collection* by Harlequin, Design Divine.

BACK COVER: *Pemberley Collection* by Sanderson, Design Pillemont Toile.

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Highlights

+190%

Operating profit from continuing operations
£2,201,000

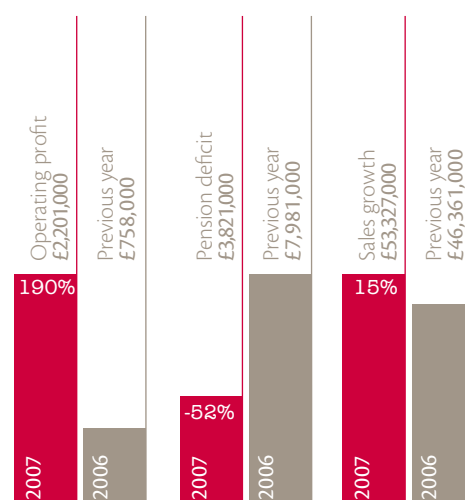
-52%

Pension deficit reduced
£3,821,000

+15%

Increase in sales from continuing operations
£53,327,000

- A further year of excellent progress with continued strong organic growth
- Turnover from continuing operations up 15% to £53.33 million (2006: £46.36 million)
- Operating profit from continuing operations up nearly three-fold to £2.20 million (2006: £0.76 million)
- Earnings per share of 4.49p (2006: 4.51p) with underlying earnings per share from continuing operations of 2.23p (2006: loss per share 0.77p)
- Pension deficit further reduced to £3.82 million (2006: £7.98 million) which now represents only 30% of shareholders' funds (2006: 93%)
- Gearing reduced to 67% (2006: 109%)
- Shareholders' funds increased by 49% to £12.85 million (2006: £8.60 million)
- Current financial year has started strongly as organic growth continues and trading is ahead of internal projections



Strong growth

The Harlequin brand has continued its strong growth, marking the second consecutive year of substantial growth.

Harlequin

Overview

Harlequin has built a reputation as one of the leading companies in the home furnishings market offering quality contemporary fabrics and wallcoverings.

It has had great success with its recent collections such as 'Lagoon', 'Indulgence' and 'Mahina'. Harlequin continues to develop a broad range of collections from different design sources and is firmly established as a fashion leader in the home furnishings market.

Highlights

+40% **+45%**

Increase in sales in the UK

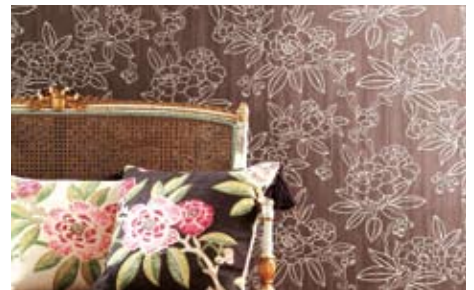
Increase in export sales

- Overall sales growth 42%.
- Margins improved.
- Three-fold increase in profits.
- Expansion in product launches.
- Sales to USA doubled.



HARLEQUIN

www.harlequin.uk.com



TOP LEFT: *Far Far Away Collection.*

TOP RIGHT: *Fortuna Collection, Design Adonica.*

RIGHT: *Fortuna Collection.*

LEFT: *Far Far Away Collection, Design Twinkle Toes.*

Continued investment

Following increased investment in product over the past two years, we are now experiencing increasing momentum in Sanderson's sales growth.

Sanderson and Morris & Co.

Overview

Sanderson is internationally recognised as a leading global brand in interior design and decorating.

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.

Highlights

+13% **+7%**

Increase in sales

Growth in licensing contribution

- Increasing momentum in sales growth in all product categories.
- Growth is broad based in all product categories and in all major markets.
- Investment in product development and marketing continues.





Sanderson

FOUNDED BY WILLIAM MORRIS IN 1861
MORRIS & CO

www.sanderson-uk.com



FAR LEFT: Pemberley Collection, Design Limoge.

TOP RIGHT: Morris Volume IV Collection.

BOTTOM LEFT: Pemberley Collection, Design Pillemont Toile.

BOTTOM RIGHT: Pemberley Collection, Design Madagascar.



Focus on core values

The efforts of the Group to focus Zoffany back to its traditional design values to re-establish it as one of the UK's leading premium end brands are taking effect.

Zoffany

Overview

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. Zoffany is also able to offer a bespoke custom design service on many of its products, collaborating with the designer and architect.

- Decline in sales arrested with sales growth in the second half of the year for the first time in four years.
- Overall sales for the year slightly up on last year.
- Export sales up 13%.
- Increased marketing expenditure.



ZOFFANY

www.zoffany.com



TOP LEFT: Nureyer Collection.
BOTTOM LEFT: Nureyer Collection.
BOTTOM RIGHT: Elementi Collection, Design Fiamma.
BOTTOM MIDDLE: Elementi Collection, Design Gaia.
BOTTOM LEFT: Nureyer Collection.



Concept to creation

Anstey, our wallpaper factory, and Standfast, our fabric printing factory, are both UK market leaders in their niche manufacturing processes and meet all of the Group's requirements for fabric-printing and wallpaper.

Niche manufacturing for premium brands

Anstey

Anstey Wallpaper Company is the world's leading specialist commission printer of high end wall coverings, offering a comprehensive range of paper and vinyl substrates and a diverse choice of different hand and machine printing techniques including block, flat screen, rotary screen, surface print, flexo and gravure.

With our technical expertise, we work closely with customers on the innovation and development of new products and special effects for the wallcoverings market, ensuring that we maintain exacting product quality standards that are demanded at this premium end of the market.

Highlights

+16%

Overall sales growth

+23%

External 3rd party sales growth

- Interior design trend now moving strongly towards wallpaper in this sector of the market.
- Improved factory efficiencies.

Standfast

Standfast & Barracks is now the UK's largest fabric printer, specialising in high quality rotary and flat screen printing, using a wide variety of different dyestuffs and fabrics, including cotton, linen, silk, wool and velvet.

Design projects can be in many formats, and it is with this in mind that the skills, knowledge and experience of the Studio artists have developed. Not only a colour separation studio, the artists have the ability to develop projects from design ideas through to print-ready artwork.

The combination of traditional hand separation techniques and the latest computer technology enables the studio to construct repeating designs from original artwork, produce fine tonal sketches, develop texture ideas and produce flat colour separations with speed, accuracy and efficiency.

Highlights

+19%

Overall sales growth

+14%

External 3rd party sales growth

- Significant investment in capital equipment and maintenance to help mitigate impact of increases in energy costs.
- Increased factory efficiencies.



FAR LEFT: Extravagance Collection by Harlequin, Exuberance Design.
LEFT: Indulgence Collection by Harlequin, Enchant Design.



Chairman's Statement

I am now very pleased to report another year of excellent progress in which the recovery has been sustained, allowing us to enter a growth phase.

Overview

In last year's Annual Report I began by describing the year to January 2006 as a landmark year in that we reported a full year operating profit for the first time since 2000, reflecting the success of our strategy of restoring the Group to profitability and of the strengthening trend in interior design towards the use of colour and pattern in wallpaper and fabrics. I am now very pleased to report another year of excellent progress in which our recovery has allowed us to enter a sustained growth phase. The momentum in our business is highlighted by a near three-fold increase in operating profits from continuing operations before exceptional items of £2,201,000 in the year to 31 January 2007, compared with £758,000 in 2006.

Our financial year concluded with a significantly strengthened balance sheet, which benefited from a cash inflow from operating activities of £2,995,000 (2006: £1,643,000), a substantially reduced pension deficit and reduced debt.

Our brands

Harlequin, Sanderson, Morris & Co. and Zoffany have made significant progress during the year.

Harlequin, our mid-market brand, has delivered substantial year on year sales growth. The brand has gained market share from its competitors and more than doubled its operating profits for the second consecutive year, reflecting continued investment in new designs and a widening of the brand's distribution. Growth in revenue at Sanderson is accelerating, following the significant investment in product and an increase in marketing this year. Our strategy of focusing the Zoffany brand on its core and traditional design

values is re-establishing the business as a leading brand at the premium end of the market. This has led to Zoffany's first increase in sales after a number of years of under performance. As reported at the interim stage, results from our business in the United States have been disappointing, with underlying sales growing more slowly than anticipated. This led to a strengthening of the management team and we are confident of making progress in this important market.

Anstey, our wallpaper factory, and Standfast, our fabric printing factory, have made significant progress in the year. The strong return to popularity of wallpaper at the premium end of the market is now building in the mid-market and has helped Anstey deliver significant growth in both revenue and profits. Standfast continues to win market share and it has also achieved significant growth in both revenue and profits.

Financials

Turnover increased 10% to £53,327,000 from £48,392,000 and 15% from continuing operations. The operating profit from continuing operations increased nearly three-fold to £2,201,000 (2006: £758,000). The operating profit for the year was £3,477,000 (2006: £5,018,000). Both 2007 and 2006 include the exceptional beneficial effect of the pension deficit reduction exercise.

The profit before tax was £2,594,000 (2006: £2,625,000). The results include the exceptional profit from the pension deficit reduction exercise in 2007 of £1,276,000 (2006: £4,076,000) and the exceptional loss on the sale of Borge Holdings AS in 2006 of £1,281,000. The earnings per share for the year were 4.49p (2006: 4.51p).

Following the Group's return to profitability and the successful outcome of the pension deficit reduction exercise, shareholders' funds have increased 49% to £12,847,000 (2006: £8,597,000). The pension deficit has reduced to represent 30% of shareholders' funds at the year end, compared with 93% a year ago. The pension deficit reduction exercise has been extremely successful with the pension deficit reducing directly by £1,562,000 in 2007 and £5,634,000 in 2006. As a direct result of the reduction in the pension deficit the profit and loss has benefited in 2007 with other finance income of £81,000 compared with a finance charge of £174,000 in the prior year.

The Group's net indebtedness finished the year at £8,604,000 (2006: £9,357,000). The cash inflow from operating activities was £2,995,000 (2006: £1,643,000) after payments to pensioners and settlement of liabilities of £894,000 (2006: £950,000) associated with the pension deficit reduction exercise.

Dividend

The Directors do not recommend the payment of a dividend, but remain conscious of returning to the dividend list as soon as is prudent.

People

I would like to thank all of our employees who have demonstrated tremendous commitment and enthusiasm and have been an important ingredient in delivering the excellent progress of the Group in the past year.

Outlook

Having established the Group as a profitable and cash generative business we now have a solid platform from which to take advantage of the

opportunities that exist within a market that is benefiting from a major shift in interior fashion trends. Our brands, supported by our niche manufacturing, are well placed to exploit the move away from minimalism towards colour and design. Harlequin's success in the past year underlines the growing strength of this trend and the organic growth opportunities that exist for the Group going forward.

With two months of our financial year now complete, we are trading ahead of our internal projections. The Board views the outcome for the current year with increasing confidence.



Ian Kirkham
Non-executive Chairman
16 April 2007

TOP: Maia Collection by Sanderson, Naomi Design.

BOTTOM LEFT: Maia Collection, Embroidered Silk Design.

BOTTOM RIGHT: Mimosa Collection by Harlequin.



Chief Executive's Review

The year to 31 January 2007 was a period of excellent progress in which we have consolidated the recovery of the Group and created a platform for future growth.

The year to January 2007 was a period of excellent progress in which we have consolidated the recovery of the Group and created a platform for future growth. Much work has been done to strengthen our financial position and this will allow us to take advantage of the opportunities ahead.

Strategy

Our strategy is to deliver earnings growth and to maximise the return to shareholders. We are driving our brands' organic growth, expanding our contracts division, exploiting manufacturing opportunities and negotiating further licensing arrangements.

There is significant organic growth potential in our brands: with Harlequin, we are expanding the product offer and aiming to achieve greater presence in overseas markets, specifically the North American market where the brand to date has had limited exposure; with Sanderson and Morris & Co., we are exploiting the strength of the brands' global recognition through continued product investment and licensing arrangements; and with Zoffany, we will continue with the progress already made in restoring the business to its deserved pre-eminent position as a premium brand through enhanced focus on Zoffany's core and traditional design values.

We are driving the expansion of our contracts division, with increased investment in contract-specific product, supported by the strength of the brand names and our manufacturing capability.

We will evaluate acquisition opportunities in our highly fragmented market. However, any acquisition would have to fit with the current brand portfolio and provide synergistic and earnings enhancing opportunities.

The Brands

Harlequin

The Harlequin brand has continued the impressive sales growth seen in the first half of the year, achieving a year-on-year increase of 42% and marking the second consecutive year of substantial growth. Growth in 2007 was across all product categories – wallpaper, printed fabric and woven fabric – and across all markets, with export sales up strongly at 45% and the UK up 40%. This performance further strengthens Harlequin's position as the leading mid-market contemporary brand in the UK. Harlequin continues to expand its product launches and all of its recent collections have performed extremely well. Two of the Harlequin wallpaper collections now have annualised sales in excess of £1 million. Sales to the USA have doubled following the successful re-launch into certain states last year, expanding our presence to 15 states in total.

The continued investment in design capability has delivered excellent product, which supported by strong marketing, sampling and patterning has fuelled the 42% sales growth. Coupled with improved margins, this has led to an almost three-fold increase in profits compared with the same period last year.

Zoffany

The process, begun in 2005, of re-enforcing Zoffany's position as one of the UK's leading premium brands is taking effect. Having brought an intense focus to its core and traditional design values we have seen sales growth in the second half of the year for the first time in four years. Overall sales for the year are slightly up on the same period last year with UK underlying sales in line with last year following an adjustment for a large contract order to the Intercontinental

London Park Lane Hotel in the early part of last year. Export sales are up 13% on the same period last year.

Overall margins are slightly reduced compared with last year due to the higher proportion of export activity. This, combined with a planned increase in marketing expenditure, has led to Zoffany breaking even this year in line with internal expectations. We fully expect the business to return to profitability in the current year.

Arthur Sanderson & Sons incorporating the Morris & Co. brand

Following increased investment in product over the past two years, we are now experiencing increasing momentum in Sanderson's sales growth. Sales are up 13% compared with last year. As with Harlequin, the sales growth has been broad based showing growth in all major markets but driven by a strong UK performance. Licensing contribution grew 7%, with the key markets of Japan and Australasia performing well, helped by the continued development of the Sanderson and Morris & Co. names across a number of product categories. We continue to invest for the future in the key areas of product development and marketing, both of which we believe will deliver strong profit growth in the future.

Manufacturing Anstey

Anstey has established itself as the market leader in the UK in wallpaper manufacture at the mid to premium end of the market. With the interior design trend now moving strongly towards wallpaper in this sector of the market Anstey has increased overall sales by 16%. External third party sales have grown 23% as more of its customers

have sought to satisfy the consumer demand for wallpaper. Group sales have grown 11%. This higher activity assisted by continued improvement in factory efficiencies and tightly controlled overheads has enabled the business to generate a return on sales compared with a break-even position last year.

Standfast

Standfast has continued to win market share and achieved growth in third party business of 14%. This together with the impact of the success of the Group's brands has helped Standfast achieve overall sales growth of 19%. There has been a significant increase in investment during the year both in terms of capital equipment and the level of preventive maintenance to help mitigate the impact of increases in energy costs. The higher activity and improved factory loadings have increased efficiencies enabling Standfast to generate improved return on sales.

Overseas

USA

Sales in the USA are down 9%, but this is primarily due to the exit of lower margin third-party business during the second half of last year. Sanderson and Morris & Co. sales have grown by 11% with particular benefit arising from the latest Morris & Co. collection. Zoffany sales declined by 12% primarily due to fewer significant contract orders realised in the year. The re-launch of the Harlequin brand last year has helped achieve more than a doubling of revenue.

Margins have improved with the exit from the lower margin third-party business during the second half of last year. However, the overall result was a loss due to increased investment in patterning, sampling and marketing during the year, all of which were clearly focused in support



Strategy

- Increase earnings growth and to maximise the return to shareholders.
- Drive our brands' organic growth.
- Expand our contracts division, exploiting manufacturing opportunities.
- Negotiate further licensing arrangements.
- Invest and grow our North American Business.

of our medium to long term belief in our brands' potential in this important market.

Europe

The distribution businesses for Zoffany and Harlequin in Rome, and Zoffany and Sanderson in Paris are relatively small but have grown their combined sales by 22%, returning a small profit compared with a loss last year.

Summary

We are delighted to have built on last year's substantial achievements through further progress delivered across all areas of our business, from our product collections to our balance sheet. We have created a solid platform for

future progress and have identified significant opportunities for growth through leveraging our brand assets. The organic potential of our brands, underlined by the sales growth at Harlequin and more recently Sanderson, clearly demonstrates our ability to create shareholder value and we look forward to delivering further progress in the year ahead.

John Sach
Chief Executive Officer
16 April 2007

Financial Review

Profit and loss

The profit and loss account has been set out in a columnar format this year. This presentation has been adopted in order to reflect more clearly the underlying performance of the business, and to separate the exceptional beneficial impact of the pension deficit reduction exercise in both 2007 and 2006 and the exceptional loss in 2006 on the sale of Borge Holdings AS and its subsidiary John O Borge AS. The table below shows the true underlying performance:

	2007 £000	2006 £000
Profit before tax per the accounts	2,594	2,625
Exclude discontinued activities	–	(184)
Exclude exceptional benefit pension deficit reduction exercise	(1,276)	(4,076)
Exclude exceptional loss on disposal of Borge Holdings AS	–	1,281
Underlying profit/(loss) before tax	1,318	(354)
Tax	(58)	(80)
Profit/(loss) after tax	1,260	(434)
Underlying EPS	2.23	(0.77)

Disposals

There were no disposals during the year. In the previous year the Group sold the non-core business of Borge Holding AS and its subsidiary John O Borge AS. There was a profit on disposal after related costs of £532,000. Under FRS 17 the Group accounts showed a pension liability associated with the John O Borge business, although under Norwegian accounting rules there was a small pension surplus. As a consequence of the sale this liability, £95,000 was no longer required and was released. Goodwill previously written off to reserves was expensed in the profit and loss as required by FRS 10, leading to an overall net loss on disposal of £1,281,000.

The goodwill was directly credited back to reserves as seen in the Reconciliation of Movements in Shareholders' Funds.

Interest

The interest charge for the year was £964,000 (2006: £938,000) including amortisation of debt issue costs capitalised in accordance with FRS4 'Capital Instruments'. There was other finance income during the year of £81,000 (2006: other finance charge £174,000). This is a consequence of the significant reduction in the gross pension liability compared with the previous year.

Taxation

The Group tax charge continues to reflect the amounts borne in foreign territories. This is constantly under review to ensure every opportunity is considered to minimise the amount incurred. In the UK, the Group has substantial brought forward tax trading losses and, as a consequence, does not anticipate paying UK corporation tax in the foreseeable future. It will be the Group's intention to reflect a deferred tax asset in the future as the Group demonstrates its continuing improving profitability. The first step was to reflect the deferred tax asset associated with the pension liability this year, which is reflected in the Statement of Total Recognised Gains and Losses.

Earning per share ('EPS')

The basic and diluted EPS was 4.49p (2006: 4.51p). The underlying EPS is 2.23p for the current year (2006: loss per share 0.77p). The number of shares in issue remained constant for both years at 56,457,000.

Operating cash flow

The Group generated net cash inflow from operating activities during the year of £2,995,000

(2006: £1,643,000). It paid interest of £893,000 (2006: £866,000) and capital expenditure of £1,220,000 (2006: £710,000). There has been increased investment in the manufacturing businesses focused energy-saving projects and replacement of old equipment which was becoming unreliable. The depreciation charge during the period continued to be greater than required capital expenditure. Working capital was tightly controlled and although the Group turnover for continuing businesses increased by 15% there was a small decrease in working capital.

The Group made payments to the pension schemes of £1,078,000 to reduce the deficit and this is part of the ongoing planned reduction. There were also payments made during the year to active and deferred pensioners of £286,000 as these pensioners accepted an offer from the Group to buy out the right to non-statutory pension increases. During the year liabilities of £608,000 associated with the pension reduction exercise that arose last year were settled.

As a consequence net debt in the Group has reduced by £753,000 to £8,604,000 (2006: £9,357,000).

Pension deficit

The pension deficit has reduced further this year. There are three key contributing factors: the first being £1,078,000 ongoing contributions from the Company to reduce the deficit; the second was the reduction arising from the settlement of liabilities of £1,562,000 and the final being the recognition of the deferred tax associated with the pension deficit. The impact of these factors is shown in the following table.

	2007 £000
Deficit at beginning of period	(7,981)
Current service cost	(180)
Other finance income	81
Contributions	1,078
Reduction of deficit following settlement of liabilities	1,562
Actuarial loss	(18)
Gross deficit at the end of the year	(5,458)
Deferred tax asset arising	1,637
Net deficit at end of period	(3,821)

Long-Term Incentive Plan

At the AGM held on 25 July 2006, conditional awards of shares were granted to the executive directors and certain employees under the Long-Term Incentive Plan ("LTIP"). FRS 20 has been adopted during the year. The impact has been a charge in the Profit and Loss Account of £143,000.

Treasury policy

The Group's treasury policy is controlled centrally in accordance with procedures approved by the Board. It is run prudently as a central Group function, providing services to the other Group companies and adopts a risk averse strategy.

The main risks covered by this policy are interest rate risk, foreign currency risk and liquidity risk.

Gearing

The gearing level for the Group improved during the year to 67% at January 2007 (2006: 109%).

Funding

The Group utilises a facility provided by Burdale Financial Ltd, part of the Bank of Ireland. It is a three year facility which ends on 23 July 2007 with a limit of £18,500,000. A significant element of

the facility is linked to working capital levels which allows the Group to manage its cash more effectively during the seasonal fluctuations in working capital associated with the industry in which the Group operates.

The Group has been seeking a funding structure that is more appropriate to its improving financial strength and an agreement has been reached on commercial terms with a UK clearing bank to provide these requirements from July 2007 subject only to satisfactory legal agreements being concluded.

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

Going concern

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

IFRS

The Group will adopt IFRS for the year ending 31 January 2008, and its first reporting under the new accounting rules will be for the interim period ending 31 July 2007. The Board has progressed a project during the year to ensure the successful implementation of IFRS accounting rules for the year ending 31 January 2008.

Interest rate risk

The Group has continued to maintain its debt in floating rate instruments in order to benefit from the lower rates available and the increasing reduction in borrowings. This policy remains constantly under review to ensure interest cost

is minimised. The viability of hedging instruments that would limit the impact of interest rate movements will continue to be reviewed based on the Board's perception of future rate increases and the reducing level of borrowings.

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 any unmatched exposures are covered by forward contracts wherever economically practical.

The Group does not trade in financial instruments and hedges are only used for known cash flows. This has resulted in there being no significant gains and losses.

Liquidity risk

The Group ensures that it has adequate facilities available to cover both its short-term and medium-term commitments. These are fully disclosed in note 22 on page 35.



Alan Dix
Group Finance Director
16 April 2007

Directors and Advisers

Directors

Ian Kirkham (57)

Non-executive Chairman (A, R, N)

Ian joined the Board in April 2002. He has considerable experience in manufacturing and distribution businesses in the UK Home Improvement and Building Products Markets. He was for seven years Chief Executive of Headlam Group plc and is currently Chairman of Everest Group, Latium Management Services and several other building industry businesses.

Charles Gray (64)

Non-executive Director (A, R, N)

Charles joined the Board as a non-executive Director in December 2004. He is a Chartered Accountant with extensive experience in the field of textile manufacture and engineering. He is currently a director of Yorklyde Plc.

John Sach (51)

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 (51)

Executive Director

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

Alan Dix (48)

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

Teather & Greenwood Ltd

Beaufort House
15 St Botolph Street
London EC3A 7QR

Auditors

PricewaterhouseCoopers LLP

Donington Court
Pegasus Business Park
Castle Donington
East Midlands DE74 2UZ

Tax Advisers

Chiltern Plc

3 Sheldon Square
Paddington
London W2 6PS

Public Relations

Buchanan Communications Ltd

45 Moorfields
London EC2Y 9AE

Solicitors

DLA Piper

Princes Exchange
Princes Square
Leeds LS1 4BY

Registrars

Capita Registrars

Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Bankers

Royal Bank of Scotland

280 Bishopsgate
London EC2M 4RB

Report of the Directors

The Directors submit their annual report together with the audited financial statements of the Group for the year ended 31 January 2007.

Principal activities and review of the business

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 is given in the Chief Executive's Review, which, taken with the Chairman's Statement, the Financial Review and the information in the Report of the Directors, represents the Group's Business review.

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 £2,594,000 (2006: £2,625,000). The Directors do not recommend payment of a final ordinary dividend (2006: no dividend paid), which leaves a surplus of £2,536,000 to be transferred to reserves (2006: £2,545,000).

Key Performance Indicators

The KPIs for the business are primarily financial.

	2007	2006
Underlying sales growth	15%	1%
Operating profit margin before exceptional items	4.1%	1.6%
Gearing	67%	109%
Pension deficit as a percentage of shareholders' funds	30%	93%
Underlying EPS	2.23p	(0.77)p

Directors and their interests

The Directors in office at 31 January 2007 and their interests in the shares of the Company were as follows:

	1p ordinary shares 31 January 2007 Number	1p ordinary shares 31 January 2006 Number
I Kirkham	730,000	680,000
C Gray*	150,000	60,000
J D Sach	590,000	160,000
D H Smallridge	100,000	60,000
A N Dix	70,000	30,000

* includes 50,000 shares held by Mr Gray's wife.

The share price on 1 February 2006 was 19.5p and on 31 January 2007 was 48.75p.

Long-Term Incentive Plan

At the AGM held on 25 July 2006, conditional awards of shares were granted to the executive directors and certain employees under the Long-Term Incentive Plan ('LTIP'). The share price at the date of grant was 26.25p. In accordance with the rules of the LTIP the shares awarded will vest three years after the date of grant subject to the Group achieving earnings per share targets. FRS 20 has been adopted during the year.

At the year end, awards have been granted for a maximum of 2,549,000 shares.

The awards granted to the executive directors are:

	Vesting date	1p ordinary shares
J D Sach	25.07.2009	805,298
D H Smallridge	25.07.2009	745,297
A N Dix	25.07.2009	498,405

Movement in share options

	At 1 February 2006	At 31 January 2007	Option price	Exercise Dates	
				Earliest	Latest
J D Sach	50,000	–	69.5p	06.11.1999	05.11.2006
	40,000	40,000	66.0p	23.04.2000	22.04.2007
Total	90,000	40,000			

Report of the Directors continued

None of the Directors' share interests changed between 31 January 2007 and the signing of the accounts.

The details of the Board of Directors in office at 31 January 2007 are set out on page 16.

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

Executive share option schemes

During the year, no options over ordinary shares were exercised or granted and options over 80,000 ordinary shares have lapsed. Options over ordinary shares outstanding at 31 January 2007 are as shown below.

Date granted	Number of shares	Subscription price	Exercisable dates	
			From	To
23 April 1997	70,000	66.0p	23.04.2000	22.04.2007

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.

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 30 to the accounts.

Employees

The Group keeps its employees informed on matters affecting them and on the progress of the Group by way of informal meetings and consultation with employees' representatives. 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.

Substantial shareholdings

At 16 April 2007 the Company was aware of the following substantial shareholdings in its ordinary share capital: Gartmore Investment Limited 18.43%, Barclays Wealth 5.35%, Brewin Dolphin 4.64%, Walker Greenbank EBT 4.32%, Cazenove Fund Management 3.42%, AXA Framlington 3.39%, and British Airways Pension Trustees Ltd 3.21%.

Special Business

At the AGM on 25 July 2007 items 4, 5 and 6 will be proposed as Special Business. Details of the business can be found in the Notice of the AGM.

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 2007 represents 69 days (2006: 60 days) of average purchases during the year for the Group.

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

Business risks

Apart from the impact of a global nature or a significant downturn in the UK market there are no significant business risks that are not covered by insurance policies. Whilst the dollar remains weak this will affect trading of our business in North America but this business is not currently a significant profit contributor to the overall Group.

Auditors

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

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

In so far as the Directors, individually, are aware there is no relevant audit information of which the Group's auditors are unaware and the Directors have taken all steps that they ought to have taken to make themselves 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
16 April 2007

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX

Registered number 61880

Independent Auditors' Report to the Members of Walker Greenbank PLC

We have audited the group and parent company financial statements (the 'financial statements') of Walker Greenbank Plc for the year ended 31 January 2007 which comprise Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the Chairman's Statement, the Chief Executive's Review, the Financial Review and the Five Year Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

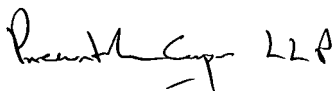
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 January 2007 and of the group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

East Midlands

16 April 2007

Group Profit and Loss Account

Year ended 31 January 2007

	note	Before exceptional items £000	Exceptional items £000	Total 2007 £000	Total 2006 £000
Turnover					
Continuing operations	2,3	53,327	–	53,327	46,361
Discontinued operations	2,3	–	–	–	2,031
		53,327	–	53,327	48,392
Operating profit					
Continuing operations	3	2,201	–	2,201	758
Discontinued operations	3	–	–	–	184
Exceptional items	3	–	1,276	1,276	4,076
		2,201	1,276	3,477	5,018
Profit on sale of subsidiary	4	–	–	–	532
Pension provision (FRS 17) release on sale of subsidiary		–	–	–	95
Goodwill previously written off to reserves		–	–	–	(1,908)
Net loss on sale of subsidiary	4	–	–	–	(1,281)
Profit on ordinary activities before interest		2,201	1,276	3,477	3,737
Net interest payable					
Interest payable	9			(898)	(872)
Amortisation of issue costs	9			(66)	(66)
				(964)	(938)
Other finance income/(charge)	10			81	(174)
Profit on ordinary activities before taxation	2,5			2,594	2,625
Tax on profit on ordinary activities	11			(58)	(80)
Profit on ordinary activities after taxation				2,536	2,545
Dividends	19			–	–
Profit for the year				2,536	2,545
Earnings per share – Basic and diluted	12			4.49p	4.51p
Earnings per share – Basic and diluted from continuing operations	12			4.49p	6.46p
Dividend per ordinary share	19			–	–

There is no material difference between the profit on ordinary activities above and their historical cost equivalent.

Balance Sheets

At 31 January 2007

	note	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Fixed assets					
Intangible assets	13	4,820	4,859	–	–
Tangible assets	14	9,623	10,205	4,489	4,595
Investment in subsidiaries	15	–	–	43,579	33,250
		14,443	15,064	48,068	37,845
Current assets					
Stocks	16	13,476	11,539	–	–
Debtors	17	10,344	9,137	17,175	15,823
Cash at bank and in hand		2,065	1,530	–	77
		25,885	22,206	17,175	15,900
Creditors: amounts falling due within one year	18	(13,587)	(10,403)	(9,987)	(9,440)
Net current assets		12,298	11,803	7,188	6,460
Total assets less current liabilities		26,741	26,867	55,256	44,305
Creditors: amounts falling due after more than one year	20	(10,073)	(10,289)	(780)	(1,225)
Net assets excluding pension liability		16,668	16,578	54,476	43,080
Pension liability	30	(3,821)	(7,981)	–	–
Net assets		12,847	8,597	54,476	43,080
Capital and reserves					
Share capital	24	590	590	590	590
Share premium account	25	457	457	457	457
Profit and loss account	25	(28,707)	(32,957)	11,541	145
Other reserves	25	40,507	40,507	41,888	41,888
Equity shareholders' funds		12,847	8,597	54,476	43,080



J D Sach
Director



A N Dix
Director

These accounts were approved by the Directors on 16 April 2007.

Group Cash Flow Statement

Year ended 31 January 2007

	note	2007 £000	2007 £000	2006 £000	2006 £000
Net cash inflow from operating activities	27		2,995		1,643
Returns on investment and servicing of finance					
Interest received		20		12	
Interest paid		(913)		(878)	
			(893)		(866)
Taxation			(50)		(184)
Capital expenditure					
Purchase of tangible fixed assets		(1,220)		(710)	
			(1,220)		(710)
Acquisitions and disposals					
Net proceeds from disposal of operations		–		1,498	
			–		1,498
Equity dividends paid			–		–
Cash inflow before use of liquid resources and financing			832		1,381
Management of liquid resources			–		–
Financing					
Proceeds from new loans		–		655	
Principal repayments of finance lease obligations		–		(251)	
Repayment of borrowings		(282)		(1,414)	
			(282)		(1,010)
Increase in cash	28,29		550		371

Statement of Total Recognised Gains and Losses

Year ended 31 January 2007

	Group 2007 £000	Group 2006 £000
Profit for the financial year	2,536	2,545
Actual less expected return on pension scheme assets	(1,216)	3,817
Experience gains and losses arising on pension scheme liabilities	(5)	425
Change in actuarial assumptions	1,203	(7,141)
Currency translation differences	(17)	(27)
Deferred tax on pension liability	1,637	–
Total recognised gains and losses since the last annual report	4,138	(381)

Reconciliation of Movements in Shareholders' Funds

Year ended 31 January 2007

	Group 2007 £000	Group 2006 £000
Profit for the financial year	2,536	2,545
Dividends	–	–
Profit for the year	2,536	2,545
Other recognised gains/(losses) relating to the year	1,602	(2,926)
Accrual for long-term incentive plan liabilities	112	–
Goodwill previously set off to reserves in respect of the disposal of operations	–	1,908
Net increase to shareholders' funds	4,250	1,527
Opening shareholders' funds	8,597	7,070
Closing shareholders' funds	12,847	8,597

Notes to the Accounts

1 Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards and with the Companies Act 1985.

Basis of consolidation

The Group accounts consolidate the financial statements of the parent and its subsidiary undertakings for the year ended 31 January 2007. Transactions arising on trading between Group undertakings are excluded.

No profit and loss account is presented for Walker Greenbank PLC as provided by Section 230 of the Companies Act 1985. A profit of £11,284,000 (2006: £1,837,500 loss) has been dealt with in the accounts of the parent company.

Goodwill and intangible assets

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

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

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 Directors believe that the valuation of this asset is substantially in excess of its current book value, however, it has been capped at its current value, in accordance with Financial Reporting Standard No.10. In the opinion of the directors the archive has an indefinite economic life and is not, therefore, subject to annual amortisation. The carrying value of this asset will be reviewed annually and provision made for any impairment in the carrying value if required.

Fixed assets

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

Freehold buildings	2%
Short leaseholds	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 provision for impairment.

Impairment of fixed assets, goodwill and investments

Fixed assets, goodwill and investments are subject to review for impairment in accordance with Financial Reporting Standard No.11. Any impairment is recognised in the profit and loss account in the year in which it occurs. A discounted cash flow is prepared annually to assess whether an impairment can be reversed. When all conditions are met the impairment is reversed and recognised in the profit and loss in the year in which the reversal occurs.

Financial instruments

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 or, if hedged, at the forward contract rate. All differences are taken to the profit and loss account. Full disclosure of the Group's treasury policy is detailed on page 15.

Foreign currency

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

Employee share option plan

Under UITF 38, interest in own shares are reclassified from fixed asset investments to profit and loss reserves.

Share-based payments

The Group has adopted FRS 20 'Share-based payments'. The adoption of this standard represents a change in accounting policy following the introduction of a Long Term Incentive Plan for Directors and Senior Management during the year. The effect of the change is to increase staff costs by £143,000 (2006: £nil), to decrease profit in the year by £143,000 (2006: £nil).

Notes to the Accounts *continued*

1 Accounting policies *continued*

Employee benefits – Share-based payments

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.

Turnover

The Group turnover represents the invoiced value of sales to external customers excluding VAT and is recognised at the point of despatch of goods.

Royalty income

Royalties are received from licence holders under the terms of various agreements. Royalties are recognised as other operating income as they fall due.

Stocks

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

Pensions

The Group operates both defined benefit and defined contribution schemes. The cost of providing retirement pensions and related benefits is charged to the profit and loss account in accordance with Financial Reporting Standard No.17, full provision being made at the balance sheet date for any surplus or deficit of assets over liabilities.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Operating lease rentals are charged to the profit and loss account as they are incurred.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, that give rise to an obligation to pay more tax in the future or a right to pay less. No provision has been made for any further liability arising from the distribution of past earnings of subsidiary undertakings. Deferred tax assets are recognised in the accounts, when it is more likely than not that they will be recovered in the foreseeable future.

The deferred tax provision has been calculated using the average rates that are expected to apply when the timing differences reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2 Segmental analysis

(a) Classes of business

	Turnover	
	2007 £000	2006 (restated) £000
Continuing operations:		
Fabrics	37,414	31,943
Wallcoverings	14,553	12,415
Other	1,360	2,003
	53,327	46,361
The other category includes furniture, paint and trimmings.		
Discontinued operations:		
Fabrics	-	511
Wallcoverings	-	1,520
	-	2,031
Group	53,327	48,392

The comparative classes of business have been restated to better reflect the nature of the business.

(b) Geographical segments

	Turnover		Profit before taxation		Net assets	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
By origin on continuing operations:						
United Kingdom	46,320	38,902	2,721	2,377	13,816	9,414
Continental Europe	1,466	1,198	9	(86)	(1,011)	(1,003)
North America	5,541	6,261	(136)	154	42	186
	53,327	46,361	2,594	2,445	12,847	8,597
By origin on discontinued operations:						
Continental Europe	-	2,031	-	180	-	-
By origin Group operations	53,327	48,392	2,594	2,625	12,847	8,597
By destination on continuing operations:						
United Kingdom	35,485	29,476				
Continental Europe	7,693	6,145				
North America	7,503	7,937				
Rest of the World	2,646	2,803				
	53,327	46,361				
By destination on discontinued operations:						
Continental Europe	-	2,031				
By destination Group operations	53,327	48,392				

The Group has not disclosed segmental analysis by brand and manufacturing for turnover, operating profit and net assets as it regards the information as commercially sensitive.

Notes to the Accounts continued

3 Analysis of operating profit

	2007			2006		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Turnover	53,327	–	53,327	46,361	2,031	48,392
Cost of sales	(23,006)	–	(23,006)	(20,562)	(957)	(21,519)
Gross profit	30,321	–	30,321	25,799	1,074	26,873
Net operating expenses:						
Distribution costs	(13,272)	–	(13,272)	(11,650)	(305)	(11,955)
Administrative expenses	(15,845)	–	(15,845)	(14,489)	(583)	(15,072)
Other operating income	997	–	997	1,098	(2)	1,096
Operating profit before exceptionals	2,201	–	2,201	758	184	942
Reduction of pension deficit following settlement of liabilities	1,276	–	1,276	4,076	–	4,076
Operating profit	3,477	–	3,477	4,834	184	5,018

Exceptional items

During the year the Group bought out the right to non-statutory pension increases from its active and deferred pensioners. This has resulted in a reduction of the FRS 17 liability in the balance sheet of £1,562,000 (2006: £5,634,000) and a benefit of £1,276,000 (2006: £4,076,000) in the profit and loss account. The benefit arising from the pension reduction exercise would be classified as administration expenses under FRS 3.

4 Loss on sale of Borge Holding AS and John O Borge AS

In June 2005, the wholly owned Norwegian subsidiaries Borge Holding AS and John O Borge AS were sold for a consideration before costs of £1,881,000. A profit of £532,000 was generated on the sale before goodwill previously written to reserves and the adjustment to FRS 17 provision. Goodwill previously written off to reserves of £1,908,000 was charged through the profit and loss account. A net loss on sale of £1,281,000 has been recorded. Net proceeds of £1,498,000 were received as detailed in the table below:

	2006 £000
Sale of John O Borge AS and Borge Holdings AS:	
The disposal comprised the following:	
Tangible fixed assets	60
Stock	681
Debtors	745
Creditors	(520)
Profit on disposal	532
Net cash inflow from the disposal of John O Borge AS and Borge Holding AS	1,498

The tax effect of the disposal was £nil.

5 Profit on ordinary activities before taxation

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit fee – fees payable to the Company auditor for the audit of the parent Company and the consolidation accounts	50	46
Non audit fee – audit of Company's subsidiaries pursuant to legislation	75	66
– accounting advice with respect to IFRS	11	16
Depreciation of owned assets	1,772	1,864
Amortisation of goodwill	39	39
Hire of motor vehicles and plant and machinery	377	410
Other operating leases	1,236	1,312
Loss on disposal of fixed assets	11	–

6 Emoluments of Directors

	Salary £000	Bonus £000	Benefits £000	Pension £000	2007 Total £000	2006 Total £000
Executive Directors:						
John Sach	196	88	4	29	317	303
David Smallridge	140	63	1	14	218	175
Alan Dix	108	49	1	11	169	74
Non-executive Directors:						
Ian Kirkham	58	–	–	–	58	54
Charles Gray	22	–	–	–	22	22
Peter Harkness (resigned 19 July 2005)	–	–	–	–	–	11
	524	200	6	54	784	639

In both years, retirement benefits were accruing to one Director under a defined benefit scheme, who is the highest paid Director. Accrued pension benefits at the year end were £19,458 (2006: £18,920).

Benefits are accruing under defined contribution schemes for three Directors (2006: three Directors).

7 Employee information

	Group 2007 £000	Group 2006 £000
Wages and salaries	15,012	13,831
Social security costs	1,528	1,351
Other pension costs (note 30)	603	587
	17,143	15,769

The average monthly number of employees (including Directors) during the year

	Number	Number
Sales, warehousing and administration	300	296
Manufacturing	248	240
	548	536

	Company 2007 £000	Company 2006 £000
Wages and salaries	1,058	1,086
Social security costs	118	94
Other pension costs	72	105
	1,248	1,285

The average monthly number of employees (including Directors) during the year

	Number	Number
Administration	13	14

8 Long Term Incentive Plan

A Long Term Incentive Plan was approved by the shareholders at the Annual General Meeting on 26 July 2006. The criteria for the first award were also disclosed.

The Company operates the LTIP for Executive Directors and Senior management. Awards under the scheme are granted in the form of a nil-priced option, and are satisfied using market-purchased shares. The awards vest in full or in part dependent on the satisfaction of specified performance targets at the end of the three year vesting period. The level of the award is dependent upon the earnings per share achieved for the year ended 31 January 2009. A maximum of 2,549,000 shares could vest.

The share price on the day of the award was 26.75p. This leads to an expense in the current year of £143,000 including an allowance of £31,000 for national insurance contributions.

The fair value of the shares granted at 26 July 2006 is £673,833 based on the number of shares granted of 2,519,000 at a share price of 26.75p on the day of the award.

Notes to the Accounts continued

9 Net interest payable

	2007 £000	2006 £000
Interest receivable:		
Bank and other short-term deposit interest receivable	20	12
Interest payable:		
Amortisation of issue costs of loan	(66)	(66)
Bank and other short term interest on loans and overdrafts wholly repayable within five years	(918)	(884)
	(984)	(950)
Net interest payable	(964)	(938)

10 Other finance income/(charge)

	2007 £000	2006 £000
Expected return on pension scheme assets	2,408	2,260
Interest on pension scheme liabilities	(2,327)	(2,434)
Net income/(charge)	81	(174)

11 Taxation

	2007 £000	2006 £000
UK Corporation tax charge		
at 30% (2006: 30%)		
– current year	–	–
– prior years	–	–
Overseas taxation		
– current year	58	124
– prior years	–	–
Total current tax	58	124
Deferred tax		
– current year	–	(44)
– prior years	–	–
Total deferred tax	–	(44)
Tax on profit on ordinary activities	58	80

The difference between the profit on ordinary activities at the corporation tax rate of 30% ruling in the UK and the actual current tax shown above is explained below:

	2007 £000	2006 £000
Profit on ordinary activities before taxation	2,594	2,625
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	778	787
Expenses not deductible for tax purposes	176	872
Non-taxable income	(774)	(1,733)
Utilisation of prior years losses	(555)	(486)
Depreciation in excess of capital allowances	466	494
Losses not recognised	84	295
Other timing differences	(117)	(105)
Total current tax	58	124

12 Earnings per share

Basic earnings per share 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 (note 25), which are treated as cancelled.

	2007			2006		
	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 EPS:						
Earnings attributable to ordinary shareholders	2,536	56,457	4.49	2,545	56,457	4.51
Earnings per share from continuing operations:						
Basic and diluted EPS	2,536	56,457	4.49	2,545	56,457	4.51
Loss on sale of subsidiary	–	–	–	1,281	–	2.27
Pre tax profit from discontinued operation	–	–	–	(180)	–	(0.32)
Basic and diluted EPS from continuing operations	2,536	56,457	4.49	3,646	56,457	6.46
Earnings per share from discontinued operations:						
Basic and diluted EPS	–	–	–	(1,281)	56,457	(2.27)
Loss on sale of subsidiary	–	–	–	180	–	0.32
Pre tax profit from discontinued operation	–	–	–	(1,101)	56,457	(1.95)

13 Intangible assets

	Group 2007 £000	Group 2006 £000
a) Goodwill	520	559
b) Arthur Sanderson and William Morris archive	4,300	4,300
	4,820	4,859

(a) Goodwill

	£000
Cost:	
At 1 February 2006 and 31 January 2007	1,400
Amortisation:	
At 1 February 2006	841
Amortisation for the year	39
At 31 January 2007	880
Net book amount at 31 January 2007	520
Net book amount at 31 January 2006	559

(b) Arthur Sanderson and William Morris Archive

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 historic record of unique designs that are used to generate a significant royalty income in the business. The Directors believe that the valuation of this asset is substantially in excess of the £4,300,000, however it has been capped at this level, in accordance with Financial Reporting Standard No. 10, to avoid the creation of negative goodwill on acquisition.

	£000
Cost:	
At 1 February 2006 and 31 January 2007	4,300
Net book amount at 31 January 2007	4,300
Net book amount at 31 January 2006	4,300

Notes to the Accounts continued

14 Tangible fixed assets

Group	Land and buildings £000	Plant, equipment and vehicles £000	Computer assets £000	Total £000
Cost:				
1 February 2006	6,281	13,862	6,438	26,581
Additions	–	1,112	110	1,222
Disposals	–	(684)	(1,020)	(1,704)
Currency movements	–	(42)	–	(42)
31 January 2007	6,281	14,248	5,528	26,057
Depreciation:				
1 February 2006	1,696	10,004	4,676	16,376
Charge	101	760	911	1,772
Disposals	–	(673)	(1,020)	(1,693)
Currency movements	–	(21)	–	(21)
31 January 2007	1,797	10,070	4,567	16,434
Net book amount:				
31 January 2007	4,484	4,178	961	9,623
31 January 2006	4,585	3,858	1,762	10,205
The net book amount of land and buildings comprises:			2007	2006
			£000	£000
Freehold land			450	450
Freehold buildings			4,034	4,135
Net book value			4,484	4,585

The market value of the land and buildings is not materially different from the net book value.

The value of assets secured under the Burdale facility was property of £4,484,000 (2006: £4,585,000) and plant and equipment of £2,963,000 (2006: £3,094,000).

Company	Land and buildings £000	Plant, equipment and vehicles £000	Computer assets £000	Total £000
Cost:				
1 February 2006	5,364	255	410	6,029
Additions	–	–	–	–
Disposals	–	(234)	(394)	(628)
31 January 2007	5,364	21	16	5,401
Depreciation:				
1 February 2006	779	246	409	1,434
Charge	101	4	1	106
Disposals	–	(234)	(394)	(628)
31 January 2007	880	16	16	912
Net book amount:				
31 January 2007	4,484	5	–	4,489
31 January 2006	4,585	9	1	4,595
The net book amount of land and buildings comprises:			2007	2006
			£000	£000
Freehold land			450	450
Freehold buildings			4,034	4,135
Net book value			4,484	4,585

15 Investments

Company
£000

Shares in subsidiary undertakings

Cost:

1 February 2006 and 31 January 2007	44,617
Provision for impairment at 1 February 2006	11,367
Reversal of provision	(10,329)
Provision for impairment at 31 January 2007	1,038
Net book amount at 31 January 2007	43,579
Net book amount at 31 January 2006	33,250

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

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 has been reviewed at 31 January 2007 by reference to its value in use to the Company. The value in use was calculated using future expected cash flow projections, discounted at 9% on a pre-tax basis, and is not intended to reflect a realisable value on disposal. The review has resulted in a reversal of the impairment of £10,329,000 to investments in subsidiary undertakings held by the Company.

16 Stocks

	Group 2007 £000	Group 2006 £000
Raw materials	1,051	1,053
Work in progress	1,586	1,511
Finished goods	10,839	8,975
	13,476	11,539

The value of stocks secured under the Burdale loan was £8,912,000 (2006: £7,800,000).

The Company does not hold stock.

17 Debtors

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Trade debtors	8,575	7,340	–	–
Amounts owed by subsidiary undertakings	–	–	16,717	11,426
Other debtors	523	790	277	3,930
Prepayments	1,246	1,007	181	467
	10,344	9,137	17,175	15,823

The value of trade debtors secured under the Burdale loan was £7,597,000 (2006: £5,862,000).

Included within Company and Group other debtors is an amount repayable after one year of £265,000 (2006: £276,000). Amounts owed by subsidiary undertakings to the Company include long-term loans recoverable after more than one year of £1,000,000 (2006: £1,000,000).

Notes to the Accounts continued

18 Creditors: due within one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Loans (note 22)	596	596	445	445
Bank overdrafts	–	2	1,126	56
Trade creditors	8,553	6,454	170	188
Amounts owed to subsidiary undertakings	–	–	7,477	7,623
Corporation tax	43	39	–	–
Other taxes and social security	848	585	39	11
Other creditors	547	201	209	48
Accruals	3,000	2,526	521	1,069
	13,587	10,403	9,987	9,440

There is a set off arrangement for bank accounts held with the UK clearing bank. The loans are secured by a fixed and floating charge over the assets of the Group's UK operations.

19 Dividends

The Directors do not propose a final dividend in respect of the year ended 31 January 2007 (2006: No dividend proposed).

20 Creditors: due after more than one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Loans (note 22)	10,073	10,289	780	1,225
	10,073	10,289	780	1,225

The loans are secured by a fixed and floating charge over the assets of the Group's UK operations.

21 Operating lease commitments

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

	Land and buildings 2007 £000	Other 2007 £000	Land and buildings (restated) 2006 £000	Other 2006 £000
Group				
Operating leases which expire:				
Within one year	21	80	19	73
Between one and five years	366	242	443	225
Over five years	817	–	624	–
	1,204	322	1,086	298
Company				
Operating leases which expire:				
Within one year	–	–	12	–
Between one and five years	–	–	–	–
Over five years	447	–	387	–
	447	–	399	–

22 Financial instruments

A discussion of treasury policy is given in the Financial Review on page 15. Short-term debtors and creditors have been excluded from all the following disclosures, other than currency risk disclosures.

Financial assets

	Group 2007 £000	Group 2006 £000
Cash at bank and in hand	2,065	1,530

Borrowings

	Group 2007 £000	Group 2006 £000
Bank overdrafts	–	2
Loans:		
Secured		
Burdale property loan	1,225	1,671
Burdale plant and equipment loan	188	337
Burdale Sterling loan	8,731	8,802
Burdale Euro loan	525	75
Total loans	10,669	10,885
Total borrowings	10,669	10,887

Repayment of total borrowings

Between two and five years:		
Loans	335	816
Between one and two years:		
Loans	9,738	9,473
After more than one year:		
Loans	10,073	10,289
Within one year:		
Bank overdrafts	–	2
Loans	596	596
Total borrowings	10,669	10,887

The loans in the UK operations are secured by a fixed and floating charge over the assets of the Group's UK operations.

Interest rate and currency profile of financial net assets

	Floating rate assets 2007 £000	Floating rate assets 2006 £000
Currency		
Sterling	876	374
US Dollar	557	969
Euro	319	185
Swedish Kronor	302	2
Other	11	–
	2,065	1,530

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

The bank facilities have a right of offset of currency accounts.

Notes to the Accounts continued

22 Financial instruments continued

Interest rate and currency profile of financial liabilities

At 31 January 2007

Currency	Total £000	Floating rate borrowings £000	Fixed rate borrowings £000	Weighted average interest rate %	Fixed rate borrowings Weighted average time until maturity Years
Sterling	10,144	10,144	–	–	–
Euro	525	525	–	–	–
	10,669	10,669	–	–	–

Interest is charged at 2.2% above one month LIBOR on floating rate borrowings.

Interest rate and currency profile of financial liabilities

At 31 January 2006

Currency	Total £000	Floating rate borrowings £000	Fixed rate borrowings £000	Weighted average interest rate %	Fixed rate borrowings Weighted average time until maturity Years
Sterling	10,812	10,812	–	–	–
Euro	75	75	–	–	–
	10,887	10,887	–	–	–

Net foreign monetary assets/(liabilities)

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

At 31 January 2007

	Sterling £000	US dollar £000	Euro £000	Swedish kronor £000	Other £000	Total £000
Functional currency of entity						
Sterling	–	856	(619)	338	57	632
	–	856	(619)	338	57	632

At 31 January 2006

	Sterling £000	US dollar £000	Euro £000	Swedish kronor £000	Other £000	Total £000
Functional currency of entity						
Sterling	–	866	(462)	2	136	542
	–	866	(462)	2	136	542

Borrowing facilities

In July 2004, the Group agreed terms for a facility from Burdale Financial Limited. The three year facility comprises a loan secured on the Group's freehold property of £2 million which is being repaid on a five year profile and a facility capped at £18.5 million that will fluctuate depending on the level of the UK debtors and stock against which it is secured. In May 2005 the Group agreed an additional facility from Burdale Financial Limited secured on manufacturing plant and equipment of £655,000 which is being repaid on a five year profile. The utilisation of the facility at the year end was £10,250,000 (2006: £10,198,000).

The fair value of short-term deposits, loans and overdrafts approximates to the carrying value due to all borrowings being subject to a floating rate.

Forward contracts

The Group is subject to foreign exchange risk due to exchange rate movements between sterling and US dollars. The Group seeks to reduce this risk by entering into forward contracts. The Group had the following forward contracts at the end of the year:

	Group 2007 £000	Group 2006 £000
Fair value of forward contracts	45	–

23 Provisions for liabilities and charges

Deferred taxation

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Deferred taxation provided in the accounts is as follows:				
Depreciation in excess of capital allowances	-	(68)	-	-
Other timing differences	-	68	-	-
	-	-	-	-
<hr/>				
			2007 Group £000	2006 Group £000
Deferred taxation unprovided:				
Depreciation in excess of capital allowances			(1,131)	(874)
Other timing differences			(25)	68
Tax losses			(6,945)	(6,758)
			(8,101)	(7,564)

It will be the Group's intention to reflect a deferred tax asset as the Group continues to generate profits.

A deferred tax asset on pension obligations of £1,637,000 (2006: £nil) is recognised in the Statement of Total Recognised Gains and Losses and offsets the gross pension liability (note 30).

24 Share capital

	Number of shares	£
Ordinary shares of 1p each:		
Authorised share capital:		
1 February 2006 and 31 January 2007	85,000,000	850,000
Allotted, called up and fully paid:		
1 February 2006 and 31 January 2007	59,006,162	590,062

Executive share option schemes

During the year, no options over ordinary shares were exercised or granted and options over 55,000 ordinary shares have lapsed. Options over ordinary shares outstanding at 31 January 2007 are as shown below:

	Number of shares	Subscription price	Exercisable from	Exercisable to
Date granted:				
23 April 1997	70,000	66.0p	23.04.00	22.04.07
	70,000			

Notes to the Accounts continued

25 Reserves

	Share premium account £000	Profit and loss account £000	Other reserves		Total £000
			Capital reserve £000	Merger reserve £000	
Group					
1 February 2006	457	(32,957)	43,457	(2,950)	40,507
Profit for the year	–	2,536	–	–	–
Deferred tax asset on pension liability	–	1,637	–	–	–
Accrual for long-term incentive plan liabilities	–	112	–	–	–
Actuarial loss on pension scheme	–	(18)	–	–	–
Currency translation movements	–	(17)	–	–	–
31 January 2007	457	(28,707)	43,457	(2,950)	40,507
Company					
1 February 2006	457	145	41,888	–	41,888
Accrual for long-term incentive plan liabilities	–	112	–	–	–
Profit for the year	–	11,284	–	–	–
31 January 2007	457	11,541	41,888	–	41,888

During the year the carrying value of the investment in Abaris Holdings Limited was reviewed by reference to its value in use to the Company, this resulted in a reversal of an impairment of £10,329,000 being credited to the profit and loss account (note 15).

Capital reserve represents:

	Group £000	Company £000
Share premium of companies acquired and accounted for under merger accounting principles	1,276	–
Capital reserve arising on consolidation	293	–
Capital redemption reserve for deferred shares	1,003	1,003
Capital redemption reserve for 'B' shares	40,885	40,885
	43,457	41,888

The profit and loss reserve includes £5,458,000 (2006: £7,981,000) stated after deferred taxation of £1,637,000 (2006: £nil) in respect of pension scheme liabilities of the Group pension fund.

The Walker Greenbank PLC Employee Benefit Trust ('the trust') holds 2,549,146 shares (2006: 2,549,146) with a cost of £601,202 (2006: £601,202) and a market value at 31 January 2007 of £1,242,709 (2006: £497,083).

The cumulative amount of goodwill which has been written off to the profit and loss account reserve in respect of existing Group companies is £2,410,000 (2006: £2,410,000).

26 Capital commitments

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Authorised and contracted	37	47	–	–

27 Reconciliation of operating profit to net cash inflow from operating activities

	2007 £000	2007 £000	2006 £000	2006 £000
Continuing operations:				
Operating profit		3,477		4,834
Depreciation and amortisation	1,811		1,894	
Difference between pension charge and cash contributions	(2,174)		(5,316)	
Settlement of pension liabilities	(894)		(950)	
Proceeds on disposal of fixed assets	-		3	
Loss on disposal of fixed assets	11		-	
(Increase)/decrease in stocks	(1,940)		525	
(Increase)/decrease in debtors	(1,245)		1,624	
Increase/(decrease) in creditors	3,837		(642)	
Decrease in provisions	-		(323)	
Amounts charged directly to equity with respect to long-term incentive plan	112		-	
		(482)		(3,185)
Net cash inflow from continuing operating activities		2,995		1,649
Discontinued operations:				
Operating profit		-		184
Depreciation and amortisation	-		9	
Decrease in stocks	-		134	
Increase in debtors	-		(125)	
Decrease in creditors	-		(208)	
		-		(190)
Net cash outflow from discontinued operations		-		(6)
Total net cash inflow from operating activities		2,995		1,643

28 Analysis of net debt

	1 February 2006 £000	Cash flow £000	Other movements £000	Exchange movement £000	31 January 2007 £000
Cash at bank and in hand	1,530	548	-	(13)	2,065
Overdrafts	(2)	2	-	-	-
	1,528	550	-	(13)	2,065
Debt due within one year	(596)	-	-	-	(596)
Debt due after one year	(10,289)	282	(66)	-	(10,073)
	(10,885)	282	(66)	-	(10,669)
	(9,357)	832	(66)	(13)	(8,604)

Other movements are amortisation of issue costs relating to the loan financing.

29 Reconciliation of net cash flow to movement in net debt

	2007 £000	2006 £000
Increase in cash in the year	550	371
Decrease in debt and lease financing	282	911
Cash inflow from cash flows	832	1,282
Other movements	(66)	99
Exchange movement	(13)	8
Movement in the year	753	1,389
Net debt at 1 February 2006	(9,357)	(10,746)
Net debt at 31 January 2007	(8,604)	(9,357)

Other movements are amortisation of issue costs relating to the loan financing.

Notes to the Accounts continued

30 Pension

The Company operates the following funded pension schemes in the UK: the Walker Greenbank Pension Plan, the Abaris Holdings Limited Pension Scheme and the WG Senior Management Pension Scheme. The Walker Greenbank Pension Plan is the biggest scheme. All schemes contain defined benefits sections. However, the Abaris Holdings Limited Pension Scheme also contains a defined contribution section, although this section is relatively small.

The pension cost charged to operating profit before exceptional items under FRS 17 'Retirement Benefits' for the year amounts to £603,000 (2006: £459,000). This charge is equal to the service cost of £180,000 (2006: £167,000) in respect of the defined benefit arrangements, plus contributions of £423,000 (2006: £292,000) paid by the Company in respect of the defined contribution arrangements. The exceptional item of £1,276,000 credited to the operating profit relates to the net benefit of the settlement of non-statutory pension payments. Except where stated otherwise, the remainder of this FRS 17 pensions note relates only to the defined benefit arrangements.

During the year the Group offered to buy out the right to non-statutory pension increases from its active and deferred pensioners. This has resulted in a reduction in the FRS 17 liability in the balance sheet of £1,562,000 (2006: £5,634,000) and a benefit of £1,276,000 (2006: £4,076,000) in the profit and loss, disclosed as an exceptional operating item.

A full FRS 17 actuarial valuation was carried out at 31 January 2007 by a qualified independent actuary. The main assumptions used by the actuary for the purposes of FRS 17 were:

Financial assumptions applied when valuing the defined benefit schemes

Valuation method	2007	2006	2005
	Projected unit	Projected unit	Projected unit
Discount rate	5.3%	5.0%	5.5%
Inflation rate	3.2%	2.9%	2.8%
Increases to pensions in payment	3.2%	2.9%	2.8%
Increase in pensions (in excess of GMP) in deferment	3.2%	2.9%	2.8%
Salary increases	3.2%	2.9%	2.8%

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

Consolidated net deficit in the pension schemes and the expected long-term rates of return

	2007		2006		2005	
	%	£000	%	£000	%	£000
Equities and absolute return	7.80	20,306	7.10	19,702	8.35	19,128
Property	7.80	4,186	7.10	3,570	8.35	–
Fixed interest	5.30	13,078	4.70	13,695	4.60	12,232
Index linked gilts	4.80	–	4.10	–	4.60	516
Insured annuities	5.30	2,087	5.50	2,053	5.50	1,349
Cash and other	5.25	393	4.50	221	4.75	306
Defined contribution section	–	1,069	–	661	–	400
Total market value of assets		41,119		39,902		33,931
Present value of the schemes liabilities		(46,577)		(47,883)		(45,200)
Deficit in the schemes		(5,458)		(7,981)		(11,269)
Related deferred tax asset		1,637		–		–
Net pension liability		(3,821)		(7,981)		(11,269)

Volatility of FRS 17

It should be noted that the methodology and assumptions prescribed for the purposes of FRS 17 mean that the disclosures will be inherently volatile, varying greatly according to investment market conditions at each accounting date.

Movement in deficit during the period

	2007 Group £000	2006 Group £000
Deficit at beginning of period	(7,981)	(11,269)
Movement in the period:		
Current service cost	(180)	(167)
Contributions	1,078	799
Reduction of pension deficit following settlement of liabilities	1,562	5,634
Release due to sale of subsidiary	–	95
Other finance income/(charge)	81	(174)
Adoption of PA92 mortality tables	–	(3,196)
Actuarial (loss)/gain	(18)	297
Deficit at end of period	(5,458)	(7,981)

It should be noted that the UK schemes are closed to new entrants and so the use of the projected unit valuation method required by FRS 17 means that the current service cost (as a proportion of members' earnings) is likely to increase as members approach retirement.

During the year, the Company contributed to the Walker Greenbank Pension Plan at the rate of 4.6% of pensionable salaries, plus additional amounts of £57,000 per month for the first eight months, and £77,000 per month for the remaining four months (as allowed by the Pensions Regulator as part of the application to extend the Schedule of Contributions). The Company paid contributions in line with the Schedule of Contributions to the WG Senior Management Scheme and Abaris Holdings Limited Pension Scheme.

The current Schedule of Contributions for the UK schemes requires the Company to pay the following contributions:

- Walker Greenbank Pension Plan – 4.6% of pensionable salaries plus £77,000 per month
- Abaris Holdings Limited Pension Scheme (Defined benefit Section only) – £17,460 per month falling to £12,770 from May 2007
- WG Senior Management Pension Scheme – £3,700 per month plus administration and scheme levies

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:					
Amount (£000)	(1,216)	3,817	822	1,446	(7,741)
Percentage of scheme assets	(3.0%)	9.6%	2.4%	4.7%	27.7%
Experience gains and losses on scheme liabilities:					
Amount (£000)	(5)	425	(531)	(501)	(572)
Percentage of the present value of scheme liabilities	(0.0%)	0.9%	(4.3%)	1.2%	1.4%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000)	(18)	(2,899)	(1,110)	945	(8,318)
Percentage of the present value of scheme liabilities	(0.0%)	(6.1%)	(2.5%)	2.3%	20.9%

Five-Year Record

	2003 £000	2004 £000	2005 (restated) £000	2006 £000	2007 £000
Turnover	58,261	47,975	50,611	48,392	53,327
Overseas turnover	17,926	17,517	19,724	18,916	17,842
Operating profit/(loss) – restated	(3,802)	(3,159)	(2,690)	5,018	3,477
EBITDA	(691)	(514)	(322)	2,845	4,012
Profit/(loss) before taxation – restated	(7,975)	(4,050)	(807)	2,625	2,594
Capital expenditure	1,208	569	1,187	710	1,222
Profit/(loss) per share	(13.04p)	(7.61p)	(1.48p)	4.51p	4.49p
Average number of employees	665	568	613	539	548
Dividends	–	–	–	–	–
Shareholders' funds – restated	12,742	8,680	7,070	8,597	12,847
Dividend per share	–	–	–	–	–

The shareholders' funds for 2004 have been restated to reflect the implementation of UITF 38. The operating loss for 2005 has been restated to reflect the impact of FRS 4.

EBITDA is based on operating profit before exceptional items.

Financial Calendar

Annual General Meeting 25 July 2007

Announcement of half-year results October 2007

Notes

Notes

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