RNS Number : 6889V
Walker Greenbank PLC
10 April 2019

10 April 2019

WALKER GREENBANK PLC

("Walker Greenbank" or the "Company")

Financial Results for the year ended 31 January 2019

Walker Greenbank PLC (AIM: WGB), the luxury interior furnishings group, is pleased to announce its financial results for the 12 month period ended 31 January 2019.

Financial Highlights

- Revenue up 1.0% to £113.3m (2018: £112.2m*), reflecting a difficult trading environment particularly in the UK
    - Licence income up 103.1% following one-off H&M collaboration
    - US sales growth up 9.0% in constant currency, 7.4% in reportable currency
- In line with expectations, adjusted underlying** PBT was down 25.2% at £9.5m (2018: £12.7m*)
- Adjusted underlying** EPS down 26.9% at 10.80p (2018: 14.77p*)

- Statutory profit before tax down 51.4% at £6.3m (2018: £13.0m*)
- Statutory profit after tax down 57.1% at £5.1m (2018: £11.9m*)

- Net funds of £0.4m (2018: net debt £5.3m)

- Full year dividend payout ratio maintained with a proposed final dividend of 2.55p (2018: 3.68p), giving a total dividend of 3.24p (2018: 4.37p) and reflecting the reduction in profits

Operational Highlights

- Board reshaped for next stage of development including the appointment of Lisa Montague as the new CEO

- Operational efficiency programmes already underway including integration of back offices

- Continued focus on licensing and international growth

- Direct model introduced in Russia and in Germany

* The financial period ended 31 January 2018 has been restated for IFRS 15 'Revenue from Contracts with Customers', on a like-for-like basis with the current period.

** Adjusted underlying profit before tax excludes accounting charges relating to share-based incentives, defined benefit charge and non-underlying items.

Christopher Rogers, the Interim Executive Chairman of Walker Greenbank, said:

"In our international markets trading is marginally ahead of last year whereas in the Group's core market in the UK trading conditions remain challenging and the outlook uncertain. To mitigate difficult trading we remain focused on growing revenue and cost saving initiatives. At this very early stage of the new financial year the Group continues to trade in line with the Board's expectations."

Analyst meeting
A meeting for analysts will be held at 10.00 a.m. today, 10 April 2019, at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. For further details, contact Buchanan on 020 7466 5000.
For further information:

Walker Greenbank PLC **+44 (0) 1895 221068**
Christopher Rogers, Interim Executive Chairman
Mike Gant, Chief Financial Officer
Caroline Geary, Company Secretary

Investec Bank plc (Nominated Adviser and Broker) **+44 (0) 20 7597 5970**
David Anderson / Alex Wright - Corporate Finance
Henry Reast / Richard Short - Corporate Broking

Buchanan **+44 (0) 20 7466 5000**
Mark Court / Sophie Wills / Catriona Flint

Notes for editors:

About Walker Greenbank

Walker Greenbank PLC is a luxury interior furnishings company that designs, manufactures and markets wallpapers, fabrics and paints. In addition, the Company derives significant licensing income from the use of its designs on a wide range of interior products such as bed linen, rugs and tableware.

Walker Greenbank's brands include Sanderson, Morris & Co, Harlequin, Zoffany, Scion, Clarke & Clarke and Studio G.

The Company has a strong UK manufacturing base, comprising a wallpaper factory in Loughborough and a fabric printing factory in Lancaster. Both factories manufacture for the Company and for other wallpaper and fabric brands.

Walker Greenbank employs more than 600 people and its products are sold in more than 85 countries worldwide. It has showrooms in London, New York, Chicago, Paris, Amsterdam, Moscow and Dubai along with a partnership showroom in Shenzhen, China.

Walker Greenbank trades on the AIM market of the London Stock Exchange under the ticker symbol WGB. For further information please visit: www.walkergreenbank.com

INTERIM EXECUTIVE CHAIRMAN'S STATEMENT

These annual results are my first as a Director of the Company and, following my six months in the role of Interim Executive Chairman, I would like to take this opportunity to share my thoughts on the Group. I would also like to give a warm welcome to Lisa Montague, who joined the Company last month as an Executive Director and becomes Chief Executive Officer today.

Walker Greenbank benefits from owning a portfolio of market leading brands well known both in the UK and internationally, an extensive design archive and a range of manufacturing facilities producing high quality product. As a business, Walker Greenbank has good cash flow generation and opportunities to scale. These foundations, taken together with the business' significant design capabilities and inherent 'IP' within the business, mean that Walker Greenbank has the capability to capitalise on the opportunities in the market and drive growth.

In 2018, uncertain market conditions in our core UK market, driven by a lack of consumer confidence, resulted in the Group delivering a performance for the financial year ended 31 January 2019 below that of the prior year, with adjusted underlying profit from operations falling by 25.2% to £9.5 million (financial year ended 31 January 2018 ("FY18"): £12.7 million). Whilst good progress continued to be made in some international markets and in licensing income, overall sales in the UK fell, driven by a weakening in the performance of the Brands, which had a consequential negative impact on our manufacturing performance.

Strategic Development
The strategy outlined in the 2018 Annual Report has continued to be in place. However, the Board recognises that the markets in which the Group operates are changing rapidly. In the year ahead, under new leadership, both the business and financial strategy will be revisited and, where appropriate, revised with a view to enabling the Group to take advantage of the numerous opportunities presented by these changing markets.

Ultimately the business needs to become more focused and flexible, as well as understanding better the role of each of its brands in meeting the developing requirements of the consumer. The interiors market is changing and, the demand for ready-made product is on the rise. Crucially, the role of digital, both in terms of purchasing and manufacturing is evolving quickly. Whilst several strategic initiatives are underway, the Board believes that a wider review of the Group's strategy is appropriate, which will be led by Lisa Montague as the new Chief Executive Officer.

As well as reviewing the Group's strategy, there are a number of benefits to be had from a greater focus on operational efficiencies. This work has already begun with the integration underway of the Style Library (comprising of Sanderson, Morris & Co., Harlequin, Zoffany, Scion and Anthology) and Clarke & Clarke support functions, as well as a range of actions currently being undertaken to reduce the 'cost to serve' of our traditional retail markets. The importance of cost control, stock efficiency and value creating investment are being embraced by the leadership team.

Board Changes
During the year there have been significant changes to the Board, at both the Executive and Non-executive level.

In October 2018, John Sach stood down as Chief Executive Officer. John joined the business in 1994, becoming Group Finance Director in 1999 and Chief Executive Officer in 2004. John played a pivotal role in the Group's development during more than 20 years, and he leaves with the Board's appreciation and best wishes.

Fiona Goldsmith, a Non-executive Director since 2008 and chair of the audit committee, stepped down from the Board in June 2018 and, as announced on 5 March 2019, Terry Stannard, who joined the Board in 2007 and became Chairman in 2009, steps down from today. The Board would like to thank both Fiona and Terry for their valuable contributions and their unwavering commitment to the business over a long period of time.

I joined the Board in April 2018 as a Non-executive Director and Chairman of the Audit Committee and in October 2018 following the departure of John Sach became Interim Executive Chairman whilst the Group progressed the recruitment of a new Chief Executive Officer. After a wide ranging search led by independent executive search consultants, Lisa Montague was appointed. As a result of Lisa becoming Chief Executive Officer today I will return to being a Non-executive Director.

Lisa brings significant experience of leading and developing UK and international brand-based businesses with manufacturing and multi-channel distribution. From 2003-2009 she was Chief Operating Officer of Mulberry Group plc after which she became Chief Executive Officer of the Madrid based international fashion brand Loewe, a Spanish luxury fashion house owned by the LVMH Group, where she led global growth for seven years. Lisa was most recently Chief Executive Officer of Aspinal of London, the multi-channel leather goods brand.

In November 2018 we also welcomed Vijay Thakrar to the Board as a Non-executive Director and the chairman of the audit committee. Vijay was formerly a partner at EY and Deloitte where he advised listed brand-based companies. In 2012, as head of Deloitte's practice for small and mid-cap quoted companies, Vijay became a Non-executive Director of the Quoted Companies Alliance which provides corporate governance and other support to mid/small cap companies.

In January 2019, we were delighted to announce the appointment of Dame Dianne Thompson as Chairman Designate, with her role as Chairman effective from today. Dianne is hugely experienced in sales and marketing with an extensive track record in operational management in consumer businesses. From 2000-2014, Dianne was Chief Executive of Camelot Group plc, the UK National Lottery provider, having started her career at ICI paints. Dianne is currently a Non-executive Director of Next PLC.

These changes complete the reshaping of the Group's Board of Directors and we look forward to working together in the interests of all stakeholders.

Dividend
With a view to maintaining the prior year's dividend payout ratio, the Directors recommend the payment of a final dividend of 2.55p per share (2018: 3.68p) which subject to shareholder approval at the Company's Annual General Meeting will be payable on 9 August 2019 to shareholders on the register as at 19 July 2019. This brings the total dividend for the year to 3.24p per share (2018: 4.37p).

People
The success of any business is built on its people and on behalf of the board I would like to thank all of our colleagues for their continued hard work and dedication.

Current Trading and Outlook
In our international markets trading is marginally ahead of last year whereas in the Group's core market in the UK trading conditions remain challenging and the outlook uncertain. To mitigate difficult trading we remain focused on growing revenue and cost saving initiatives. At this very early stage of the new financial year the Group continues to trade in line with the

Board's expectations.

Christopher Rogers
Interim Executive Chairman
10 April 2019

OPERATING REVIEW

Total sales* for the year ended 31 January 2019 increased 1.0% to £113.3 million (FY18: £112.2 million) with adjusted underlying profit from operations decreasing by 25.2% to £9.5 million (FY18: £12.7 million).

The Brands

	Year ended 31 January		Change	
	2019	**2018***	**Reported**	**Constant currency**
Total Brand sales	£93.3m	£93.8m	(0.5%)	(0.3%)
Comprising:				
Licensing	£6.5m	£3.2m	103.1%	103.1%
UK Brand product sales	£46.3m	£49.5m	(6.5%)	n/a
International Brand product sales	£40.5m	£41.1m	(1.5%)	(1.0%)
- *US*	*£14.6m*	*£13.6m*	*7.4%*	*9.0%*
- *Western Europe*	*£11.9m*	*£12.3m*	*(3.3%)*	*(3.9%)*
- *Rest of the World*	*£14.0m*	*£15.1m*	*(7.3%)*	*(7.4%)*

* The financial results reflect the Group's adoption of IFRS 15 'Revenue from Contracts with Customers' from the start of the financial year on a fully retrospective basis. Accordingly, the prior year comparative numbers have been restated to enable an accurate comparison of performance.

Total Brands comprise Sanderson, Morris & Co., Harlequin, Zoffany, Scion, Anthology, Clarke & Clarke and Studio G. The Brands segment includes the licensing income derived from the brands as well as global trading from our brands, including our overseas subsidiaries in the US, France, Russia and Germany.

Total Brand sales were down 0.5% in reportable currency during the year to £93.3 million. In the UK, our largest market, sales were down 6.5% to £46.3 million. The modest improvement seen in the first nine weeks of the second half of the year was not sustained as a result of the weak UK consumer environment leading to a further deterioration in sales during the key autumn selling season. Within the Brands, Clarke & Clarke, positioned at the more affordable end of our target markets, was boosted by the launch of a number of homewares ranges and has performed strongly during the period growing 10.4% in reportable currency, 10.9% in constant currency. Likewise Morris & Co. grew 11.4% in reportable currency, 12.5% in constant currency year on year, but all the remaining brands registered year-on-year declines.

International Brand sales were down 1.5% in reportable currency, down 1.0% in constant currency, to £40.5 million. Sales in the US, the Group's second largest market, were up 7.4% in reportable currency, up 9.0% in constant currency, compared with the same period last year, to £14.6 million. This growth has been driven by initiatives implemented over the last eighteen months including the opening of our second direct showroom in Chicago in October 2017 and increasing the number of dedicated sales representatives. The route to market for Clarke & Clarke product in the US is through the Robert Allen Duralee Group (RADG). In February 2019 RADG went into Chapter 11 and whilst RADG continues to trade under Chapter 11 protection, we have started to see a deterioration in sales of Clarke & Clarke product in the US. We continue to monitor the position closely.

Brand sales in Western Europe at £11.9 million were down 3.3% in reportable currency, down 3.9% in constant currency, compared with the same period last year and sales in the Rest of the World at £14.0 million were down 7.3% in reportable currency, down 7.4% in constant currency driven by market conditions.

As from the start of the new financial year, Lee Clarke has stepped down as full time Chief Executive Officer of Clarke & Clarke, almost three years following the Walker Greenbank acquisition as planned, but remains with the Group as an advisor. Steve Forder, Managing Director, now reports directly to the Group Chief Executive Officer.

Licensing
Global licensing income is a key part of our strategy and an important developing income stream for the Group. We are continuing to pursue the extension of our product offering through new licensing agreements to take the Company's brands further into lifestyle products, apparel and new territories. An additional benefit of our licensing strategy is that it helps create greater consumer awareness of our portfolio of brands.

During the year we signed additional licensing agreements with Uniqlo, the Japanese casualwear designer; Radley, the London-based accessories brand; and our largest single apparel collaboration to date with H&M, the global fashion brand. H&M collaborated with Morris & Co to produce an extensive collection of women's and men's wear. This collection was well-received by consumers, with some items selling out online within days of the launch. High-margin licensing revenue was up £3.2 million to £6.5 million, benefitting from apparel contracts, particularly the very successful collaboration with H&M.

Some licensing agreements, such as bedding and towelling, have recurring income for a number of years whereas other agreements, primarily collaborations in apparel, are generally one-off in nature but can lead to repeat business. For the year ending 31 January 2020, licensing revenue is expected to be lower and closer to historic levels.

Manufacturing

Total Manufacturing sales (including £12.9 million of internal revenue which is eliminated at a Group level) fell by 1.5% to £32.9 million, compared with the previous full year, with statutory operating profit remaining flat at £0.8 million for the division. UK third party sales fell by 0.4% year-on-year and this was despite new customers and a greater proportion of initial printing of new collections. Sales to our own group brands fell by 14.1% as a result of lower Group Brand product sales in the period. The focus on third party export delivered excellent growth of 43.4% and now accounts for 17.4% of total manufacturing sales.

Anstey Wallpaper Company ("Anstey")
Sales at Anstey, our wallpaper printing and paint tinting business, grew 1.9% to £18.3 million. Third party sales in the UK were up 7.7%, third party export sales were up 52.6% and internal wallcovering sales to our own group brands fell by 13.0%. Export sales to the USA and Europe have benefited from an increase in the number of overseas customers, and the recognition of Anstey's premium print technologies, world-class excellence in manufacturing, customer service and quality and innovation.

Our new in-house paint tinting and distribution for our Sanderson and Zoffany brands in partnership with global paint manufacturer PPG continues to develop. The financial year ended 31 January 2019 was a year of transition from paint manufacturer Bradite to PPG and this impacted overall paint sales which fell by 3.2%. The transition is now complete and our strategy for the current financial year is to start to grow the category.

Standfast & Barracks ("Standfast")
Standfast, our fabric printing factory, saw a decrease in sales of 5.1% to £14.6 million. Third party sales in the UK fell 8.6%; third party export sales grew strongly by 36.0%; whilst sales to our own group brands decreased by 13.7%. Standfast's mix of digital print, which generates a higher margin, as a proportion of total sales value, increased further to 58% by value compared with 50% in FY18.

Standfast continue to exploit their extensive archive and original artwork, using a large design studio which reinterprets antique, heritage and classic design into modern contemporary prints. This approach has been particularly successful in overseas markets such as, the USA, Europe, South Africa and Australasia. Representation in the USA and exhibiting at the German Heimtextil and Italian Proposte trade shows has helped to drive significant growth of fabric prints abroad.

Brexit
As referred to in our Principal risks section of our Annual Report and Accounts, we are aware of the current uncertainties that surround Brexit. We continue to dynamically assess risks and plan mitigation in order to minimise the impact of the United Kingdom's exit from the EU.

Christopher Rogers
Interim Executive Chairman
10 April 2019

CHIEF FINANCIAL OFFICER'S REVIEW

Income statement
The Interim Executive Chairman's Statement and Operating Review provide an analysis of the key factors impacting our revenue and profit. In addition to the information on our Brands and Manufacturing divisions included in these reports, the Group has included in note 4 to the accounts further information on our reporting segments.

Operating profit fell by 51.7% to £6,588,000 due to an increase in non-underlying items explained below and by uncertain market conditions in our UK market as explained in the Interim Executive Chairman's Statement.

Newly adopted accounting standards
The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15') from 1 February 2018. These have resulted in changes in accounting policies and where applicable, adjustments to the amounts recognised in the Group's financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the financial year to enable an accurate comparison of performance. Note 1 to the accounts describes the impact of the Group adopting IFRS 15.

In summary adjustments were required in relation to:
(i) Fixed minimum guaranteed income amounts receivable under multi-year licensing agreements from Licensing partners have been recognised from the point the licence and hence control has transferred to the licensee, rather than in the period in which it is earned. This is provided there are no further performance obligations to be satisfied.
(ii) Consideration received from the sale of marketing materials and additional services to support the sale of the Group's core products have been classified within 'Net other income'. These were previously deducted from distribution costs as a contribution to marketing expense.
(iii) Carriage recoveries relating to the delivery of goods have been classified within 'revenue'. These were previously deducted from distribution costs.
(iv) Other items including provision for customer returns where the customer has a right to return an item within a fixed determinable, and without penalty.

IFRS 16 'Leases' will be adopted from 1 February 2019, for the first time. There will be no restatement of comparatives and it is not expected to have a material impact on either cash flows or adjusted profit before tax or how the business is managed.

Underlying profit before tax

Statutory profit before tax of £6,308,000 (2018: £12,982,000) includes non-underlying charges of £3,260,000 (2018: credits £1,251,000) as set out below.

	Year ended 31 January	
	2019	2018
	£000	£000
Statutory profit before tax	**6,308**	12,982
Amortisation of acquired intangible assets	**(1,016)**	(1,016)
Unwind of the fair value uplift adjustment on inventory	**-**	(182)
Unwind of discount on contingent consideration	**-**	(405)
Fair value adjustment to contingent consideration	**-**	4,047
Total acquisition-related costs	**(1,016)**	2,444
Standfast flood-related costs	**-**	(1,125)
Standfast flood insurance reimbursements	**-**	1,342
Standfast net other income	**-**	217
Restructuring and reorganisation costs	**(1,723)**	(701)
Anstey fire-related costs	**(85)**	(709)
Anstey fire insurance reimbursements	**650**	-
Anstey net other income / (costs)	**565**	(709)
Guaranteed Minimum Pension (GMP) equalisation	**(1,086)**	-
Total non-underlying (charge) / credit included in profit before tax	**(3,260)**	1,251
Underlying profit before tax	**9,568**	11,731
LTIP accounting credit / (charge)	**661**	(413)
Net defined benefit pension charge	**(573)**	(573)
Adjusted underlying profit before tax excluding LTIP and defined benefit pension charge	**9,480**	12,717

Acquisition-related costs incurred were in respect of the acquisition of Clarke & Clarke, which completed on 31 October 2016. This comprises the amortisation of intangible assets of £1,016,000.

Restructuring and reorganisation costs of £1,723,000 reflect the rationalisation of certain operational and support functions. These costs mainly comprise professional fees, employee severance, property termination and asset write down costs associated with the reorganisation process.

Anstey net other income comprises proceeds of £650,000 from the reimbursement of plant and equipment repair and related costs following a machine fire.

Long-Term Incentive Plan ('LTIP')

There was no new award of shares during the financial year under the Long-Term Incentive Plan ('**LTIP**'). There was a credit of £661,000 (2018: charge £413,000) in the income statement relating to LTIP awards. The credit in the year is driven by a reduction to the Company's share price and a reduction in the vesting assumption for future awards.

Net defined benefit pension

The Group operates two defined benefit schemes in the UK for its employees. These comprise the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme, which are both closed to new members and to future service accrual from 30 June 2002 and 1 July 2005 respectively.

The charge during the year was £573,000 (2018: £573,000). There is an additional non-underlying charge of £1,086,000 (2018: £nil) as a result of equalising Guaranteed Minimum Pensions ('GMP') in the Group's pension schemes following a ruling in the High Court which has been recognised as a past-service charge.

Pension deficit

The pension deficit increased during the year driven by the impact of GMP equalisation and the change in demographic assumptions i.e. post retirement mortality. The impact of these factors is shown as follows:

	2019
	£000
Deficit at beginning of the year	(7,298)

Scheme expenses	(410)
Interest cost	(1,786)
Expected return on plan assets	1,623
Contributions	1,990
Return on scheme assets	894
Experience adjustments on benefit obligation	(529)
Past service cost	(1,086)
Actuarial loss from the change in demographic assumptions	(3,061)
Gross deficit at the end of the year	(9,663)

The Company has agreed a Recovery Plan to pay contributions of between £1,500,000 and £1,900,000 per year to eliminate the funding shortfall by October 2026.

Current taxation
There was a corporation tax charge of £1,684,000 (2018: £1,830,000) which has been driven by the decrease in underlying profit.

Deferred taxation
There was a deferred tax credit of £477,000 (2018: credit £775,000) driven by the reversal of the deferred tax recognised in respect of the Clarke & Clarke acquisition.

The Group also continues to recognise the deferred tax asset arising from the pension deficit and LTIP.

Earnings per share
Basic reported EPS for the year was 7.19p (2018: 16.95p). The Group also reports an adjusted EPS which removes the impact of the LTIP accounting charge, net defined benefit pension charge and other non-underlying items, as these can fluctuate due to external factors outside of the control of the Group. A better understanding of the underlying performance of the business is given after adjusting for these items. The adjusted basic EPS for the year was 10.80p (2018: 14.77p).

Operating cash flow and net funds
The Group generated net cash inflow from operating activities during the year of £11,552,000 (2018: £4,508,000) including working capital inflow of £2,600,000 compared with the prior year achieved through a combination of tighter inventory and debtor management.

Capital expenditure was £3,002,000 (2018: £3,497,000) and includes the purchase of a digital pigment printer at our fabric printing factory in line with the Group's strategy to continue to invest in innovative printing techniques and development costs relating to the design of new collections for the Brands. The depreciation and amortisation charge during the period was £4,565,000 (2018: £4,092,000).

The Group made additional payments to the pension schemes of £1,580,000 (2018: £1,521,000) to reduce the deficit, part of the ongoing planned reduction, along with £410,000 (2018: £386,000) of pension fund scheme expenses.

Overall tax paid during the year was £784,000 (2018: £2,231,000) which reflects a reduction in the Group's tax charge driven by a reduction in the Group's profits. The effective tax rate ('**ETR**') has risen to 19.1% from 8.1% as the prior year non-underlying items included the non-underlying net other income that was not taxable and reversal of deferred tax on contingent consideration.

The Group had net funds as at 31 January 2019 of £434,000 (2018: net debt £5,263,000). Average debt during the year varies due to the timing and seasonality of revenues and investment in products. The average monthly net debt decreased by £3,035,000 to £8,211,000 (2018: £11,246,000) as a result of the Group utilising less of its bank facilities.

The Group utilises facilities provided by Barclays Bank PLC. In December 2015, the Group entered into a £12.5 million multi-currency revolving credit facility with Barclays Bank PLC for a five-year period and cancelled the existing receivables facilities. The agreement also includes a £10 million accordion facility option to further increase available funds, which provides headroom for future growth. Under these facilities there was borrowing headroom of £17,500,000 (2018:

£12,237,000). The total facilities have a current limit of £22.50 million (2018: £22.50 million).

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

Dividends
During the year, the Group paid a final dividend for the year ended 31 January 2018 of 3.68p per share and an interim dividend of 0.69p per share.

With a view to maintaining the prior year's dividend payout ratio of 30%, the Directors have recommended the payment of a final dividend of 2.55p per share (2018: 3.68p) which, subject to shareholder approval at the Company's Annual General Meeting, will be payable on 9 August 2019 to shareholders on the register on 19 July 2019. This brings the total dividend for the year to 3.24p per share (2018: 4.37p).

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

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, unmatched exposures are covered using forward contracts and working capital exposures are hedged using currency swaps where deemed appropriate. The Group does not trade in financial instruments and hedges are used for highly probable future cash flows and to hedge working capital exposures.

Credit risk
The Group no longer seeks credit insurance as this is not a commercial solution to reducing credit risk. The Board reviews the internal credit limits of all major customers and reviews the credit risk regularly. The ageing profile of trade debtors shows that payments from customers are close to terms; however, there have been specific expenses during the year. The current economic environment still presents a level of risk and in addition to specific provisioning against individual receivables, a provision has been required of £479,000 (2018: £nil), which is a collective assessment of the risk against non-specific receivables.

Mike Gant
Chief Financial Officer
10 April 2019

Consolidated Income Statement

Year ended 31 January 2019

		2019			2018 Restated		
			Non-underlying			Non-underlying	
	Note	**Underlying £000**	**(note 5) £000**	**Total £000**	Underlying £000	(note 5) £000	Total £000
Revenue	3	**113,286**	**-**	**113,286**	**112,185**	**-**	**112,185**
Cost of sales		**(45,312)**	**(436)**	**(45,748)**	**(44,031)**	**(182)**	**(44,213)**
Gross profit / (loss)		**67,974**	**(436)**	**67,538**	**68,154**	**(182)**	**67,972**
Net operating expenses:							
Distribution and selling expenses		**(23,054)**	**-**	**(23,054)**	**(23,594)**	**-**	**(23,594)**
Administration expenses		**(40,683)**	**(2,824)**	**(43,507)**	**(39,299)**	**(2,426)**	**(41,725)**
Net other income	4,5	**5,611**	**-**	**5,611**	**6,730**	**4,264**	**10,994**
Profit / (loss) from operations		**9,848**	**(3,260)**	**6,588**	**11,991**	**1,656**	**13,647**
Finance costs	6	**(280)**	**-**	**(280)**	**(260)**	**(405)**	**(665)**
Profit / (loss) before tax		**9,568**	**(3,260)**	**6,308**	**11,731**	**1,251**	**12,982**
Tax (expense) / income	7	**(1,799)**	**592**	**(1,207)**	**(2,513)**	**1,458**	**(1,055)**
Profit / (loss) for the year attributable to owners of the parent		**7,769**	**(2,668)**	**5,101**	**9,218**	**2,709**	**11,927**
Earnings per share - Basic	**9**			**7.19p**			16.95p
Earnings per share - Diluted	**9**			**7.19p**			16.84p
Adjusted earnings per share -	**9**			**10.80p**			14.77p

Basic	9	10.80p	14.77p
Adjusted earnings per share - Diluted	**9**	**10.80p**	14.68p

All of the activities of the Group are continuing operations.

The 2018 comparative has been restated for the adoption of IFRS 15 and as an opportunity to adjust cost classification for certain items.

Consolidated Statement of Comprehensive Income

Year ended 31 January 2019

	Note	**2019** £000	2018 (Restated) £000
Profit for the year		**5,101**	11,927
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension schemes		**(2,696)**	(1,219)
Corporation tax credits recognised in equity		**63**	234
Increase / (reduction) of deferred tax asset relating to pension scheme liability		**402**	-
Total items that will not be reclassified to profit or loss		**(2,231)**	(985)
Items that may be reclassified subsequently to profit or loss			
Currency translation gains / (losses)		**116**	(97)
Total items that may be reclassified subsequently to profit or loss		**116**	(97)
Other comprehensive expense for the year, net of tax		**(2,115)**	(1,082)
Total comprehensive income for the year attributable to the owners of the parent		**2,986**	10,845

Consolidated Balance Sheet

At 31 January 2019

	Note	**2019** £000	2018 (Restated) £000
Non-current assets			
Intangible assets		**30,816**	31,780
Property, plant and equipment		**15,227**	15,962
		46,043	47,742
Current assets			
Inventories		**28,020**	29,497
Trade and other receivables	10	**18,857**	21,324
Cash and cash equivalents	11	**2,415**	1,295

		49,292	52,116
Total assets		**95,335**	99,858
Current liabilities			
Trade and other payables		**(21,839)**	(22,360)
Borrowings	11	**(1,981)**	(6,558)
		(23,820)	(28,918)
Net current assets		**25,472**	23,198
Non-current liabilities			
Deferred income tax liabilities	8	**(970)**	(1,849)
Retirement benefit obligation	13	**(9,663)**	(7,298)
		(10,633)	(9,147)
Total liabilities		**(34,453)**	(38,065)
Net assets		**60,882**	61,793
Equity			
Share capital		**710**	709
Share premium account		**18,682**	18,682
Foreign currency translation reserve		**(409)**	(525)
Retained earnings		**1,392**	2,420
Other reserves		**40,507**	40,507
Total equity		**60,882**	61,793

Restatement of the year ended 31 January 2018 is explained in note 1.

Consolidated Cash Flow Statement

Year ended 31 January 2019

		2019	2018 (Restated)
	Note	**£000**	£000
Cash flows from operating activities			
Cash generated from operations	12	**12,629**	**6,984**
Interest paid		**(293)**	**(245)**
Corporation tax paid		**(784)**	**(2,231)**
Net cash generated from operating activities		**11,552**	**4,508**
Cash flows from investing activities			
Interest received		**23**	**2**
Purchase of intangible assets		**(709)**	**(861)**

	Note		
Purchase of property, plant and equipment		**(2,293)**	**(2,636)**
Proceeds from disposal of property, plant and equipment		**220**	**-**
Insurance proceeds relating to investing activities		**-**	**1,785**
Net cash used in investing activities		**(2,759)**	**(1,710)**
Cash flows from financing activities			
Repayment of term loan		**-**	**(200)**
Dividends paid to Company's shareholders		**(3,102)**	**(2,659)**
Net cash (used in)/generated from financing activities		**(3,102)**	**(2,859)**
Net increase / (decrease) in cash and cash equivalents		**5,691**	**(61)**
Cash and cash equivalents and bank overdraft at beginning of year		**(5,263)**	**(5,110)**
Effect of exchange rate fluctuations on cash held		**6**	**(92)**
Cash and cash equivalents and bank overdraft at end of year	11	**434**	**(5,263)**

Consolidated Statement of Changes in Equity

Year ended 31 January 2019

	Attributable to owners of the parent						
				Other reserves			
	Share capital	Share premium account	Retained earnings/ (accumulated losses)	Capital reserve	Merger reserve	Foreign currency translation reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 February 2017	**696**	**16,390**	**(5,872)**	**43,457**	**(2,950)**	**(428)**	**51,293**
Impact of adopting IFRS 15 (note 1)	-	-	231	-	-	-	231
Impact of other adjustments (note 1)	-	-	(224)	-	-	-	(224)
Restated Balance 1 February 2017	**696**	**16,390**	**(5,865)**	**43,457**	**(2,950)**	**(428)**	**51,300**
Profit for the year	-	-	11,927	-	-	-	11,927
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes	-	-	(1,219)	-	-	-	(1,219)
Corporation tax credits			234				234

recognised in equity	-	-	234	-	-	-	234
Deferred tax relating to pension scheme liability	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	(97)	(97)
Total comprehensive income	-	-	10,942	-	-	(97)	10,845
Transactions with owners, recognised directly in equity:							
Dividends	-	-	(2,659)	-	-	-	(2,659)
Allotment of share capital	13	2,292	-	-	-	-	2,305
Long-term incentive plan charge	-	-	434	-	-	-	434
Long-term incentive plan vesting	-	-	(404)	-	-	-	(404)
Related tax movements on long-term incentive plan	-	-	(28)	-	-	-	(28)
Balance at 31 January 2018	**709**	**18,682**	**2,420**	**43,457**	**(2,950)**	**(525)**	**61,793**

Consolidated Statement of Changes in Equity

Year ended 31 January 2019

	Attributable to owners of the parent						
				Other reserves			
	Share capital	Share premium account	Retained earnings/ (accumulated losses)	Capital reserve	Merger reserve	Foreign currency translation reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 February 2018	709	18,682	2,420	43,457	(2,950)	(525)	61,793
Profit for the year	-	-	5,101	-	-	-	5,101
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes	-	-	(2,696)	-	-	-	(2,696)
Corporation tax credits recognised in equity	-	-	63	-	-	-	63
Deferred tax relating to							

pension scheme liability	-	-	402	-	-	-	402
Currency translation differences	-	-	-	-	-	116	116
Total comprehensive income	-	-	2,870	-	-	116	2,986
Transactions with owners, recognised directly in equity:							
Dividends	-	-	(3,102)	-	-	-	(3,102)
Allotment of share capital	1	-	-	-	-	-	1
Long-term incentive plan credit	-	-	(661)	-	-	-	(661)
Long-term incentive plan vesting	-	-	(135)	-	-	-	(135)
Related tax movements on long-term incentive plan	-	-	-	-	-	-	-
Balance at 31 January 2019	**710**	**18,682**	**1,392**	**43,457**	**(2,950)**	**(409)**	**60,882**

Notes to the Accounts

1. Accounting policies and general information

Basis of preparation
The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards adopted for use in the European Union (IFRS).

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS this announcement does not itself contain sufficient information to comply with IFRS. The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the year ended 31 January 2019. The financial information is prepared in accordance with IFRSs as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board, and with the accounting policies set out in the Group's 2018 Annual Report and Financial Statements and as updated by the 2018 Interim Statement.

These financial statements will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's annual general meeting. The statutory accounts for the year ended 31 January 2018 have been filed with the Registrar of Companies and contained an auditor's report which was (i) unqualified and (ii) did not contain a reference to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report, and (iii) did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

This preliminary announcement was approved for release by the Board on 9 April 2019.

Adoption of new and revised accounting standards and interpretations
Since the Group's previous annual financial statements for the year ended 31 January 2018, the Group has applied IFRS 15 - Revenue from Contracts with Customers.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' is effective from 1 January 2018 and the Group has prepared the 2019 Group financial statements in accordance with the requirements of this new standard. The Group has elected to apply the standard fully retrospectively and has restated comparatives where appropriate.

The Group derives its revenue principally from the following:

- Design, manufacture and sale of home furnishings e.g. wallpaper, fabrics and ancillary interior products
- Licensing arrangements. These comprise a combination of both minimum guaranteed incomes and time and sales-based royalties receivable from Licensing Partners under contracts for the licensing of our products and designs.

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

IFRS 15 is based on the core principle that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) each performance obligation is satisfied

IFRS 15 supersedes the previous revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction contracts.

Notes to the Accounts (continued)

1. Basis of preparation continued

The following revenue streams for the Group have been identified as being impacted by the adoption of the new standard:

Area	Previous treatment	New treatment under IFRS 15
Fixed minimum guaranteed income amounts receivable under multi-year licensing agreements from Licensing partners which are invoiced either annually or in advance.	The Group recognises this income in the period in which it is earned.	The fixed minimum guaranteed amounts are recognised from the point the licence and hence control has transferred to the licensee, provided there are no further performances obligation to fulfil, and the recoverability of the income is deemed highly probable. The income will be recognised as revenue and accrued income will reduce as the balance is settled.
Consideration received from the sale of marketing materials and additional services to support the sale of the Group's core products.	In most cases, these were deducted from distribution costs as a contribution to marketing expense.	The Group now classifies these within 'Net other income', as these represent income from the supply of non-core products and services.
Where the customer is charged for carriage costs relating to the delivery of the supply of goods, and the terms of carriage are contractual.	These were deducted from distribution costs.	These are now classified within 'revenue' as these are contractual sales of distinct services with a separate performance obligation from which consideration is received.
Provisions for customer returns where the customer has a right to return an item within a fixed determinable period, and without penalty.	The sales and cost of sales elements of these provisions were netted off within distribution costs. There was no liability or asset recognised for return provisions.	Revenue and cost of sales are adjusted for expected returns values, which are estimated on historical returns experience. A refund liability is recognised within 'trade and other payables', and the asset to be recovered is recognised within stock. The validity of the historical data and assumptions and estimates are assessed at each reporting date.

Impact of adopting IFRS 15

The impact of adopting IFRS 15 on the Group's financial results and position for the 12 months ending 31 January 2019 and 31 January 2018 are presented below. In accordance with the transition provisions of IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2018 financial period.

Notes to the Accounts (continued)

1. Basis of preparation continued

Income Statement - Impact of adopting IFRS 15 for 31 January 2019 and 31 January 2018

	Note	**12 months to 31 January 2019**			12 months to 31 January 2018			
		Previous accounting £000	**IFRS 15 impact £000**	**IFRS 15 basis £000**	As published £000	IFRS 15 impact £000	Other Adjustments £000	Restated £000
Revenue	a,b,c	**109,860**	**3,426**	**113,286**	108,764	3,337	84	112,185
Cost of sales	c	**(45,748)**	**-**	**(45,748)**	(43,490)	-	(723)	(44,213)
Gross profit / (loss)		**64,112**	**3,426**	**67,538**	65,274	3,337	(639)	67,972
Net operating expenses:								
Distribution and selling expenses	d	**(14,063)**	**(8,991)**	**(23,054)**	(15,415)	(8,877)	698	(23,594)
Administration expenses	e	**(43,505)**	**(2)**	**(43,507)**	(41,155)	3	(573)	(41,725)
Net other income	d	**-**	**5,611**	**5,611**	5,333	5,661	-	10,994
Profit from operations		**6,544**	**44**	**6,588**	14,037	124	(514)	13,647
Net defined benefit pension charge	e	**-**	**-**	**-**	(573)	-	573	-
Finance costs	f	**(300)**	**20**	**(280)**	(680)	15	-	(665)
Profit before tax		**6,244**	**64**	**6,308**	12,784	139	59	12,982
Tax expense	g	**(1,207)**	**-**	**(1,207)**	(1,031)	(24)	-	(1,055)
Profit for the period attributable to owners of the parent		**5,037**	**64**	**5,101**	11,753	115	59	11,927

a. Increase in revenue of £3,426,000 (2018: £3,337,000) from the reclassification of carriage recoveries from distribution and selling expenses to revenues £3,380,000 (2018: £3,216,000), and the recognition of future fixed minimum guaranteed amounts for contracts launched in the period where performance obligations are satisfied: £46,000 (2018: £121,000).

b. Increase in revenue of £nil (2018: £84,000) from other revenue recognition adjustments

c. Decrease in cost of sales of £nil (2018: £723,000) from the reclassification of carriage inwards costs from distribution and selling expenses to cost of sales £nil (2018: £698,000), and other revenue recognition adjustments £nil (2018: £25,000),

d. Increase in distribution and selling expenses of £8,991,000 (2018: £8,179,000) from the reclassification of carriage recoveries to revenues of £3,380,000 (2018: £3,216,000), consideration received from the sale of marketing materials and additional services to net other income £5,611,000 (2018: £5,661,000), and the reclassification of carriage inwards costs to cost of sales £nil (2018: £698,000).

e. Increase/(decrease) in administration expenses of (£2,000) (2018: £3,000) representing exchange (gain)/loss movements on revenue from future fixed minimum guaranteed amounts, and £nil (2018: £573,000) for reclassification of the net defined pension charge.

f. Decrease in finance costs of £20,000 (2018: £15,000) as a result of the discount income unwinding on accelerated revenues from future fixed minimum guaranteed amounts.

g. Corporation and deferred tax impacts of IFRS 15 adjustments.

Notes to the Accounts (continued)

1. Basis of preparation continued

The impact of adopting IFRS 15 on the Group's financial position at 31 January 2019 and 1 February 2018 (date of initial application) are presented as follows:

		Cumulative to 31 January 2019			Cumulative to 31 January 2018			
	Note	**Previous accounting £000**	**IFRS 15 impact £000**	**IFRS 15 basis £000**	As Published £000	IFRS 15 impact £000	Other Adjustments £000	Restated £000
Assets								
Current Assets								
Inventories	a	**28,020**	**-**	**28,020**	29,378	-	119	29,497
Trade and other receivables	a,b	**18,423**	**434**	**18,857**	21,238	370	(284)	21,324
Cash and cash equivalents		**2,415**	**-**	**2,415**	1,295	-	-	1,295
Total Current assets		**48,858**	**434**	**49,292**	51,911	370	(165)	52,116
Non-Current Liabilities								
Deferred income tax liabilities	c	**(946)**	**(24)**	**(970)**	(1,825)	(24)	-	(1,849)
Equity								
Share Capital		**710**	**-**	**710**	709	-	-	709
Share premium account		**18,682**	**-**	**18,682**	18,682	-	-	18,682
Foreign currency translation reserve		**(409)**	**-**	**(409)**	(525)	-	-	(525)
Retained earnings/accumulated losses)	a,d	**982**	**410**	**1,392**	2,239	346	(165)	2,420
Other reserves		**40,507**	**-**	**40,507**	40,507	-	-	40,507
Total Equity		**60,472**	**410**	**60,882**	61,612	346	(165)	61,793

a. Other adjustments in the comparative year represent revenue recognition cut-off adjustments for inventories of £119,000 and trade and other receivables (£284,000) with a net impact on cumulative retained earnings of £165,000.

b. Cumulative increase in trade and other receivables of £434,000 (2018: £370,000) as a result of IFRS 15 accrued income for accelerated licensing revenue on future fixed minimum guaranteed amounts £398,000 (2018: £352,000), the discount unwinding on accelerated incomes £35,000 (2018: £15,000), and the exchange difference income/(expense) on accelerated incomes £1,000 (2018: £3,000).

c. Deferred tax impact on IFRS 15 adjustments from transitioning, and restatement of the prior year.

d. Cumulative net increase in retained earnings and equity of £410,000 (2018: £346,000) as per notes b and c.

Cash flows

The adjustments to the income statement and balance sheet described above do not affect the cash balances, but do alter the categorisation of some items, principally within monetary working capital movements.

IFRS 9 - Financial Instruments

The Group has adopted IFRS 9 - Financial Instruments with effect from 1 February 2018 and has prepared the consolidated financial statements in accordance with the requirements of this new standard.

IFRS 9 'Financial Instruments' replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements.

Notes to the Accounts (continued)

1. Basis of preparation continued

IFRS 9 brings together the classification and measurement, impairment and hedge accounting aspects of the International Accounting Standards Board's project to replace IAS 39.

The adoption of IFRS 9 Financial Instruments from 1 February 2018 has resulted in changes in accounting policies and in the amounts recognised in the financial statements in relation to impairment of trade receivables that are held on a hold-to-collect business model. The introduction of an expected loss impairment model has had a significant effect based on the expected loss model and Management's assessment of the level of credit risk implicit in the Group's trade receivables. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Classification and measurement
IFRS 9 amends the classification and measurement of financial assets:

- Financial assets are either measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL);
- Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL; and
- All investments in equity instruments are measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in other comprehensive income (OCI). Dividends are recognised in profit or loss.

There has been no re-categorisation required of Group's assets on adoption of the new standard.

Impairment
The new impairment model in IFRS 9 is based on an 'expected loss' model rather than an 'incurred loss' model. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity should account for expected credit losses and changes in those expected credit losses. A simplified impairment model is applicable to trade and other contractual receivables with maturities that are less than 12 months.

For trade and other contractual receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model. For the year ending 31 January 2019, the Group has applied the simplified approach to the recognition of lifetime expected credit losses for its trade receivables and has in turn, recognised a loss allowance of £888,000 for these assets.

Standards not yet effective
IFRS 16 - Leases

IFRS 16 will be effective for the first time in the Group's consolidated financial statements for the year ended 31 January 2020. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard will primarily affect the accounting for the Group's operating leases. The application of IFRS 16 will result in the recognition of additional assets and liabilities in the consolidated Balance Sheet. In addition, it will replace the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expenses on the lease liabilities. The Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead the Group will perform impairment testing on the right-of-use-asset.

The Group will apply the standard from its effective date using the modified retrospective approach and will therefore recognise the cumulative effect of adopting IFRS 16 as an adjustment to the opening balance of retained earnings at 1 February 2019, with no restatement of comparative information.

As at 31 January 2019, the Group has non-cancellable operating lease commitments of £10,077,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify as short-term or low-value leases. Management have assessed the impact of adopting the new standard, and estimate a right-of-use asset and lease liability of £10,842,000 will be recognised from 1 February 2019.

Notes to the Accounts (continued)

2. Critical accounting estimates and judgements

Business combinations
The Group applies judgement in determining whether a transaction is a business combination, which includes consideration as to whether the Group has acquired a business or a group of assets. For business combinations, the Group estimates the fair value of the consideration transferred, which includes assumptions about the future performance of the business acquired and an appropriate discount rate to determine the fair value of any contingent consideration. Judgement is also applied in determining whether any future payments should be classified as contingent consideration or as remuneration for future services. The Group estimates the fair value of assets acquired and liabilities assumed in the business combination, including any separately identifiable intangible assets and considering contingent liabilities. These estimates also require inputs and assumptions including future earnings, customer attrition rates and discount rates. The Group engages external experts to support the valuation process, where appropriate.

The fair value of the contingent consideration recognised in business combinations is reassessed at each reporting date, using updated inputs and assumptions based on the latest financial forecasts for the relevant business. Judgement is applied as to whether changes should be applied at the acquisition date or as post-acquisition changes. Fair value movements and the unwinding of the discounting is recognised within finance costs in the Income Statement.

Other critical accounting estimates include retirement benefit pension obligations, impairment of non-financial assets, deferred tax recognition and long term incentive plan payment awards.

3. Segmental analysis

The Group is a designer, manufacturer and distributor of luxury interior furnishings, fabrics and wallpaper. The reportable segments of the Group are aggregated as follows:

- Brands - comprising the design, marketing, sales and distribution, and licensing activities of Sanderson, Morris & Co, Harlequin, Zoffany, Anthology, Scion, Clarke & Clarke and Studio G brands operated from the UK and its foreign subsidiaries in the US, France, Russia and Germany.
- Manufacturing - comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast respectively.

This is the basis on which the Group presents its operating results to the Board of Directors, which is considered to be the CODM for the purposes of IFRS 8. Other group-wide activities and expenses, predominantly related to corporate head office costs, defined benefit pension costs, long-term incentive plan expenses, taxation and eliminations of intersegment items, are presented within 'Eliminations and unallocated'.

Following the acquisition of Clarke & Clarke the Board of Directors have also monitored the performance of this division for the purposes of the earn-out.

Notes to the Accounts (continued)

3. Segmental analysis continued

a) Reportable segment information

Year ended 31 January 2019

	Brands	Manufacturing	Eliminations and unallocated	Total
	£000	£000	£000	£000
UK revenue	46,324	14,307	-	60,631
International revenue	40,461	5,726	-	46,187
Licence revenue	6,468	-	-	6,468
Revenue - external	93,253	20,033	-	113,286
Revenue - internal	-	12,900	(12,900)	-
Total revenue	93,253	32,933	(12,900)	113,286
Profit / (loss) from operations	10,759	827	(4,998)	6,588
Net finance costs	-	-	(280)	(280)
Profit / (loss) before tax	10,759	827	(5,278)	6,308
Tax charge	-	-	(1,207)	(1,207)
Profit / (loss) for the year	10,759	827	(6,485)	5,101

Year ended 31 January 2018 (Restated)

	Brands	Manufacturing	Eliminations and unallocated	Total
	£000	£000	£000	£000
UK revenue	49,507	14,369	-	63,876
International revenue	41,077	3,993	-	45,070
Licence revenue	3,239	-	-	3,239
Revenue - external	93,823	18,362	-	112,185
Revenue - internal	-	15,014	(15,014)	-
Total revenue	93,823	33,376	(15,014)	112,185
Profit / (loss) from operations	12,468	797	382	13,647
Net finance costs	-	-	(665)	(665)
Profit / (loss) before tax	12,468	797	(283)	12,982
Tax charge	-	-	(1,055)	(1,055)

Profit / (loss) for the year	12,468	797	(1,338)	11,927

Business interruption reimbursements to cover loss of profits of £nil (£2018: £1,069,000) are included within 'Eliminations and unallocated'.

Notes to the Accounts (continued)

3. Segmental analysis continued

The segmental revenues of the Group are reported to the CODM in more detail. One of the analyses presented is revenue by export market for Brands.

Brands international revenue by export market:	**2019 £000**	2018 (Restated) £000
Western Europe	**11,921**	12,286
USA	**14,587**	13,642
Rest of World	**13,953**	15,149
	40,461	41,077

Revenue of the Brands reportable segment - revenue from operations in all territories where the sale is sourced from the Brands operations, together with contract and licence revenue:

Brand revenue analysis:	**2019 £000**	2018 (Restated) £000
Harlequin, incorporating Anthology and Scion	**27,856**	**31,742**
Sanderson, incorporating Morris & Co.	**23,089**	**24,191**
Zoffany	**10,926**	**12,053**
Clarke & Clarke, incorporating Studio G	**24,327**	**22,026**
Other brands	**587**	**572**
Licensing	**6,468**	**3,239**
	93,253	**93,823**

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

Manufacturing revenue analysis:	**2019 £000**	2018 (Restated) £000
Standfast	**14,643**	15,423
Anstey	**18,290**	17,953
	32,933	33,376

b) Additional entity-wide disclosures

Revenue by geographical location of customers:	**2019 £000**	2018 (Restated) £000
United Kingdom	**65,072**	65,654
Western Europe	**14,077**	14,001
USA	**17,503**	15,778
Rest of the World	**16,634**	16,752
	113,286	112,185

Notes to the Accounts (continued)

4. Net other income

Net other income comprises consideration received from the sale of marketing materials and additional services of £5,611,000 (2018: £5,661,000), and business interruption reimbursements to cover loss of profits of £nil (2018: £1,069,000). In addition, there was non-underlying net other income of £nil (2018: £4,264,000) as per note 5.

5. Non-statutory profit measures

Underlying profit measures
The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items considered non-operational in nature. This measure of profit is described as 'underlying' and is used by management to measure and monitor performance. The excluded items are referred to as 'non-underlying' items.

Non-underlying items
The non-underlying items included in profit before tax are as follows:

	Note	**2019 £000**	2018 £000
(i) Acquisition related:			
Amortisation of acquired intangible assets		**(1,016)**	(1,016)
Unwind of the fair value uplift adjustment on inventory	(a)	**-**	(182)
Unwind of discount on contingent consideration	(b)	**-**	(405)
Fair value adjustment to contingent consideration	(c)	**-**	4,047
		(1,016)	2,444
(ii) Standfast flood:			
Incremental costs, inventory loss and property, plant and equipment impairments		**-**	(1,125)
Insurance reimbursements		**-**	1,342
	(d)	**-**	217
(iii) Restructuring and reorganisation costs	(e)	**(1,723)**	(701)
(iv) Anstey Fire:			
Incremental cost and property, plant and equipment repairs		**(85)**	(709)
Insurance reimbursements		**650**	-
	(f)	**565**	(709)
(v) Guaranteed Minimum Pension (GMP) equalisation	(g)	**(1,086)**	
Total non-underlying items included in profit before tax		**(3,260)**	1,251
Tax on non-underlying items		**592**	1,458
Total impact of non-underlying items on profit after tax		**(2,668)**	2,709

Costs detailed in (a) - (c) below relate to costs incurred on the acquisition of Clarke & Clarke, which completed on 31 October 2016 (see note 14).

a) In accordance with IFRS, the inventory value was uplifted to fair value at the date of acquisition by £1,243,000 and this adjustment increased costs of sales in the post-acquisition period. A £nil cost (2018: £182,000) in respect of unwind of the fair value uplift adjustment is considered an exceptional cost of sale. The fair value uplift has been fully unwound during the prior year.
b) A charge of £nil (2018: £405,000) has been recognised in respect of unwind of the contingent consideration on acquisition.
c) As a result of the challenging performance targets and prevailing market conditions, the performance target for the period ended 31 January 2018 was not achieved. It was not considered likely that the performance targets for the remaining years would be achieved; therefore, there was a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 credit to the Income Statement, in other income.
d) Other income of £nil. The 2018 income of £217,000 comprises of proceeds arising from reimbursement of costs to replace impaired plant and equipment and intangible assets.
e) Restructuring and reorganisation costs relate to the reorganisation of the Group and comprise of the rationalisation of certain operational and support functions. These costs mainly comprise property termination and asset impairment costs associated with the Clarke & Clarke Haslingden site exit of £961,000 (2018: £nil); compensation for loss of office and associated costs to the former Chief Executive Officer of £407,000 (2018: £nil) as well as a further £355,000 (2018: £701,000) in respect of other employee severance and professional fees associated with the reorganisation process.
f) Anstey fire-related net other income of £565,000 (2018: Net costs (£709,000)) comprise of proceeds arising from reimbursement of repair costs in respect of plant and equipment and related costs following a minor fire, less repair costs £85,000 (2018: £709,000).

5. Non-statutory profit measures continued

g) Following a High Court judgement in October 2018, the estimated costs of equalising UK pension benefits for men and women in relation to Guaranteed Minimum Pension (GMP) has been recognised as a past-service charge.

In addition to the non-underlying items detailed above, an adjustment is made for the LTIP accounting charge and net defined benefit pension charge in arriving at the 'Adjusted profit' and 'Adjusted earnings per share'.

6. Net Finance costs

	2019 £000	2018 (Restated) £000

Interest income:		
Interest received on bank deposits	**23**	2
Interest expense:		
Interest payable on bank borrowings	**(293)**	(245)
Amortisation of issue costs of bank loans	**(30)**	(32)
Unwind of discount on accelerated licensing income	**20**	15
Total finance costs	**(303)**	(262)
Net finance costs excluding non-underlying items	**(280)**	(260)
Unwind of discount on contingent consideration (note 5)	**-**	(405)
Net finance costs including non-underlying items	**(280)**	(665)

7. Tax expense

	2019 £000	2018 (Restated) £000
Current tax:		
- UK current tax	**1,372**	1,745
- UK adjustments in respect of prior years	**304**	85
- overseas, current tax	**8**	-
Corporation tax	**1,684**	1,830
Deferred tax:		
- current year	**(283)**	(795)
- adjustments in respect of prior years	**(221)**	37
- effect of changes in corporation tax rates	**27**	(17)
Deferred tax	**(477)**	(775)
Total tax charge for the year	**1,207**	1,055

Notes to the Accounts (continued)

7. Tax expense continued

Reconciliation of total tax charge for the year	2019 £000	2018 (Restated) £000
Profit on ordinary activities before tax	**6,308**	12,982
Tax on profit on ordinary activities at 19% (2018: 19%)	**1,198**	2,467
Non-deductible expenditure	**122**	72
Parent and overseas losses and temporary timing differences not recognised	**-**	(36)
Income not subject to tax	**(40)**	(795)
Permanent differences in respect of share options	**(93)**	170
Adjustments in respect of prior years	**83**	121
Reversal of acquisition-related deferred tax	**-**	(927)
Movements in deferred tax not recognised	**(97)**	-
Effect of changes in corporation tax rates	**34**	(17)
Total tax charge for year	**1,207**	1,055

Factors affecting current and future tax charges
No overseas taxation is anticipated to become payable within the immediate future due to the availability of gross tax losses of approximately £3.2 million (2018: £3.2 million).

8. Deferred income tax

A net deferred tax liability of £970,000 (2018: £1,849,000) is recognised in respect of future deductions for LTIP payments and other temporary differences.

	2019 £000	2018 (Restated) £000
Taxable temporary differences on property, plant and equipment	**(1,146)**	(1,484)
Taxable temporary differences on intangible assets	**(1,503)**	(1,662)
Other temporary differences	**17**	(6)
Temporary differences on LTIP payments	**(1)**	49
	(2,633)	(3,103)
Retirement benefit obligations	**1,663**	1,254

	(970)	(1,849)

Movements on the deferred income tax account are as follows:

Net deferred tax asset/ (liability)	2019 £000	2018 (Restated) £000
At 1 February	**(1,849)**	(2,573)
Income Statement charge	**477**	752
Tax credit/(charge) relating to components of other comprehensive income	**402**	-
Tax charged directly to equity	**-**	(28)
At 31 January	**(970)**	(1,849)

Notes to the Accounts (continued)

9. Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held in the Employee Benefit Trust ('EBT') and those held in treasury, which are treated as cancelled. The adjusted basic earnings per share is calculated by dividing the adjusted earnings by the weighted average number of shares. As a consequence of the difficult marketplace impacting the profitability of the Group, PBT performance criteria within LTIPs 10 and 11 are not being met and as a consequence these Long Term Incentive Plan ("LTIP") awards are not dilutive.

	2019			2018 restated		
	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 earnings per share	**5,101**	**70,955**	**7.19**	11,927	70,376	16.95
Effect of dilutive securities:						
Shares under LTIP		**-**			428	
Diluted earnings per share	**5,101**	**70,955**	**7.19**	11,927	70,804	16.84
Adjusted basic and diluted earnings per share:						
Add back LTIP accounting (credit) / charge	**(661)**			413		
Add back net defined benefit pension charge	**573**			573		
Non-underlying items (note 5)	**3,260**			(1,251)		
Tax effect of non-underlying items and other add backs	**(609)**			(1,269)		
Adjusted basic earnings per share	**7,664**	**70,995**	**10.80**	10,393	70,376	14.77
Adjusted diluted earnings per share	**7,664**	**70,995**	**10.80**	10,393	70,804	14.68

On 29 May 2018, 142,238 shares vested under the Company's LTIP. To satisfy the vesting, 87,994 shares of 1 pence each were allotted at par value.

Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 70,983,505 (2018: 70,895,511) ordinary shares of which no (2018: nil) ordinary shares are held in treasury and no (2018: nil) ordinary shares are held by the Walker Greenbank PLC EBT. Shares held in treasury or by the EBT are treated as cancelled when calculating EPS.

On 26 June 2017, the Company issued 1,116,586 ordinary shares of 1 pence each at an issue price of 206.25 pence per share in respect of the first tranche of the performance related Clarke & Clarke earn-out consideration for the period ended 31 January 2017.

On 31 May 2017, 421,218 shares vested under the Company's LTIP. To satisfy the vesting, 227,247 shares of 1 pence each were allotted at par value and 4,909 shares were issued from the Walker Greenbank PLC EBT.

The market value of shares held by the EBT at 31 January 2019 was £nil (2018: £nil). The total number of shares held in the EBT at the year end represented 0% (2018: 0%) of the issued shares.

Notes to the Accounts (continued)

10. Trade and other receivables

Current	2019 £000	2018 (Restated) £000
Trade receivables	**13,351**	14,212
Less: provision for impairment of trade receivables	**(888)**	(353)
Net trade receivables	**12,463**	13,859
Corporation tax	**432**	1,270
Other taxes and social security	**1,063**	879
Accrued Accelerated Licensing Income	**434**	371
Other receivables	**686**	400
Marketing materials	**891**	1,963
Prepayments	**2,888**	2,582
	18,857	21,324

11. Analysis of net funds

	1 February 2018 £000	Cash flow £000	Other non-cash changes £000	**31 January 2019 £000**
Cash and cash equivalents	1,295	1,114	6	**2,415**
Bank overdraft	(6,558)	4,577	-	**(1,981)**
Cash and cash equivalents and bank overdraft	(5,263)	5,691	6	**434**
(Net debt) / net funds	(5,263)	5,691	6	**434**

Other non-cash changes are exchange gains/(losses) from the retranslation of bank balances held in non-sterling bank accounts

Notes to the Accounts (continued)

12. Cash generated from operations

	2019 £000	2018 (Restated) £000
Profit before tax	**6,308**	**12,982**
Defined benefit pension charge	**1,659**	**573**
Net finance costs	**280**	**665**
Depreciation and impairment of property, plant and equipment	**2,892**	**2,450**
Amortisation	**1,673**	**1,642**
Gain on disposal of fixed assets	**(36)**	**-**
Insurance reimbursements	**(650)**	**(2,411)**

Release of contingent consideration	**-**	**(4,047)**
(Credit) /charge for LTIP recognised in equity	**(661)**	**434**
LTIP vesting	**(135)**	**(404)**
Unrealised foreign exchange gains included in operating profit	**27**	**108**
Defined benefit pension cash contributions	**(1,990)**	**(1,907)**
Cash generated from / (used in) operating activities pre insurance proceeds	**9,367**	**10,085**
Insurance proceeds relating to operating activities	**650**	**2,126**
Cash generated from operating activities post insurance proceeds	**10,017**	**12,211**
Changes in working capital:		
Decrease / (increase) in inventories	**1,477**	**985**
Decrease / (increase) in trade and other receivables	**1,744**	**(2,405)**
(Decrease) / increase in trade and other payables	**(609)**	**(3,807)**
Cash generated from operations	**12,629**	**6,984**

13. Retirement benefit obligation

Defined benefit schemes
Walker Greenbank PLC operates two defined benefit schemes in the UK which both offer pensions in retirement and death benefits to members: the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. Pension benefits are related to the members' final salary at retirement and their length of service. The schemes are closed to new members and to future accrual of benefits. This disclosure excludes any defined contribution assets and liabilities.

The Group's contributions to the schemes for the year beginning 1 February 2019 are expected to be £1,951,000.

	2019 £000	2018 £000
Deficit at beginning of the year	**(7,298)**	(7,413)
Scheme expenses	**(410)**	(386)
Interest cost	**(1,786)**	(1,976)
Expected return on plan assets	**1,623**	1,789
Contributions	**1,990**	1,907
Return on scheme assets	**894**	440
Actuarial loss from the change in discount factor	**-**	(2,802)
Past service cost	**(1,086)**	-
Experience adjustments on benefit obligation	**(529)**	111
Actuarial (loss) / gain from the change in demographic assumptions	**(3,061)**	1,032
Gross deficit at the end of the year	**(9,663)**	(7,298)

Notes to the Accounts (continued)

14. Business combinations

On 12 October 2016, the Group conditionally acquired Clarke & Clarke for an initial cash consideration of £25,000,000 and a contingent consideration of up to £17,500,000, in aggregate, payable in the Company's shares linked to the performance of the acquired business over a four-year period, giving a total potential consideration of up to £42,500,000 excluding working capital adjustments. The completion date for the transaction was 31 October 2016.

On 26 June 2017, the Group issued 1,116,586 ordinary shares of 1 pence each in the Company (the 'Consideration Shares') in respect of the first tranche of the performance-related earn-out consideration. This first tranche of Consideration Shares has been issued following Clarke & Clarke achieving its variable EBITDA target for the period ended 31 January 2017. The Consideration Shares have been issued at an issue price of 206.25 pence per share (being the average closing price for the Company's ordinary shares 10 business days preceding 16 June 2017) and are subject to a 12-month lock-in period.

In accordance with IFRS 3 'Business Combinations', the Directors made an initial assessment of the fair values of the acquired assets and liabilities and contingent consideration, resulting in goodwill of £14,736,000 being created in the Balance Sheet.

Also, following finalisation of the Group's tax computations for the year ended 31 January 2017, the purchase consideration for Clarke & Clarke was reassessed in respect of tax reliefs relating to the acquiree's pre-acquisition position resulting in an increase of £338,000.

Net adjustments amounting to £955,000 have been made to increase the contingent consideration, other payables and respective goodwill and the Balance Sheet at 31 January 2017 has been restated accordingly. The net assets are unaffected by these adjustments.

The Group remeasures the contingent consideration at fair value at each Balance Sheet date. As a result of the challenging performance targets and prevailing market conditions, the performance target for the period ended 31 January 2018 and 31 January 2019 have not been achieved. It is not considered likely that the performance target for the remaining one year will be achieved; therefore, there has been a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 credit to the Income Statement in the period ended 31 January 2018. There was also a charge of £405,000 recognised in respect of the unwind of the contingent consideration payable for Clarke & Clarke in the period ended 31 January 2018. Therefore the estimated fair value of the assumed probability adjusted contingent consideration at 31 January 2019 was £nil (2018: £nil), which is classified as Level 3 in the fair value hierarchy.

15. Events after the reporting period

On 1 February 2019, the Group appointed Dame Dianne Thompson as a Non-Executive Director and Chairman Designate.

On 12 February 2019, the Robert Allen Duralee Group (RADG) filed for Chapter 11 in the USA. RADG continues to trade and as at the date of these accounts.

On 4 March 2019, the Group communicated the proposal to restructure Clarke & Clarke with the view to integrating some departments into the Style Library business unit. This will include a proposal to change the location, structure and number of teams within Clarke & Clarke with the view to integrating these areas into the Style Library. As part of this proposal there will be a number of redundancies together with the closure of the Haslingden warehouse.

On 11 March 2019, the Group appointed Lisa Montague as an Executive Director and she became Chief Executive Officer on 10 April 2019.

On 10 April 2019, Dame Dianne Thompson, became Non-Executive Chairman and Christopher Rogers, the Interim Executive Chairman, returned to his role as Non-Executive Director. On the same date Terry Stannard stepped down from his role as a Non-Executive Director of the Company.