

# 2006

## Walker Greenbank PLC Interim Report



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Walker Greenbank PLC is an international group of companies which design, manufacture, market and distribute wall coverings, furnishing fabrics and associated products for the consumer market.

## HARLEQUIN



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

[www.harlequin.uk.com](http://www.harlequin.uk.com) +44 (0)8708 300355

*Decadence Weaves Collection from Harlequin*

## SANDERSON



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

[www.sanderson-uk.com](http://www.sanderson-uk.com) +44 (0)1895 830044

*Aida Wallpaper Collection from Sanderson*

## Highlights

- Successful recovery continues – pre-tax profit of £1.86 million (H1 2005: loss of £1.44m), marking the Company's first interim pre-tax profit since 2000
- Pre-exceptional pre-tax profit of £0.59 million (H1 2005: loss of £0.16m)
- Brand portfolio and UK factories performed strongly, supported by the improving market conditions in the mid to premium sector
- Turnover at continuing operations up 12% at £25.8 million (H1 2005: £23.0m)
- Pension deficit further reduced – liability of £5.97 million at 31 July 2006 (H1 2005: liability of £11.0m). Liability at 31 January 2006: £7.98 million
- Basic and diluted earnings per share of 3.26 pence (H1 2005: loss of 2.62p)
- Trading in the current half year has started strongly

### 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.

[www.william-morris.co.uk](http://www.william-morris.co.uk) +44 (0)1895 830044

*Morris Volume IV from Morris & Co.*

### ZOFFANY



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

[www.zoffany.uk.com](http://www.zoffany.uk.com) +44 (0)8708 300350

*Chaumont Wallpaper Collection from Zoffany*

## Chairman's Statement

“The Group has re-established itself as a profitable and sustainable business. With two months of the second half of our financial year now completed it is evident that the Group will have a successful year and we enter the key autumn sales period with growing confidence.”

### Overview

The first half results have shown considerable growth compared with the same period last year and continue to gather pace. Having reported a full year operating profit for the first time in six years at the year end, I am now pleased to report that the first half of this year has seen the Group return its first interim profit before and after tax since 2000. The results have additionally benefited from the final stage of the pension liability reduction exercise initiated in 2005 with a £1.3 million exceptional credit to the Profit and Loss Account.

The Board's strategy of re-establishing the Group as a profitable and cash generative business has now been achieved and the Group can now look forward to an exciting future.

All our brands have grown compared with the same period last year on a like-for-like basis led by Harlequin, our mid-market brand, which has continued its rapid sales growth, gaining market share from its competitors and more than doubling its profits. Following substantial investment in product since its acquisition, Sanderson has accelerated its growth leading to improved profitability. Harlequin and Sanderson continue to be among the leading suppliers of home furnishings to retailers. Our Zoffany brand continues to re-establish itself as a leading brand at the premium end of the market and has achieved underlying sales growth in line with our expectations. Results from our business in the United States disappointed with underlying sales revenues growing more slowly than anticipated. The management team has been strengthened and we enter the second half of the year in better shape.

Following a number of very difficult years at our two manufacturing sites, both Anstey, our wallpaper factory, and Standfast, our fabric printing factory, have delivered a substantial improvement in their operating results. The continued return to popularity of wallpaper at the premium end of the market has helped Anstey to deliver a significant growth in both revenue and profits. Standfast continues to win market share and maintain a healthy order book and it also has achieved significant growth in both revenue and profits. Both sites are benefiting from the continued success of the Group's brands.

### Results

The operating profit for the continuing operations before exceptional items for the period was £1,015,000 (2005: £235,000), on sales up 12%. The profit on ordinary activities before tax was £1,863,000 (2005: £1,443,000 loss). This was after crediting the Profit and Loss Account with an exceptional profit of £1,276,000 arising from the successful final phase of the pension liability reduction exercise.

The earnings per share for the period was 3.26p (2005: loss per share 2.62p).

The cash inflow in the period from operating activities was £543,000 (2005: £814,000). This was after payments associated with the pension liability reduction exercise of £894,000. The underlying cash inflow prior to this was £1,437,000, which was generated as a direct result of the improved operating profitability of the Group.



*Chaumont Prints, Clarenbridge and Cantu Weaves from Zoffany*



*Otterlie Weave from Morris & Co.*

### Pensions

The final stage of the pension liability reduction exercise was completed in the period with the final deadline for acceptance of the Company's offer being April. Following the adoption of the latest mortality tables at the year end, the impact of this final phase was further enhanced leading to a reduction in the FRS17 deficit of £1.6 million. Your Board continues to seek possible ways to further reduce the impact of the pension deficit.

### Dividend

The Directors do not recommend the payment of a dividend at this point in the Group's recovery, but remain conscious of the need to return to the dividend list.

### People

I would like to take this opportunity to thank all our employees who have contributed to the successful turnaround of the Group's fortunes.

### Outlook

The Group has re-established itself as a profitable and sustainable business. Our brands continue to take market share and to exploit the reasonably buoyant sector of the mid to premium end of the market. The change in market conditions and continued success of our brands has greatly benefited our manufacturing sites. We see these conditions continuing in the foreseeable future helping us to continue to grow the profitability of the Group.

We will also continue to evaluate potential acquisitions as they arise using strict criteria with a view to identifying synergistic benefits with our existing operations.

The Directors' belief in the Company's prospects is underlined by the number of shares that the Directors hold, which has increased during the period under review and which demonstrably aligns the Directors' interests with those of all other shareholders.

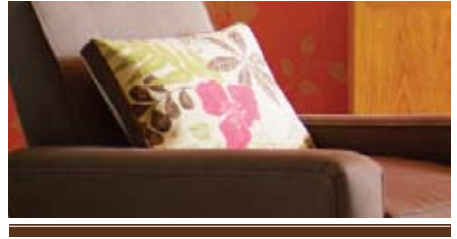
With two months of the second half of our financial year now completed it is evident that the Group will have a successful year and we enter the key autumn sales period with growing confidence.

**Ian Kirkham**

Chairman

2 October 2006

## Chief Executive's Review



*Lagoon Collection from Harlequin*

### The Brands

#### Harlequin

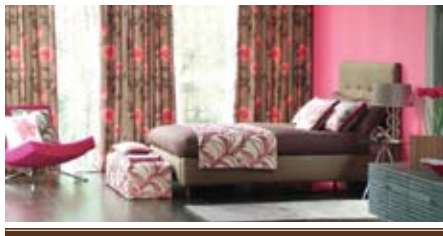
The Harlequin brand has increased the strong growth trend established last year with sales growing by 35% compared with the same period last year. The growth is across all markets with export sales showing the strongest improvement of 48% and the UK 29%. The growth is broad based with all key product categories – wallpaper, printed fabric and woven fabric – growing strongly. This performance further strengthens Harlequin's position as the leading mid-market contemporary brand in the UK and further re-enforces its position as one of the leading home furnishings suppliers to the John Lewis Partnership. Harlequin continues to expand its product range and all its recently launched collections have performed extremely strongly. Indulgence, the follow up wallpaper collection to the highly successful Decadence wallpaper range, is showing all signs of becoming the single best-selling product within the brand's portfolio. Sales to the USA have increased 168% following the successful re-launch of Harlequin into certain states last year. Harlequin is now available in 15 states in total. The continued investment in excellent product and sampling and patterning support has fuelled the 35% sales growth and helped Harlequin to more than double its profits compared with the same period last year.

#### Zoffany

Zoffany continues to refocus on its core values and to re-establish itself again as one of the UK's leading premium end brands. Its range launches have continued to improve and its underlying sales have grown compared with last year after adjusting for a large contract order to the InterContinental London Park Lane Hotel in the same period last year. Underlying sales in the UK are down slightly by 3%, but sales in export markets are ahead by 15%. With the overall sales down 5%, profits are slightly behind last year in line with our internal expectations.

#### Arthur Sanderson & Sons incorporating the Morris & Co brand

Following its acquisition in 2003 and subsequent investment in product over the past two years, we are now experiencing increasing momentum in Sanderson's sales growth. Sales are up 12% up compared with the same period last year. As with Harlequin, the sales growth has been broad based showing consistent growth in all major markets. Licensing income grew 7% with the key markets of Japan and Australasia performing well and helped by the continued exploitation of the Sanderson name across a number of product categories. The continued investment in product and sampling and patterning support has helped the sales growth and increased profitability by 14% compared with the same period last year.



Lagoon from Harlequin



Zoffany Paint

## Manufacturing

### Anstey

Following the refocusing of the business into a producer at the premium end of the market, Anstey has continued its transformation into a profitable business. Helped by the continued trend back towards wallpaper at the mid to premium end of the market Anstey has increased overall sales by 12%. External third party sales have grown 16% and group sales have grown 10%. This higher activity assisted by continued improvement in factory efficiencies and tightly controlled overheads has enabled the business to generate a 2.4% return on sales compared with a small loss for the last half year.

### Standfast

Standfast has experienced stable market conditions over the last 12 months with no repeat of the difficult first quarter of last year. Activity was 32% ahead of the same period last year with both external and group sales showing strong growth. Sales to group companies were particularly strong driven by the brands larger autumn fabric offer. There has been a significant increase in investment in the last six months both in terms of capital equipment and the level of preventive maintenance. The higher activity and improved factory loadings have increased efficiencies and margins enabling Standfast to reverse a loss for the same period last year into a positive contribution of 4%.

## Overseas

### USA

Sales in the USA are down 10%, but this is primarily due to the exit of lower margin third party business during the second half of last year. Sanderson & Morris sales have grown by 11% but Zoffany sales declined by 14%. 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, however, with increased patterning and sampling expenditure in the first half supporting our long term confidence in the brands, the overall result was a small loss.

### Europe

The distribution businesses for Zoffany in Rome and Zoffany and Sanderson in Paris, whilst relatively small, have performed profitably and ahead of both expectations and the same period last year.

**John Sach**  
Chief Executive

2 October 2006

# Unaudited Consolidated Profit and Loss Account

For the six months ended 31 July 2006

|   | note | 6 months to 31 July 2006         |                           |               | 6 months to 31 July 2005<br>(restated)<br>£000 | Year to 31 Jan 2006<br>£000 |
|---|------|----------------------------------|---------------------------|---------------|--|-----------------------------|
|   |      | Before exceptional items<br>£000 | Exceptional items<br>£000 | Total<br>£000 |  |                             |
| <b>Turnover</b>   |      |                                  |                           |               |  |                             |
| Continuing operations                                       | 1    | 25,803                           | –                         | 25,803        | 23,032   | 46,361                      |
| Discontinued operations                                     |      | –                                | –                         | –             | 2,031  | 2,031                       |
|   |      | <b>25,803</b>                    | <b>–</b>                  | <b>25,803</b> | 25,063   | 48,392                      |
| <b>Operating profit</b>                                     |      |                                  |                           |               |  |                             |
| Continuing operations                                       |      | 1,015                            | –                         | 1,015         | 235  | 758                         |
| Discontinued operations                                     |      | –                                | –                         | –             | 185  | 184                         |
| Exceptional items   | 2    | –                                | 1,276                     | 1,276         | –  | 4,076                       |
|   |      | <b>1,015</b>                     | <b>1,276</b>              | <b>2,291</b>  | 420  | 5,018                       |
| Profit on sale of subsidiary                                | 3    | –                                | –                         | –             | 532  | 532                         |
| Pension provision (FRS 17)<br>release on sale of subsidiary | 3    | –                                | –                         | –             | 95   | 95                          |
| Goodwill previously written off<br>to reserves              | 3    | –                                | –                         | –             | (1,908)  | (1,908)                     |
| Net loss on sale of subsidiary                              |      | –                                | –                         | –             | (1,281)  | (1,281)                     |
| <b>Profit/(loss) on ordinary activities before interest</b> |      |                                  |                           |               |  |                             |
|   |      | <b>1,015</b>                     | <b>1,276</b>              | <b>2,291</b>  | (861)  | 3,737                       |
| Net interest payable  |      |                                  |                           | (429)         | (464)  | (872)                       |
| Amortisation of issue costs                                 |      |                                  |                           | (33)          | (33)   | (66)                        |
|   |      |                                  |                           | <b>(462)</b>  | (497)  | (938)                       |
| Other finance charge  | 4    |                                  |                           | 34            | (85)   | (174)                       |
| Profit/(loss) on ordinary activities before taxation        |      |                                  |                           | <b>1,863</b>  | (1,443)  | 2,625                       |
| Taxation  | 5    |                                  |                           | (23)          | (36)   | (80)                        |
| <b>Profit/(loss) on ordinary activities after taxation</b>  |      |                                  |                           |               |  |                             |
|   |      |                                  |                           | <b>1,840</b>  | (1,479)  | 2,545                       |
| Dividends   | 6    |                                  |                           | –             | –  | –                           |
| <b>Profit/(loss) retained for the period</b>                |      |                                  |                           |               |  |                             |
|   |      |                                  |                           | <b>1,840</b>  | (1,479)  | 2,545                       |
| <b>Profit/(loss) per share</b>                              |      |                                  |                           |               |  |                             |
| – Basic and diluted   | 7    |                                  |                           | <b>3.26p</b>  | (2.62p)  | 4.51p                       |
| – Basic and diluted from continuing operations              |      |                                  |                           | <b>3.26p</b>  | (0.67p)  | 6.46p                       |
| – Basic and diluted from discontinued operations            |      |                                  |                           | –             | (1.95p)  | (1.95p)                     |
| <b>Dividend per ordinary share</b>                          |      |                                  |                           |               |  |                             |
|   | 6    |                                  |                           | –             | –  | –                           |

# Unaudited Consolidated Balance Sheet

As at 31 July 2006

|   | note | As at<br>31 July 2006<br>£000 | As at<br>31 July 2005<br>£000 | As at<br>31 Jan 2006<br>£000 |
|---|------|-------------------------------|-------------------------------|------------------------------|
| <b>Fixed assets</b>                                     |      |                               |                               |                              |
| Intangible assets                                       |      | 4,839                         | 4,878                         | 4,859                        |
| Tangible assets   |      | 9,870                         | 10,718                        | 10,205                       |
|   |      | <b>14,709</b>                 | 15,596                        | 15,064                       |
| <b>Current assets</b>                                   |      |                               |                               |                              |
| Stocks  |      | 12,620                        | 11,594                        | 11,539                       |
| Debtors   |      | 10,781                        | 11,078                        | 9,137                        |
| Cash at bank and in hand                                |      | 1,702                         | 1,630                         | 1,530                        |
|   |      | <b>25,103</b>                 | 24,302                        | 22,206                       |
| Creditors: amounts falling due within one year          |      | <b>(12,376)</b>               | (10,639)                      | (10,403)                     |
| <b>Net current assets</b>                               |      | <b>12,727</b>                 | 13,663                        | 11,803                       |
| <b>Total assets less current liabilities</b>            |      |                               |                               |                              |
|   |      | <b>27,436</b>                 | 29,259                        | 26,867                       |
| Creditors: amounts falling due after more than one year |      | <b>(11,032)</b>               | (10,396)                      | (10,289)                     |
| <b>Provisions for liabilities and charges</b>           |      | –                             | (344)                         | –                            |
| <b>Net assets excluding pension liability</b>           |      | <b>16,404</b>                 | 18,519                        | 16,578                       |
| Pension liability                                       | 12   | <b>(5,972)</b>                | (11,027)                      | (7,981)                      |
| <b>Net assets</b>                                       |      | <b>10,432</b>                 | 7,492                         | 8,597                        |
| <b>Capital and reserves</b>                             |      |                               |                               |                              |
| Share capital   |      | 590                           | 590                           | 590                          |
| Share premium account                                   | 9    | 457                           | 457                           | 457                          |
| Profit and loss account                                 | 9    | <b>(31,122)</b>               | (34,062)                      | (32,957)                     |
| Other reserves  | 9    | <b>40,507</b>                 | 40,507                        | 40,507                       |
| <b>Shareholders' funds</b>                              |      | <b>10,432</b>                 | 7,492                         | 8,597                        |

## Unaudited Group Cash Flow Statement

For the six months ended 31 July 2006

|   | note | 6 months to<br>31 July 2006<br>£000 | 6 months to<br>31 July 2005<br>£000 | Year to<br>31 Jan 2006<br>£000 |
|---|------|-------------------------------------|-------------------------------------|--------------------------------|
| <b>Net cash inflow from operating activities</b>                          | 11   | <b>543</b>                          | 814                                 | 1,643                          |
| <b>Returns on investment and servicing of finance</b>                     |      |                                     |                                     |                                |
| Net bank interest paid  |      | <b>(429)</b>                        | (464)                               | (866)                          |
|   |      | <b>(429)</b>                        | (464)                               | (866)                          |
| <b>Taxation</b>   |      | <b>(62)</b>                         | (114)                               | (184)                          |
| <b>Capital expenditure</b>  |      |                                     |                                     |                                |
| Purchase of tangible fixed assets   |      | <b>(582)</b>                        | (356)                               | (710)                          |
|   |      | <b>(582)</b>                        | (356)                               | (710)                          |
| <b>Acquisitions and disposals</b>   |      |                                     |                                     |                                |
| Net proceeds from disposal of operations                                  | 8    | –                                   | 1,498                               | 1,498                          |
|   |      | –                                   | 1,498                               | 1,498                          |
| <b>Equity dividends paid</b>  |      | –                                   | –                                   | –                              |
| <b>Cash (outflow)/inflow before use of liquid resources and financing</b> |      | <b>(530)</b>                        | 1,378                               | 1,381                          |
| <b>Financing</b>  |      |                                     |                                     |                                |
| Proceeds from new loans   |      | –                                   | 655                                 | 655                            |
| Principal repayments of finance lease obligations                         |      | –                                   | (251)                               | (251)                          |
| Increase/(reduction) of loan facility                                     |      | <b>710</b>                          | (1,306)                             | (1,414)                        |
|   |      | <b>710</b>                          | (902)                               | 1,010                          |
| <b>Increase in cash</b>   | 10   | <b>180</b>                          | 476                                 | 371                            |

## Unaudited Statement of Total Recognised Gains and Losses

For the six months ended 31 July 2006

|   | 6 months to<br>31 July 2006<br>£000 | 6 months to<br>31 July 2005<br>£000 | Year to<br>31 Jan 2006<br>£000 |
|---|-------------------------------------|-------------------------------------|--------------------------------|
| Profit/(loss) for the financial period                                | <b>1,840</b>                        | (1,479)                             | 2,545                          |
| Currency translation differences                                      | <b>(5)</b>                          | (7)                                 | (27)                           |
| Actual less expected return on pension scheme assets                  | –                                   | –                                   | 3,817                          |
| Experience gains arising on pension scheme liabilities                | –                                   | –                                   | 425                            |
| Change in actuarial assumptions                                       | –                                   | –                                   | (7,141)                        |
| <b>Total recognised profits/(losses) since the last annual report</b> | <b>1,835</b>                        | (1,486)                             | (381)                          |

## Notes to the Accounts

### 1 Segmental analysis

|   | Turnover<br>continuing<br>operations<br>6 months to<br>31 July 2006 | Turnover<br>continuing<br>operations<br>6 months to<br>31 July 2005<br>(restated) |
|---|---|---|
|   | £000  | £000  |
| <b>(a) Classes of business</b>                    |   |   |
| Fabrics   | <b>17,912</b>   | 15,272  |
| Wallcoverings                                     | <b>7,127</b>  | 6,424   |
| Others  | <b>764</b>  | 1,336   |
|   | <b>25,803</b>   | 23,032  |
| <b>(b) Geographical segments – by destination</b> |   |   |
| United Kingdom                                    | <b>16,716</b>   | 14,786  |
| Continental Europe                                | <b>3,768</b>  | 3,334   |
| North America                                     | <b>3,860</b>  | 3,973   |
| Rest of the World                                 | <b>1,459</b>  | 939   |
|   | <b>25,803</b>   | 23,032  |

Licence income has been reallocated to other operating income in the prior year.

### 2 Exceptional items

The final phase of the Group's offer to buy out the right to non-statutory pension increases from its active and deferred pensioners took place in April 2006. This has resulted in a reduction of the FRS 17 liability in the balance sheet of £1,562,000 and a benefit of £1,276,000 in the profit and loss, disclosed as an exceptional operating item.

### 3 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 off to reserves and the adjustment to FRS 17 provision. A net loss on sale of £1,281,000 has been recorded.

### 4 Other finance charge

|  | 6 months to<br>31 July 2006 | 6 months to<br>31 July 2005 |
|--|-----------------------------|-----------------------------|
|  | £000                        | £000                        |
| Expected return on pension scheme assets | <b>1,205</b>                | 1,134                       |
| Interest on pension scheme liabilities   | <b>(1,171)</b>              | (1,219)                     |
|  | <b>34</b>                   | (85)                        |

## 5 Taxation

|  | 6 months to<br>31 July 2006<br>£000 | 6 months to<br>31 July 2005<br>£000 |
|--|-------------------------------------|-------------------------------------|
| UK Corporation tax at 30% (2005: 30%) – current year | –                                   | –                                   |
| Overseas taxation – current year                     | <b>23</b>                           | 36                                  |
| <b>Tax on profit/(loss) on ordinary activities</b>   | <b>23</b>                           | 36                                  |

## 6 Dividends

The Directors do not recommend the payment of an interim dividend in the period (2005: £nil).

## 7 Earnings per share

The basic earnings per share and diluted earnings per share are based on a profit after taxation of £1,840,000 (2005: loss of £1,479,000) and 56,457,016 ordinary shares (2005: 56,457,016), being the weighted average number of the shares in issue during the period.

The basic profit per share and diluted profit per share for the year ended 31 January 2006 were based on a profit on ordinary activities after taxation, amounting to £2,545,000 and the weighted average of 56,457,016 ordinary shares in issue during the year.

The adjusted profit/(loss) per share has been disclosed as in the opinion of the Directors this provides additional information to shareholders on the results of the Group's activities.

The adjusted profit/(loss) per share can be reconciled to the basic profit/(loss) per share as follows:

|   | 6 months to<br>31 July 2006 | 6 months to<br>31 July 2005 |
|---|-----------------------------|-----------------------------|
| Profit/(loss) attributable to ordinary shareholders | <b>3.26p</b>                | (2.62p)                     |
| Exceptional items                                   | <b>(2.26p)</b>              | 2.27p                       |
| Adjusted earnings per share                         | <b>1.00p</b>                | (0.35p)                     |

## Notes to the Accounts *continued*

### 8 Disposal of operations

|  | 6 months to<br>31 July 2006<br>£000 | 6 months to<br>31 July 2005<br>£000 |
|--|-------------------------------------|-------------------------------------|
| Sale of John O Borge AS and Borge Holding AS:                                    |                                     |                                     |
| The disposal comprised the following:  |                                     |                                     |
| Tangible fixed assets  | –                                   | 60                                  |
| Stock  | –                                   | 681                                 |
| Debtors  | –                                   | 745                                 |
| Creditors  | –                                   | (520)                               |
| Profit on disposal   | –                                   | 532                                 |
| <b>Net cash inflow from the disposal of John O Borge AS and Borge Holding AS</b> | <b>–</b>                            | <b>1,498</b>                        |

### 9 Reserves

|                                | Share<br>premium<br>account<br>£000 | Profit and<br>loss account<br>£000 | Other reserves             |                           | Total<br>£000 |
|--------------------------------|-------------------------------------|------------------------------------|----------------------------|---------------------------|---------------|
|                                |                                     |                                    | Capital<br>reserve<br>£000 | Merger<br>reserve<br>£000 |               |
| 1 February 2006                | 457                                 | (32,957)                           | 43,457                     | (2,950)                   | 40,507        |
| Profit for the period          | –                                   | 1,840                              | –                          | –                         | –             |
| Currency translation movements | –                                   | (5)                                | –                          | –                         | –             |
| <b>31 July 2006</b>            | <b>457</b>                          | <b>(31,122)</b>                    | <b>43,457</b>              | <b>(2,950)</b>            | <b>40,507</b> |

### 10 Analysis of net debt

|                          | 1 February<br>2006<br>£000 | Cash flow<br>£000 | Other<br>non-cash<br>changes<br>£000 | Exchange<br>movement<br>£000 | 31 July<br>2006<br>£000 |
|--------------------------|----------------------------|-------------------|--------------------------------------|------------------------------|-------------------------|
| Cash at bank and in hand | 1,530                      | 178               | –                                    | (6)                          | <b>1,702</b>            |
| Overdrafts               | (2)                        | 2                 | –                                    | –                            | –                       |
|                          | 1,528                      | 180               | –                                    | (6)                          | <b>1,702</b>            |
| Debt due within 1 year   | (596)                      | –                 | –                                    | –                            | <b>(596)</b>            |
| Debt due after 1 year    | (10,289)                   | (710)             | (33)                                 | –                            | <b>(11,032)</b>         |
|                          | (10,885)                   | (710)             | (33)                                 | –                            | <b>(11,628)</b>         |
|                          | (9,357)                    | (530)             | (33)                                 | (6)                          | <b>(9,926)</b>          |

## 11 Reconciliation of operating profit to net cash inflow from operating activities

|   | 6 months to<br>31 July 2006<br>£000 | 6 months to<br>31 July 2006<br>£000 | 6 months to<br>31 July 2005<br>£000 | 6 months to<br>31 July 2005<br>£000 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Operating profit  |                                     | 2,291                               |                                     | 387                                 |
| Depreciation and amortisation                               | 903                                 |                                     | 974                                 |                                     |
| Difference between pension charge<br>and cash contributions | (1,689)                             |                                     | (232)                               |                                     |
| Settlement of pension liabilities                           | (894)                               |                                     | –                                   |                                     |
| Loss on disposal of fixed assets                            | 24                                  |                                     | –                                   |                                     |
| (Increase)/decrease in stocks                               | (1,081)                             |                                     | 604                                 |                                     |
| Increase in debtors   | (1,652)                             |                                     | (452)                               |                                     |
| Increase/(decrease) in creditors                            | 2,641                               |                                     | (444)                               |                                     |
| Decrease in provisions                                      | –                                   |                                     | (23)                                |                                     |
|   |                                     | (472)                               |                                     | 427                                 |
| <b>Net cash inflow from operating activities</b>            |                                     | <b>543</b>                          |                                     | <b>814</b>                          |

## 12 Pensions

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 costs relating to the UK defined benefit schemes are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. These schemes are subject to triennial actuarial reviews with the most recent ones having been at 6 April 2003 for both the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. A valuation was undertaken at 31 January 2006 for the purposes of the Financial Reporting Standard no. 17.

The assumptions applied when valuing the defined benefit schemes and the composition of the net deficit in these schemes is fully disclosed in the statutory accounts for the year ended 31 January 2006.

## Notes to the Accounts *continued*

### **13 Preparation of interim financial information**

The interim financial statements have been prepared on a basis consistent with the accounting policies disclosed in the Annual Report and Accounts for the year ended 31 January 2006.

The consolidated results for the year ended 31 January 2006 have been extracted from the Financial Statements for that year and do not constitute full statutory accounts for the Group. The Group accounts for the year ended 31 January 2006 received an unqualified audit report and did not include a statement under section 237 (2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies.

### **14 Restated prior year consolidated profit and loss account**

Amortisation of issuing costs of arranging the loan have been recategorised from administration to net interest payable.

# Independent Review Report to Walker Greenbank PLC

## Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 July 2006 which comprises the unaudited consolidated profit and loss account, the unaudited consolidated balance sheet, the unaudited group cash flow statement, the unaudited statement of total recognised gains and losses and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Alternative Investment Market Rules require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed. This interim report has been prepared in accordance with the basis set out in Note 13.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Alternative Investment Market Rules and for no other purpose. We do not, in producing this report, 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.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 July 2006.



**PricewaterhouseCoopers LLP**

East Midlands  
2 October 2006

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## Notes



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