

2008

Walker Greenbank PLC

LUXURY INTERIOR FURNISHINGS GROUP

INTERIM REPORT



HARLEQUIN



Sanderson

FOUNDED BY WILLIAM MORRIS IN 1840
MORRIS & CO

ZOFFANY

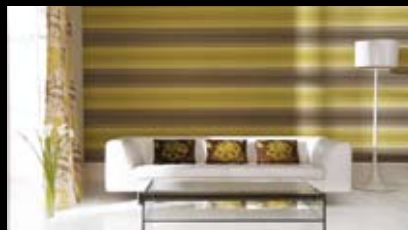
Walker Greenbank PLC (AIM: WGB). The luxury interior furnishings group whose brands include Harlequin, Sanderson, Morris & Co. and Zoffany, is pleased to announce its interim results for the 6 month period ended 31 July 2008.

OUR BRANDS

Harlequin

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

www.harlequin.uk.com



Zoffany

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

www.zoffany.com



Sanderson

Founded in 1860 and granted a Royal Warrant in 1923, Sanderson is one of the most renowned brands in interiors worldwide. Offering classic, inspirational product often based on documents from its extensive archive.

www.sanderson.uk.com



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.uk.com



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HIGHLIGHTS

+7%

GROUP REVENUE UP 7%
TO £33.01 MILLION
(H1 2007: £30.81 MILLION)

+14%

OPERATING PROFIT UP 14%
TO £2.14 MILLION
(H1 2007: £1.88 MILLION)

+23%

PROFIT BEFORE TAX UP 23%
TO £1.72 MILLION
(H1 2007: £1.40 MILLION)

- Brands delivered strong organic growth in the first half, with revenues growing 10%
- Group revenue up 7% to £33.01 million (H1 2007: £30.81 million)
- Operating profit up 14% to £2.14 million (H1 2007: £1.88 million)
- Interest cover increased to 5.1 times (H1 2007: 3.9 times)
- Profit before taxation up 23% to £1.72 million (H1 2007: £1.40 million)
- Earnings per share 1.70p (H1 2007: 2.99p). Adjusted earnings per share of 3.11p (H1 2007: 2.50p) after excluding non cash deferred tax movements

‘These half year results represent another period of positive growth at Walker Greenbank. With the level of product and marketing investment made in our premium end brands we remain confident about the future progress of the Group. We currently expect to be in line with market expectations for the full year, dependent on the key autumn selling period.’

Ian Kirkham, Chairman of Walker Greenbank

Chairman's Statement

I am pleased to report that, despite the challenging market in which we operate, the first half results reflect the solid progress we continue to make in delivering our key strategic organic growth objectives.

↓ COLLECTION: MORRIS EMBROIDERIES,
DESIGN: TULIP EMBROIDERY



OVERVIEW

Our brand sales have increased 8% in the first half in the demanding UK retail market. In Europe, retail sales have grown 16%, equivalent to 4% in local currency, and in the Rest of the World by 34%. Sales in our US retail business, a relatively small part of the Group, have fallen 4%, but were broadly flat in local currency. Within our brand segment our contract business continues to benefit from strong investment and has delivered 19% growth. Finally, our third party manufacturing sales have declined 4%, reflecting the prevailing market conditions.

Harlequin, our pre-eminent brand in the mid-market, has continued to grow its revenue. However, owing to increased investment in overhead costs in the second half of last year to support the significant growth in revenue and slightly reduced margins due to a change in product mix, the overall profits have fallen slightly on the same period last year. Continued heavy investment in product and marketing has helped Sanderson, our globally recognised brand, achieve substantial revenue growth and a significant increase in profitability. With Zoffany now firmly established as a leading brand in the premium end of the market, our focused investment in product and marketing has helped increase revenues and deliver a substantial improvement in profits. Extremely testing market conditions in the US have led to flat sales for our business in local currency in the first half. These conditions, combined with the weakness of the dollar, mean that the business continues to make a small loss. We remain confident that there is considerable medium to long term growth potential for the Group in this important market.

Anstey, our wallpaper factory in Loughborough, continues to benefit from the growing popularity of wallpaper. The limited capacity at the mid to premium end of the market and high barriers to entry, combined with our continued commitment to investment in factory efficiency and service to our customers, have helped the business grow its revenue and substantially improve profits. Standfast, our fabric printing factory based in Lancaster, continues to invest in factory efficient capital equipment. However, third party sales have fallen in the first half reflecting tougher market conditions for printed fabric, which has led to a fall in profits over the same period last year.

FINANCIALS

Revenue has increased 7% to £33,007,000 from £30,807,000 over the same period last year. The operating profit for the year has increased 14% to £2,141,000 (2007: £1,880,000). The profit before tax has increased 23% to £1,722,000 (2007: £1,402,000). Profit after tax has fallen to £936,000 (2007: £1,687,000); this is due almost entirely to non cash



↑ COLLECTION: LUCIDO WALLPAPERS, DESIGN: AVELLINO

↓ COLLECTION: FONTAINE PRINTS, DESIGN: SNOW BLOSSOM



deferred tax movements as a direct consequence of the recognition of a deferred tax asset at the end of last year. This related predominantly to historical corporation tax losses. The profit after tax excluding these deferred tax movements has increased 21% to £1,711,000 (2007: £1,412,000).

Interest cover increased to 5.1 times compared with 3.9 times for the first half of 2007.

The earnings per share were 1.70p (2007: 2.99p). An adjusted earnings per share that excludes the deferred tax movements and reflects the cash tax of the Group is 3.11p (2007: 2.50p).

The Group's net indebtedness at the period end was £9,302,000 (2007: £8,482,000). The adverse movement was predominantly due to substantial increases in period end stock due to the extensive nature of the brands' autumn launch and the timing of the payments to suppliers for the product. This will reverse out into cash generation in the second half. This represents a reduction in gearing to 43% (2007: 59%).

DIVIDEND

At the interim stage, your Board does not recommend the payment of a dividend. We will review the prospect of the payment of a final dividend once our full year end results are known.

PEOPLE

On behalf of the Board, I would like to offer thanks to all our employees for their enthusiasm and commitment, which have contributed significantly to the progress of the Group during the period. We are very grateful to them for their continued support.

OUTLOOK

Our Group has a clear strategy to deliver earnings growth. With the level of product and marketing investment we have made in our premium end brands we remain confident about the future progress of the Group.

We currently expect to be in line with market expectations for the full year, dependent on the key autumn selling period.

Ian Kirkham

Non-executive Chairman
1 October 2008

Chief Executive's Review

I am delighted to provide a review of the first half of our financial year, a period during which we have continued to benefit from our significant investment in the design and marketing of new product ranges for our four brands. Our strategy continues to be underpinned by five key elements: organic growth, geographic expansion, contract sales, licensing income and a willingness to evaluate acquisition opportunities. This strategy has delivered significant revenue growth for the Group in the first half and, against a market backdrop that has become more challenging since the period end, we believe our strategy and the strength of our brands will continue to support the growth of our business.

THE BRANDS

The brands have all performed strongly in the first half, with revenues growing 10% over the same period last year leading to a 12% increase in operating profits.

Harlequin

It is pleasing to report that Harlequin has maintained its position as the leading mid-market contemporary brand in the UK by delivering 7% revenue growth in the first half, supported by growth in its contract revenues, up 17% on the same period last year. Growth has been led by export sales up 10% on the same period last year and growth of 4% in the UK, where the rate of growth has slowed. The export growth has been driven by new markets in the Far East, Middle East and Australia. Woven product led the revenue growth, up 12% on the same period last year. Wallpaper achieved a small year on year growth but sales in printed fabrics have declined. As just more than half of Harlequin revenues are from woven product, which is sourced primarily from Europe, the gross margins have declined slightly due to the strengthening of the Euro.

Zoffany

Zoffany is now established as a leading brand at the premium end of the market. Strong investment in new product and marketing has helped grow sales by 7% on the same period last year, supported by growth in its contract business of 20%. The growth has been led by export sales, up 15%, compared with the UK's 4%. The largest export market was Europe, where growth of 14% was achieved. This growth was driven particularly by Eastern Europe, where growth was 54%. Strong growth of 64% was also achieved in the Far East, an emerging market for Zoffany. Woven fabric, which now represents more than half of Zoffany revenues, grew 8% compared with the same period last year. Printed fabrics have grown 17% following a strong product launch in the second half of last year, whilst wallpaper revenue has remained constant.

Arthur Sanderson & Sons incorporating the Morris & Co. brand

Continued strong investment in product combined with the unrivalled global recognition of the brand has helped Sanderson grow its revenues significantly over the same period last year by 25%. The growth has been broad-based with all geographic markets growing strongly; overseas markets were up 40% whilst the UK was up 19%. The growth has been led by woven fabric, up by 41%, with wallpaper up 29% and printed fabrics up 7%. Gross margins improved as the strengthening Euro benefited margins, there being a higher proportion of European sales for this brand compared with Harlequin and Zoffany.

OVERSEAS

USA

The USA market has been extremely challenging due to the well documented economic conditions. Revenues in the US business have fallen 6% but remained broadly flat in local currency over the same period last year. The US still forms a relatively small part of overall Group revenues and despite the testing market conditions we continue to invest strongly in marketing, patterning and sample support as we firmly believe in the medium to long term potential for the Group in this market. This ongoing investment and the impact of reduced margins due to the weakness of the dollar have led to a continued loss.

Europe

The Group's distribution businesses in Rome, for Zoffany and Harlequin, and in Paris, for Zoffany and Sanderson, remain relatively small. However following the appointment of an experienced European development director last year combined revenues have increased by 17%, in local currency 1%.

MANUFACTURING

Manufacturing has experienced tougher market conditions, with third party sales falling 4% on the same period last year. However, stronger sales to the Group's brands, up 6%, and overall improvement in factory efficiency have led to an increase in profits over the same period last year of 9%.

Anstey

With the strength of demand for wallpaper now firmly established and Anstey's recognised position as the market leader in the UK in wallpaper manufacture at the mid to premium end of the market, overall sales have grown by 6% over the same period last year. Third party sales grew by 5% and now account for 46% of overall sales whilst sales to the Group's brands grew by 6%. The continued emphasis on improved factory efficiencies combined with the additional volume has improved margins.

Standfast

As reported at the year end Standfast has continued to experience extremely challenging market conditions in the first half of the current year. Overall sales are down by 3% over the same period last year, driven by a 9% drop in third party revenues. Sales to Group brands have grown 6%. This reduced activity has put further pressure on factory throughput and operating margins leading to a decline in profits to just over breakeven. Since the half year Standfast has had a restructuring in order to adjust the business to the new, lower volumes it is experiencing. This has involved a redundancy programme and the condensing of factory activity into a



↑ COLLECTION: MORRIS EMBROIDERIES, DESIGN: TULIP EMBROIDERY

shorter working week, which has reduced the cost base and will also reduce energy usage and help mitigate the substantial increases in energy prices expected in the second half of the year.

SUMMARY

All of our brands have performed strongly in the first half and we currently remain confident about the outturn for the full year. We have invested heavily in the development of the Group over the past two years. However, we remain acutely aware of the prevailing market place in which we operate. We will benefit from improved dollar currency hedges next year and additionally we have the capacity to reduce significant discretionary costs if our volumes come under pressure, ensuring the sustainability of the Group profit.

John Sach
Group Chief Executive
1 October 2008

Unaudited Consolidated Income Statement

For the six months ended 31 July 2008

	Note	6 months to 31 July 2008 £000	6 months to 31 July 2007 £000	Year to 31 January 2008 £000
Revenue	2	33,007	30,807	62,448
Profit from operations		2,141	1,880	3,961
Net defined benefit pension (charge)/income	3	(34)	34	119
Net finance costs		(373)	(479)	(906)
Amortisation of issue costs		(12)	(33)	(75)
Net finance costs		(419)	(478)	(862)
Profit before taxation		1,722	1,402	3,099
Current tax		(11)	10	(29)
Deferred tax – exceptional		(320)	275	5,101
Deferred tax – other		(455)	-	-
Total tax (charge)/credit	4	(786)	285	5,072
Profit for the period		936	1,687	8,171
Earnings per share – Total basic and diluted	5	1.70p	2.99p	14.49p
Earnings per share – Adjusted basic and diluted	5	3.11p	2.50p	5.44p

Unaudited Consolidated Statement of Recognised Income and Expense

For the six months ended 31 July 2008

	6 months to 31 July 2008 £000	6 months to 31 July 2007 £000	Year to 31 January 2008 £000
Actuarial losses on scheme assets	-	-	(1,364)
Changes in actuarial mortality assumptions	-	-	(2,868)
Other actuarial gains on scheme liabilities	-	-	4,932
Currency translation differences	30	2	27
Cash flow hedges – net movement	65	-	(110)
Reduction in deferred tax asset relating to pension liability due to tax rate reduction	-	(110)	(110)
Reduction of deferred tax asset relating to pension scheme liability	(175)	(165)	(573)
Net expense recognised directly in equity	(80)	(273)	(66)
Profit for the period	936	1,687	8,171
Total recognised income for the period	856	1,414	8,105

Unaudited Consolidated Balance Sheet

As at 31 July 2008

	Note	As at 31 July 2008 £000	As at 31 July 2007 Restated £000	As at 31 January 2008 £000
Non-current assets				
Intangible assets		5,778	5,878	5,833
Property, plant and equipment		8,921	8,772	8,991
Deferred income tax assets		5,105	1,637	6,055
Trade and other receivables		17	259	253
		19,821	16,546	21,132
Current assets				
Inventories		13,910	12,818	12,546
Trade and other receivables		13,908	12,685	13,475
Cash and cash equivalents		3,203	1,879	2,017
		31,021	27,382	28,038
Total assets		50,842	43,928	49,170
Current liabilities				
Borrowings		(400)	(400)	(400)
Trade and other payables		(13,730)	(14,232)	(15,546)
Derivative financial instruments		(45)	-	(110)
		(14,175)	(14,632)	(16,056)
Net current assets		16,846	12,750	11,982
Non-current liabilities				
Borrowings		(12,105)	(9,961)	(8,906)
Retirement benefit obligation	8	(2,783)	(4,866)	(3,409)
		(14,888)	(14,827)	(12,315)
Total liabilities		(29,063)	(29,459)	(28,371)
Net assets		21,779	14,469	20,799
Equity				
Share capital		590	590	590
Share premium account		457	457	457
Foreign currency translation reserve		40	(15)	10
Retained earnings		(19,770)	(27,070)	(20,655)
Other reserves		40,462	40,507	40,397
Total equity	9	21,779	14,469	20,799

Unaudited Consolidated Cash Flow Statement

For the six months ended 31 July 2008

	Note	6 months to 31 July 2008 £000	6 months to 31 July 2007 £000	Year to 31 January 2008 £000
Cash flows from operating activities				
Cash (utilised)/generated from operations	7	(691)	1,417	4,623
Debt issue costs		(12)	(71)	(123)
Interest paid		(395)	(549)	(956)
Interest received		28	4	5
Income tax paid		(11)	(32)	(7)
		(1,081)	769	3,542
Cash flows from investing activities				
Purchase of intangible fixed assets		(210)	(166)	(365)
Purchase of property, plant and equipment		(647)	(569)	(1,309)
Proceeds on sale of property, plant and equipment		-	-	3
		(857)	(735)	(1,671)
Cash flows from financing activities				
Purchase of treasury shares		(83)	-	(612)
Proceeds from new borrowings		-	11,296	11,296
Repayment of borrowings		-	(11,296)	(11,296)
Net drawdown/(repayment) of borrowings		3,199	(218)	(1,315)
		3,116	(218)	(1,927)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts				
		1,178	(184)	(56)
Cash, cash equivalents and bank overdrafts at beginning of period		2,017	2,065	2,065
Effect of foreign exchange rate movements		8	(2)	8
Cash, cash equivalents and bank overdrafts at the end of the period				
		3,203	1,879	2,017

Notes to the Accounts

1. BASIS OF PREPARATION OF INTERIM STATEMENTS

The interim financial statements have been prepared in accordance with the accounting policies that the Group expects to apply in its annual financial statements for the year ending 31 January 2009. The Group's accounting policies are based on International Financial Reporting Standards ('IFRS') adopted for use by the European Union ('EU') and interpretive guidance from the International Financial Reporting Interpretations Committee ('IFRIC'). These standards and interpretations are subject to ongoing review and endorsement by the EU or possible amendment by further interpretive guidance from IFRIC and are therefore still subject to change.

The Group has chosen not to adopt IAS 34 'Interim financial statements' in preparing these interim financial statements for the period to 31 July 2008 as it is not mandatory for AIM listed companies.

Comparative period information as at 31 July 2007 has been restated to reflect a change in accounting policy, implemented since July 2007, with respect to marketing materials. The Group's policy is to classify marketing materials on the balance sheet within trade and other receivables; previously marketing materials were included in inventory. The change has resulted in an increase in trade and other receivables and a decrease in inventories of £1,341,000 as at 31 July 2007.

Since the Group's previous annual financial report for the year ended 31 January 2008 the following pronouncements are now effective and have been adopted by the Group:

→ IFRIC 11 'Group and treasury transactions' (this has had no impact on these consolidated interim financial statements)

In preparing these interim financial statements, the Group has not applied the following pronouncements:

(i) Standards, amendments and interpretations effective for the year ending 31 January 2009 but which have not yet been endorsed by the EU:

→ IFRIC 12 'Service concession agreements'

→ IFRIC 14 'The limit on a defined benefit asset, minimum funding requirements and their interaction'

(ii) Standards, amendments and interpretations which have been endorsed by the EU but are not yet mandatory and have not been early adopted for the year ending 31 January 2009:

→ IFRS 8 'Operating segments'

(iii) Standards, amendments and interpretations which have not yet been endorsed by the EU and which are not yet effective for the year ending 31 January 2009:

- IAS 1 (revised) 'Presentation of financial statements'
- IAS 23 (revised 2007) 'Borrowing costs'
- IAS 27 (revised) 'Consolidated and separate financial statements'
- Amendment to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'
- IAS 39 'Financial Instruments: recognition and measurement – amendment regarding eligible hedged items'
- Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'
- IFRS 2 'Share based payments amendments – Vesting conditions and cancellations'
- IFRS 3 (Revised) 'Business combinations'
- IFRIC 13 'Customer loyalty programmes relating to IAS 18, Revenue'
- IFRIC 15 'Agreements for construction of real estates'
- IFRIC 16 'Hedges of a net investment in a foreign operation'

The Group is still assessing the potential impact of the above pronouncements, but does not expect any of them to have a material impact on the measurement of profit from existing operations to be reported in future periods.

The interim financial statements are not statutory accounts for the purposes of S240 of the Companies Act 1985. The Financial Information for the year ended 31 January 2008 is based on the statutory accounts for the financial year ended 31 January 2008, on which the auditors issued an unqualified opinion, and have been delivered to the Registrar of Companies. The half-year figures, which are for the 6 month period ended 31 July 2008, have not been audited, but have been reviewed by the auditors. The auditors' review report is included with the interim financial statements.

The Board approved the interim financial statements on 1 October 2008.

Notes to the Accounts continued

2. SEGMENTAL ANALYSIS

Walker Greenbank is a designer, manufacturer and distributor of luxury interior furnishings, fabrics and wallpaper. The Group predominantly manages its operations as two segments which are the brands and manufacturing. Segmental information is also presented in respect of the Group's geographical segments. Unallocated expenses, predominantly related to corporate head office costs, include long term incentive plan costs. This is the basis on which the Group presents its results.

a. Business segment

	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
6 months to 31 July 2008				
Revenue – External	26,324	6,683	–	33,007
Revenue – Internal	–	6,090	(6,090)	–
Total Revenue	26,324	12,773	(6,090)	33,007
Operating profit	2,971	672	(1,502)	2,141
Financial costs			(385)	(385)
Net pension charge			(34)	(34)
Profit before tax	2,971	672	(1,921)	1,722
Tax			(786)	(786)
Profit for the period	2,971	672	(2,707)	936

	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
6 months to 31 July 2007				
Revenue – External	23,875	6,932	–	30,807
Revenue – Internal	–	5,754	(5,754)	–
Total Revenue	23,875	12,686	(5,754)	30,807
Operating profit	2,641	618	(1,379)	1,880
Financial costs			(512)	(512)
Net pension income			34	34
Profit before tax	2,641	618	(1,857)	1,402
Tax			285	285
Profit for the period	2,641	618	(1,572)	1,687

12 months to 31 January 2008	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Revenue – External	48,206	14,242	–	62,448
Revenue – Internal	–	10,570	(10,570)	–
Total Revenue	48,206	24,812	(10,570)	62,448
Operating profit	4,624	1,486	(2,149)	3,961
Financial costs	–	–	(981)	(981)
Net pension income	–	–	119	119
Profit before tax	4,624	1,486	(3,011)	3,099
Tax	–	–	5,072	5,072
Profit for the year	4,624	1,486	2,061	8,171

b. Geographical segments

Revenue by geographical location of customers	6 months to 31 July 2008 £000	6 months to 31 July 2007 £000	12 months to 31 January 2008 £000
United Kingdom	21,196	20,118	41,540
Continental Europe	5,674	4,992	9,132
North America	4,207	4,375	8,113
Rest of the World	1,930	1,322	3,663
	33,007	30,807	62,448

3. NET DEFINED BENEFIT PENSION COSTS

	6 months to 31 July 2008 £000	6 months to 31 July 2007 £000	12 months to 31 January 2008 £000
Expected return on pension scheme assets	1,430	1,340	2,721
Interest on pension scheme liabilities	(1,326)	(1,173)	(2,371)
Scheme expenses	(138)	(133)	(231)
	(34)	34	119

Notes to the Accounts continued

4. TAXATION

	6 months to 31 July 2008	6 months to 31 July 2007	12 months to 31 January 2008
	£000	£000	£000
UK Corporation tax at 28% (2007: 30%) – current year	–	–	–
Overseas taxation			
– current year	(11)	–	(29)
– prior year	–	10	–
Deferred tax			
– current year	(455)	–	–
– exceptional	(320)	275	5,101
Tax (charge)/credit on profit on ordinary activities	(786)	285	5,072

The deferred tax credit of £275,000 for the six months to 31 July 2007 arose from the partial recognition of a deferred tax asset relating to losses incurred by the Group in prior years. These losses were recognised at 31 July 2007 due to the reduction in the deferred tax asset relating to the pension liability. The credit recognised in the income statement for the six months to 31 July 2007 was equal to the charge recognised in the statement of recognised income and expense, reflecting the fact there was no overall change in the amount of deferred tax asset being recognised. Due to the availability of substantial brought forward tax losses for offset against current tax year taxable profits, there was no further taxation charge in the period to 31 July 2007.

Other than overseas taxation, there was no current tax arising in the year to 31 January 2008, as taxable profits arising in the year were offset against available losses from prior years. A substantial portion of the remaining losses at the year end were then recognised as deferred tax assets, and together with temporary differences recognised, resulted in the recognition of a deferred tax credit of £5,101,000 for the year ended 31 January 2008. The recognition of this deferred tax asset reflected the Group's confidence of a sustainable future profit stream. Because of the nature and size of the deferred tax credit it was disclosed as an exceptional item.

Because of the previous recognition of deferred tax assets relating to losses of prior years, the Group's taxable profits earned in the six months to 31 July 2008, and in future periods, will result in deferred tax charges being recognised as losses are utilised and as temporary differences originate and reverse. A deferred tax charge of £455,000 arose in the period to 31 July 2008. In addition, the phasing out of IBAs, as enacted in the 2008 Finance Bill, and as highlighted in the 2008 Annual Report and Accounts, has resulted in a deferred tax charge of £320,000. Due to the nature and size of this item it has been disclosed as an exceptional charge. The tax at the half year has been based on a forecast full year effective tax rate.

5. EARNINGS PER SHARE

The basic and diluted earnings per share are based on a profit after taxation of £936,000 (2007: £1,687,000) and 54,995,000 ordinary shares (2007: 56,457,000), being the weighted average number of the shares in issue during the period, excluding those held in the Employee Share Trust and in treasury, which are treated as cancelled.

The basic and diluted earnings per share for the year ended 31 January 2008 were based on a profit for the year, amounting to £8,171,000 and the weighted average of 56,397,000 ordinary shares in issue during the year. The adjusted earnings per share has been disclosed as in the opinion of the Directors this provides additional information to shareholders on the results of the Group's activities.

Adjusted earnings per share has been calculated to remove any charge or credit arising from deferred tax in the current period and comparative periods. The deferred tax during these periods has changed significantly, from a partial recognition of corporation tax losses at 31 July 2007 creating a deferred tax credit of £275,000, to a significant recognition of the historic corporation tax losses at 31 January 2008, being a credit of £5,101,000, and to a charge of £775,000 for the period to 31 July 2008, as the corporation tax losses are utilised and the impact of the removal of IBAs in the 2008 Finance Bill takes effect. The exclusion of the deferred tax charges or credits creates a more comparable earnings base on which to assess the performance of the Group.

The adjusted earnings per share can be reconciled to the basic earnings per share as follows:

	6 months to 31 July 2008			6 months to 31 July 2007		
	Earnings £000	Weighted average number of shares (000's)	Per share amount pence	Earnings £000	Weighted average number of shares (000's)	Per share amount pence
Basic and diluted EPS:						
Earnings attributable to ordinary equity shareholders	936	54,995	1.70	1,687	56,457	2.99
Adjusted EPS:						
Earnings attributable to ordinary equity shareholders	936	54,995	1.70	1,687	56,457	2.99
Deferred tax – Exceptional	320		0.58	(275)		(0.49)
Deferred tax – Other	455		0.83	–		–
Adjusted earnings per share	1,711	54,995	3.11	1,412	56,457	2.50
				12 months to 31 January 2008		
				Earnings £000	Weighted average number of shares (000's)	Per share amount pence
Basic and diluted EPS:						
Earnings attributable to ordinary equity shareholders				8,171	56,397	14.49
Adjusted EPS:						
Earnings attributable to ordinary equity shareholders				8,171	56,397	14.49
Deferred tax – Exceptional				(5,101)		(9.05)
Deferred tax – Other				–		–
Adjusted earnings per share				3,070	56,397	5.44

Notes to the Accounts continued

6. ANALYSIS OF NET DEBT

	1 February 2008 £000	Cash flow £000	Exchange movement £000	31 July 2008 £000
Cash at bank and in hand	2,017	1,178	8	3,203
Borrowings due within 1 year	(400)	–	–	(400)
Borrowings due after 1 year	(8,906)	(3,199)	–	(12,105)
	(9,306)	(3,199)	–	(12,505)
Net debt	(7,289)	(2,021)	8	(9,302)

7. CASH GENERATED FROM OPERATIONS

	6 months to 31 July 2008 £000	6 months to 31 July 2008 £000	6 months to 31 July 2007 Restated £000	6 months to 31 July 2007 Restated £000
Operating profit		2,141		1,880
Depreciation	709		661	
Amortisation	265		257	
Charge for long-term incentive plan	207		112	
Changes in working capital				
Increase in inventories	(1,364)		(794)	
Increase in trade and other receivables	(197)		(1,317)	
(Decrease)/increase in trade and other payables	(1,792)		1,236	
Pension cash contributions	(660)		(618)	
		(2,832)		(463)
Cash (utilised)/generated from operating activities		(691)		1,417

8. RETIREMENT BENEFIT OBLIGATIONS

The Group 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, which are closed to new members and the accrual of future benefits, 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 April 2006. An updated valuation for IAS 19 financial reporting purposes was completed for the previous annual financial statements to 31 January 2008.

The assumptions applied for valuation of the defined benefit schemes are fully disclosed in the annual financial statements for the year ended 31 January 2008 and continue to be applied in the half year to 31 July 2008. The net defined benefit pension charge recognised in the half year represents the relevant proportion of the annual amounts expected to be recognised for the year ending 31 January 2009, and are based on previous actuarial estimates. The net retirement benefit obligation recognised at 31 July 2008 is based on the actuarial valuation

under IAS 19 at 31 January 2008 updated for movements in net defined benefit pension income and contributions paid during the half year period. The deferred tax effect of movements in the net retirement benefit obligation has also been recognised in the half year. A full valuation for IAS 19 financial reporting purposes will be completed for the next annual financial statements for the year ending 31 January 2009, at which time any actuarial gains and losses arising due to the recent market volatility since the half year end date will also be recognised.

9. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Retained earnings £000	Translation reserve £000	Other reserves			Total £000
					Capital reserve £000	Merger reserve £000	Hedge reserve £000	
Balance at								
1 February 2008	590	457	(20,655)	10	43,457	(2,950)	(110)	20,799
Deferred tax	-	-	(175)	-	-	-	-	(175)
Currency translation differences	-	-	-	30	-	-	-	30
Hedging reserve net movement	-	-	-	-	-	-	65	65
Net income/(expense) recognised directly in equity								
Reserve for long term incentive plan	-	-	(175)	30	-	-	65	(80)
Purchase of treasury shares	-	-	(83)	-	-	-	-	(83)
Profit for the period	-	-	936	-	-	-	-	936
Balance at								
31 July 2008	590	457	(19,770)	40	43,457	(2,950)	(45)	21,779

Notes to the Accounts continued

9. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Share capital £000	Share premium £000	Retained earnings £000	Translation reserve £000	Other reserves			Total £000
					Capital reserve £000	Merger reserve £000	Hedge reserve £000	
Balance at								
1 February 2007	590	457	(28,594)	(17)	43,457	(2,950)	-	12,943
Deferred tax	-	-	(275)	-	-	-	-	(275)
Currency translation differences	-	-	-	2	-	-	-	2
Net income/(expense) recognised directly in equity	-	-	(275)	2	-	-	-	(273)
Reserve for long term incentive plan	-	-	112	-	-	-	-	112
Profit for the period	-	-	1,687	-	-	-	-	1,687
Balance at 31 July 2007	590	457	(27,070)	(15)	43,457	(2,950)	-	14,469

	Share capital £000	Share premium £000	Retained earnings £000	Translation reserve £000	Other reserves			Total £000
					Capital reserve £000	Merger reserve £000	Hedge reserve £000	
Balance at								
1 February 2007	590	457	(28,594)	(17)	43,457	(2,950)	-	12,943
Actuarial losses on scheme assets	-	-	(1,364)	-	-	-	-	(1,364)
Changes in actuarial mortality assumptions	-	-	(2,868)	-	-	-	-	(2,868)
Other actuarial gains on scheme liabilities	-	-	4,932	-	-	-	-	4,932
Deferred tax	-	-	(683)	-	-	-	-	(683)
Currency translation differences	-	-	-	27	-	-	-	27
Hedging reserve net movement	-	-	-	-	-	-	(110)	(110)
Net income/(expense) recognised directly in equity	-	-	17	27	-	-	(110)	(66)
Reserve for long term incentive plan	-	-	363	-	-	-	-	363
Purchase of treasury shares	-	-	(612)	-	-	-	-	(612)
Profit for the year	-	-	8,171	-	-	-	-	8,171
Balance at 31 January 2008	590	457	(20,655)	10	43,457	(2,950)	(110)	20,799

Independent Review Report to Walker Greenbank PLC

INTRODUCTION

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2008, which comprises the unaudited consolidated income statement, unaudited consolidated statement of recognised income and expense, unaudited consolidated balance sheet, unaudited consolidated cash flow statement and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

The interim report has been prepared in accordance with the basis set out in Note 1. As disclosed in Note 1, the next annual financial statements of the company will be prepared in accordance with IFRSs as adopted by the European Union. The accounting policies are consistent with those that the directors intend to use in the next annual financial statements.

OUR RESPONSIBILITY

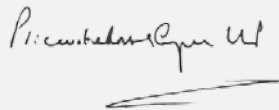
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2008 is not prepared, in all material respects, in accordance with the basis set out in Note 1 and the AIM Rules for Companies.



PricewaterhouseCoopers LLP
Chartered Accountants
1 October 2008
East Midlands

Notes



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