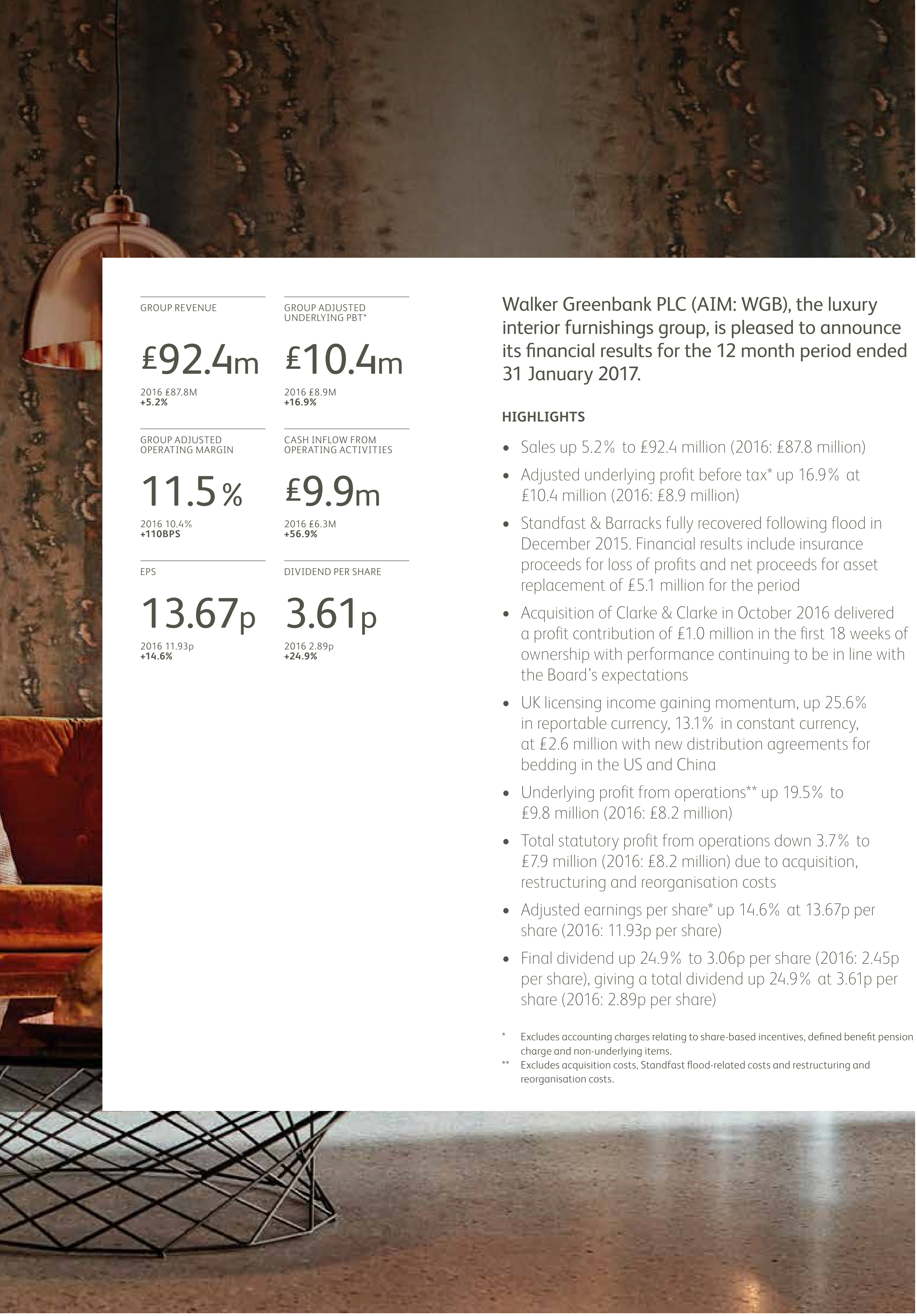
INSPIRE CREATIVE LIVING

WALKER GREENBANK PLC

Annual Report and Accounts 2017

WALKER GREENBANK PLC IS AN INTERNATIONAL LUXURY INTERIOR FURNISHINGS GROUP



GROUP REVENUE

£92.4m

2016 £87.8M
+5.2%

GROUP ADJUSTED UNDERLYING PBT*

£10.4m

2016 £8.9M
+16.9%

GROUP ADJUSTED OPERATING MARGIN

11.5%

2016 10.4%
+110BPS

CASH INFLOW FROM OPERATING ACTIVITIES

£9.9m

2016 £6.3M
+56.9%

EPS

13.67p

2016 11.93p
+14.6%

DIVIDEND PER SHARE

3.61p

2016 2.89p
+24.9%

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 2017.

HIGHLIGHTS

- Sales up 5.2% to £92.4 million (2016: £87.8 million)
- Adjusted underlying profit before tax* up 16.9% at £10.4 million (2016: £8.9 million)
- Standfast & Barracks fully recovered following flood in December 2015. Financial results include insurance proceeds for loss of profits and net proceeds for asset replacement of £5.1 million for the period
- Acquisition of Clarke & Clarke in October 2016 delivered a profit contribution of £1.0 million in the first 18 weeks of ownership with performance continuing to be in line with the Board's expectations
- UK licensing income gaining momentum, up 25.6% in reportable currency, 13.1% in constant currency, at £2.6 million with new distribution agreements for bedding in the US and China
- Underlying profit from operations** up 19.5% to £9.8 million (2016: £8.2 million)
- Total statutory profit from operations down 3.7% to £7.9 million (2016: £8.2 million) due to acquisition, restructuring and reorganisation costs
- Adjusted earnings per share* up 14.6% at 13.67p per share (2016: 11.93p per share)
- Final dividend up 24.9% to 3.06p per share (2016: 2.45p per share), giving a total dividend up 24.9% at 3.61p per share (2016: 2.89p per share)

* Excludes accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items.

** Excludes acquisition costs, Standfast flood-related costs and restructuring and reorganisation costs.

CHAIRMAN'S STATEMENT

I AM PLEASED TO REPORT THAT THE GROUP CONTINUES TO MAKE GOOD PROGRESS AND HAS DELIVERED ANOTHER SIGNIFICANT INCREASE IN UNDERLYING PROFITABILITY.

OVERVIEW

I am pleased to report that the Group continues to make good progress and has delivered another significant increase in underlying profitability. This result was achieved despite the impact of the flood suffered at our fabric printing factory, Standfast & Barracks, in December 2015 and reflects the success of our continued strategic focus on developing our product offering, international expansion, market penetration, lifestyle product extension and investment in manufacturing.

It also reflects an initial contribution from the acquisition in October 2016 of Clarke & Clarke, a fabrics and wallcoverings business with two international brands, Clarke & Clarke and Studio G. This acquisition continues to trade in line with the Board's expectations and is expected to make a material contribution to earnings during the current financial year ending 31 January 2018. We continue to seek further acquisitions to complement our organic growth initiatives.

We were very pleased with the support from both new and existing investors for the equity fundraising of £17.0 million as part-funding for the acquisition of Clarke & Clarke.

The adjusted underlying profit before tax for the year, excluding the LTIP accounting charge and the net defined benefit charge, was £10.4 million (2016: £8.9 million), an increase of 16.9%. The reported financial results include a first-time contribution from Clarke & Clarke of £1.0 million.

The Group's results were impacted by the flood in December 2015 at Standfast & Barracks, though the financial impact has been mitigated by the Group's comprehensive insurance policy. The results include £2.8 million as a result of interim insurance payments for loss of profits.

To date, the Group has received a total of £16.9 million of flood-related insurance payments in respect of damage to business assets, reimbursement of cleaning costs and loss of profits. As previously announced, we will be seeking to negotiate a final settlement of the insurance claim with our insurers and anticipate that a settlement will be agreed in the first half of the current financial year.

The flood halted production at Standfast & Barracks for a period of 16 weeks, thereby removing the Group's internal capacity to print fabric for its own Brands and third party customers. Full production was restored in October 2016 and the Brands were fully restocked by the financial year end.

Total Brand sales, which include Clarke & Clarke, were up 12.8% during the year to £76.6 million, including sales of £7.3 million from the first 18 weeks' ownership of Clarke & Clarke. Like-for-like sales are down due to the flood. The impact of this has been mitigated by insurance reimbursement.

Excluding Clarke & Clarke, total Brand sales for the year were up 2.2% compared with the same period last year, to £69.3 million. In the UK, our largest market, sales were down by 4.0% to £38.4 million, reflecting the impact of the flood. Overseas Brand sales were up 10.0% in reportable currency, up 0.5% in constant currency. Sales in the US, the Group's second largest market, were up 8.3% in reportable currency, down 5.2% in constant currency. In Western Europe, our third largest market, Brand sales were up 22.4% in reportable currency, up 7.9% in constant currency, with strong sales growth in most regions. Sales in the Rest of the World grew 0.3% in constant currency.

During the year we have continued to develop our product offering. We have been pleased with the performance of our Woodland Walk collection from Sanderson, which has been its best-selling collection for several years, and the success of Morris & Co. Pure, a range of classic William Morris designs produced for the first time in neutral colours.

We are particularly pleased with licensing income of £2.6 million, which was up 25.6% in reportable currency, up 13.1% in constant currency. We are continuing to pursue the extension of our product offering through new licensing agreements to take the Company's Brands further into new lifestyle products and geographical territories. We are excited about the future potential for this important contributor to our growth strategy.

Walker Greenbank's vertically integrated high-quality UK manufacturing base, comprising our Loughborough-based wallpaper printing business, Anstey Wallpaper Company, and Lancaster-based fabric printing business Standfast & Barracks, differentiates us from others in our industry.

The flood at Standfast & Barracks resulted in reduced sales and profitability, with total Manufacturing sales down 6.7% compared with the same period last year. The insurance-funded replacement of flood-damaged printing equipment means that the factory is now operating with the latest machinery, increasing our production capacity and capabilities.

FINANCIALS

Total sales increased 5.2% to £92.4 million (2016: £87.8 million) including Clarke & Clarke sales of £7.3 million.

Although statutory profit from operations is down 3.7% to £7.9 million (2016: £8.2 million) due to acquisition, restructuring and reorganisation costs, the underlying profit from operations has increased 19.5% to £9.8 million (2016: £8.2 million).

The total statutory profit after tax was £5.4 million (2016: £5.9 million), and basic adjusted earnings per share were up 14.6% after removing the LTIP accounting charge, net defined benefit charge and non-underlying items.

DIVIDEND

The Directors recommend the payment of a final dividend of 3.06p per share (2016: 2.45p), which will be payable on 11 August 2017 to shareholders on the register on 21 July 2017. This brings the total dividend for the year to 3.61p per share (2016: 2.89p) an increase of 24.9%, reflecting the Board's confidence in the future prospects and the financial strength of the Group.

Dividend per share (pence)

2017	**3.61**
2016	2.89
2015	2.31
2014	1.85

PEOPLE

On behalf of the Board, I would like to thank all of our management and employees for their contribution to another successful year.

A WARM WELCOME TO FIONA HOLMES, MANAGING DIRECTOR FOR BRANDS

Much of Fiona's experience was gained at Marks & Spencer Group plc, where she worked from 1984 to 2006 in a broad range of roles including Director of Children's Wear and General Merchandise Procurement and as Executive Assistant to the CEO.

After more than 20 years at Marks & Spencer, Fiona joined Charles Tyrwhitt as Buying, Merchandising, Marketing and Retail Director before joining N Brown Group plc in 2009.

I was delighted to welcome Fiona Holmes to the Walker Greenbank Board as Managing Director of Brands during the year. Fiona brings a wealth of brand, digital and multi-channel retail experience to the Company. I would like to say a particular thank you to Fiona's predecessor, David Smallridge, for his invaluable contribution during his 15 years of service. I would also like to thank all of the team members at Standfast & Barracks for their huge part in bringing the factory back to full production.

During the year, we continued to strengthen the operational management and organisational structure of the Group, including the appointment of an MD of Manufacturing and a Group HR Director.

OUTLOOK

We began the new financial year with Standfast & Barracks back to full production capacity and our warehouse fully restocked, giving us a strong platform for the year ahead. In addition, we are excited by our recent acquisition of Clarke & Clarke, which marks the next step in our growth strategy.

Brand sales in the first quarter are on an improving trend, though they continue to reflect the flood-constrained product launches in the spring of last year and partially constrained autumn launches. Consequential loss of profits continue to be mitigated by our insurance policy though, as we look ahead, the flood's impact on trading will be reduced. In the first 12 weeks of the current financial year, Brands sales were up 4.4% in reportable currency and up 0.9% in constant currency. Brands sales exclude Clarke & Clarke, which is trading in line with the Board's expectations and is an exciting addition to our product portfolio.

Sales in the year ahead are expected to benefit from the new collections launched this spring, from the continued momentum of our licensing activities and from the significant contribution from Clarke & Clarke. With this backdrop, we remain confident in meeting the Board's expectations for the current financial year.

Terry Stannard
Non-executive Chairman
25 April 2017

CHIEF EXECUTIVE'S STRATEGIC REVIEW

WE ARE PLEASED TO REPORT THAT, IN A CHALLENGING YEAR FOR THE GROUP, WE HAVE CONTINUED TO MAKE GOOD PROGRESS WITH THE IMPLEMENTATION OF OUR STRATEGY.

We are pleased to report that, in a challenging year for the Group due to the significant business interruption suffered as a result of the flood at Standfast & Barracks in December 2015, we have continued to make good progress with the implementation of our strategy, which comprises:

- international expansion;
- market penetration;
- lifestyle product extension;
- British manufacturing capability; and
- acquisitions.

To read more about our strategy go to pages 7 to 17

THE BRANDS

This segment incorporates global trading from our internationally recognised brands and includes our overseas subsidiaries in the US and France. In addition to Sanderson, Morris & Co, Harlequin, Zoffany, Scion and Anthology, the Brands now include Clarke & Clarke and Studio G, which were acquired by the Company in October 2016.

Fiona Holmes joined the Company in October 2016 as Managing Director of Brands, a role in which she has responsibility for all of the brands apart from Clarke & Clarke and Studio G, which operate on a standalone basis. Fiona is playing a key role in further developing and delivering our strategic ambitions.

Total Brands sales increased during the year despite the impact of the flood at Standfast & Barracks. Total Brands sales increased by 12.8% compared with last year to £76.6 million. This included an 18-week contribution from Clarke & Clarke of £7.3 million. Underlying Brands profit from operations increased by 14.3% to £9.2 million. Excluding Clarke & Clarke, total Brands sales were up 2.2% during the year at £69.3 million. In the UK, Brands sales decreased 4.0% to £38.4 million, reflecting the flood along with challenging UK trading conditions.

Sales in the US grew by 8.3% in reportable currency, down 5.2% in constant currency, to £9.2 million and were impacted by the flood. The US is our second largest market and is strategically important, meriting our recent investment in more directly employed sales representatives and an intended investment in our second directly controlled showroom, in Chicago, to add to our recent investment in our flagship showroom in New York.

Brand sales in Western Europe were up 22.4% in reportable currency, up 7.9% in constant currency, to £8.5 million with most regions performing strongly, particularly the Republic of Ireland, up 7.9% in constant currency to £1.9 million. Other highlights include sales in Scandinavia, up 15.8% in constant currency to £2.5 million, and growth in Eastern Europe, up 3.6% in constant currency to £2.3 million.

Global licensing income is a key part of our strategy and an important developing income stream for the Group. It extends our lifestyle offering and gives our brands greater consumer awareness both in the UK and internationally. Income was up 25.6% in reportable currency, 13.1% in constant currency, to £2.6 million. Substantial growth has been achieved by our bedlinen and blinds partners in particular, with range extensions into new product areas and new licensing agreements in the US and China.

HARLEQUIN INCORPORATING SCION AND ANTHOLOGY

Harlequin remains the UK's leading mid-market contemporary brand. Its worldwide sales reduced 1.3% to £31.3 million in reportable currency compared with the same period last year. Sales in the UK decreased by

CLARKE & CLARKE ACQUISITION

We are delighted to acquire Clarke & Clarke and to welcome its two brands into our Brands portfolio. Clarke & Clarke will add significantly to our product offering, customer base and US presence and also create collaborative opportunities.

Clarke & Clarke has a strong track record of growth and its acquisition will be materially enhancing for Walker Greenbank in its first full financial year.

To read more about the acquisition go to page 16

7.2% and were particularly impacted by the flood at Standfast & Barracks. In the US, sales were up 5.3% in reportable currency, down 8.2% in constant currency, and sales in Western Europe have grown 30.6% year on year in reportable currency, 14.9% in constant currency.

The Scion brand has recently celebrated its fifth anniversary and continues to grow well with its fifth collection, Lokho, and its first children's collection, Guess Who, both having been well received. This cutting edge, accessibly priced brand continues to be a success with young, aspirational and fashion-aware customers. Scion has also quickly become established as a valuable brand for licensing partners where the contemporary and graphic nature of the designs translates particularly well.

The Anthology brand, launched in April 2014, also continues to show strong growth. The range now includes five innovative collections of wallcoverings complemented by a growing range of fabrics, which are design-led and aspirational while remaining inherently suitable for contract applications.

ARTHUR SANDERSON & SONS INCORPORATING THE MORRIS & CO. BRAND

Sales were up 4.7% at £22.5 million in reportable currency compared with the same period last year. The flood at Standfast & Barracks continued to impact UK sales, which saw a decline of 1.2% compared with the same period last year. However, sales in the US saw significant growth, up 18.9% in reportable currency, 4.1% in constant currency, and sales in Western Europe were up 16.8% in reportable currency, up 3.1% in constant currency. Sanderson's Woodland Walk collection has been the brand's best-selling collection for several years now and has been universally appreciated as quintessential Sanderson.

The Morris & Co. brand enjoyed a very positive sales performance last year driven by the launch of the Pure Morris collection. This collection interprets William Morris' iconic designs in a new neutral colour palette. This has broadened the brand's appeal, making it more accessible to a wider audience, working equally well in both traditional and contemporary settings.

ZOFFANY

Zoffany is positioned at the upper end of the premium market. Total sales grew by 3.5% compared with the same period last year to £12.2 million in reportable currency. This growth has been driven by sales of recent collections which reflect the focus on design strategy and direction to position the brand for sustained growth. Sales in the US were up 11.9% in reportable currency, down 1.9% in constant currency, and sales in Western Europe were up 12.8% in reportable currency, down 0.4% in constant currency.

CLARKE & CLARKE

Clarke & Clarke's two brands, Clarke & Clarke and Studio G, are at the more affordable end of the market, complementing the Group's existing Brands. Studio G launched its first collection in spring 2016, comprising of four books in a variety of modern styles of which the highlight was Lustro, a book of three glamorous velvet designs, which are practical, competitively priced and widely appealing. Total sales for the first 18 weeks of ownership grew by 6.8% compared with the same period last year to £7.3 million in reportable currency, with performance in line with the Board's expectations.

MANUFACTURING

Our Manufacturing capabilities are one of the Group's key assets and differentiates us from our peer group. They are an integral part of our growth strategy. The flood at Standfast & Barracks had a significant impact on our Manufacturing activities, with the result that total Manufacturing sales fell 6.7% to £32.0 million, leading to a decrease in profits of 58.7% to £1.0 million.

This shortfall has been mitigated by interim insurance payments. The factory has recovered from the flood and is back in full production and the Company's Milton Keynes warehouse was fully stocked with the Company's printed textiles by the financial year end. The construction of flood defences to protect the Standfast & Barracks factory has also been completed.

ANSTEY WALLPAPER COMPANY

Sales at Anstey, our wallpaper printing business, fell 9.1% to £16.9 million. Third party sales in the UK were down 23.3% and third party export sales were down 6.2%. Internal sales to our own Group Brands grew by 9.7%, reflecting a higher level of new product launches compared with the prior year. Sales were impacted by the consequences of the Standfast & Barracks flood but, as the weakness of sterling feeds through, we see a great opportunity to grow sales overseas.

STANDFAST & BARRACKS

Standfast, our fabric printing factory, saw a decrease in sales of 3.7% to £15.1 million as a direct result of the flood in December 2015. Third party sales in the UK fell by 28.9% while sales to our own Group Brands increased by 17.7%.

As a result of the flood, Standfast has experienced a period of significantly disrupted production and loss of stock, machinery and profits. To date we have received £16.9 million in insurance receipts, covering costs plus business interruption losses and interim cash flow requirements, with further business interruption reimbursements expected.

During the period, two of the digital printing machines were replaced with next-generation digital printers with higher throughput and additional capabilities.

SUMMARY

Despite the significant challenges faced as a result of the flood in 2015, I am pleased that we have been able to continue to invest in our Brands both in the UK and internationally.

We have also made significant progress in growing our licensing income, boosting our lifestyle product extension and greater consumer awareness. We have successfully completed our first significant acquisition since 2003 with the purchase of Clarke & Clarke, which will accelerate the Group's market penetration and extend our reach in the US. Furthermore, we have made some key senior appointments which, combined with our ongoing investment in our key UK manufacturing, will help to drive growth in 2017 and help to further develop and deliver our strategic objectives.

John Sach
Group Chief Executive
25 April 2017

BUSINESS MODEL

THE DIRECTORS PRESENT THEIR STRATEGIC REPORT ON THE GROUP FOR THE YEAR ENDED 31 JANUARY 2017

WALKER GREENBANK PLC IS A LUXURY INTERIOR FURNISHINGS COMPANY THAT DESIGNS, MANUFACTURES AND MARKETS WALLPAPERS AND FABRICS TOGETHER WITH A WIDE RANGE OF ANCILLARY INTERIOR PRODUCTS.

The Company's brand portfolio – comprising Sanderson, Morris & Co, Harlequin, Zoffany, Scion, Anthology, Clarke & Clarke and Studio G – spans heritage and contemporary design and its products are sold in more than 85 countries worldwide. The Company derives significant licensing income from the use of its designs in lifestyle products such as bedlinen, rugs and tableware.

DESIGN
Market-leading brands that span archive heritage and contemporary design creatively developed by talented, award-winning in-house designers.

BRITISH MANUFACTURING AND LOGISTICS
Vertically integrated high-quality British manufacturing with a wide range of techniques and significant investment in innovation.

MARKETING
Industry benchmark marketing through significant investment in sampling books, worldwide showrooms, advertising and digital.

LICENSING
Our iconic designs are adored globally and, through our partners, are available across an extensive range of lifestyle products.

SALES CHANNELS
We have a diverse global customer base covering designers, retailers, distributors and commercial contracts with whom we have developed deep relationships.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the Group's activities and the strategy and information regarding the future development of the business are given in the Chief Executive's Strategic Review on page 4, which when taken with the Chairman's Statement, the Chief Financial Officer's Review and the information provided below, together form the Directors' Strategic Report for the year ended 31 January 2017.

STRATEGY

OUR PURPOSE IS TO CREATE BEAUTIFUL, ELEGANT AND INSPIRATIONAL INTERIORS AND WITH A BRITISH MANUFACTURING BASE, WE ARE ABLE TO DIFFERENTIATE OURSELVES FROM OUR MAJOR COMPETITORS.

Rosa wallpaper from Sanderson's Waterperry collection.

Lintu wallpaper from Scion's Noukku collection and the Lintu rug from Scion's collaboration with Brink & Campman.

THE STRATEGY COMPRISES FIVE PILLARS

INTERNATIONAL EXPANSION
Page 8

To focus on the distribution and marketing of our brands in the important US, European and Asia Pacific markets where we see significant potential to grow our existing market share and to invest in the exciting growth opportunities in other international markets.

MARKET PENETRATION
Page 10

To continue to develop our brands in the UK and internationally through the development of new product categories and extension of market positions.

LIFESTYLE PRODUCT EXTENSION
Page 12

To profit from the global recognition of the Group's heritage brands, Sanderson and Morris & Co, and the contemporary design excellence of the Harlequin and Scion brands, by broadening the product range and exploiting the considerable licensing opportunities.

BRITISH MANUFACTURING CAPABILITY
Page 14

To continue to promote our British manufacturing capability through investment in innovative printing techniques and market-leading facilities that provide quality, added-value products to our customers worldwide.

ACQUISITION
Page 16

To actively evaluate acquisition opportunities that fit synergistically with our current brand portfolio with the objective of further advancing our earnings growth.

STRATEGY IN ACTION

INTERNATIONAL EXPANSION

TO BUILD ON THE SUBSTANTIAL GROWTH POTENTIAL FOR THE BRANDS OVERSEAS.

Morris & Co. vinyl flooring from a collaboration with Spicher & Co in the United States.

Lotus wallpaper from Harlequin's Momentum 3 collection and Lotus bedding from a collaboration with Indo Count in the United States.

Inside the USA showroom, New York.

INTERNATIONAL MARKETS

85

WE SELL IN 85 INTERNATIONAL MARKETS

Inside the Paris Déco Off Zoffany pop up, January 2017.

We have a diverse global customer base that provides a broad and ever-widening range of routes to market. We sell in 85 international markets. We operate through wholly owned subsidiaries in the US and France and our own sales operations in Holland and Dubai. Elsewhere around the world, we work either through agents or distributors based in the local markets.

International sales to Western Europe were particularly strong in 2016, with exceptional performance from Sweden with the Morris & Co. brand, hugely successful as a result of the Pure Morris collection. A major focus has been on the unification of accounts, which will deliver greater efficiencies to customers and make us easier to do business with.

Clarke & Clarke has an exclusive distribution agreement with Duralee, one of the largest wholesale fabric distributors in the US, which helps to enhance our international reach, particularly in the US.

Brands revenue by export market (%)

Europe	46.0%
US	32.7%
Far East	10.5%
Middle East	4.3%
Australasia	3.2%
South America	1.5%
Rest of the World	1.8%

STRATEGY IN ACTION

MARKET PENETRATION

DEVELOPMENT OF NEW PRODUCT CATEGORIES AND EXTENSION OF MARKET POSITIONS.

Pure Strawberry Thief wallpaper from Morris & Co.'s Pure Morris collection.

Morris & Co. pop up at John Lewis Oxford Street, March/April 2017.

NEW COLLECTIONS LAUNCHED DURING THE YEAR

56

Louise Collis, Designer for Harlequin experimenting with inks and techniques for the Anthozoa collection.

Diffusion design from Anthology's collection of statement wallcoverings, Definition.

Our design studios are at the heart of everything we do, creating inspiring design concepts for each spring and autumn selling season and developing them into beautifully presented collections of fabrics and wallpapers. In addition to these core activities, our studios work closely to ensure the best possible interpretation of our designs for the development of new product categories and markets.

The acquisition of Clarke & Clarke will accelerate the progression of the Group's market penetration strategy and complement the Group's existing brands.

A selection of fabrics from Clarke & Clarke's Halcyon collection.

Revenue (£m)

2017	**92.4**
2016	87.8
2015	83.4
2014	78.4

STRATEGY IN ACTION

LIFESTYLE PRODUCT EXTENSION

BUILDING ON EXISTING RELATIONSHIPS AND FORMING NEW PARTNERSHIPS BOTH IN THE UK AND INTERNATIONAL MARKETS.

The uplift in activity both with our existing and new partners, following the appointment of a new Licensing Director with dedicated staff in early 2015, began to reap its rewards in 2016.

In addition to growing our product offer and extending our brand positioning with existing partners, 2016 saw the introduction of new product categories, including giftware, kitchenware, kitchen textiles and fashion.

As well as securing product line extensions with almost all of our established partners in the UK, Japan, France, Holland and Australia, new and exciting partnerships have been forged in the US and China, which will expose the brands to a high level of consumer awareness in premium retail spaces.

Beyond conventional licensing partnerships, we are increasingly extending the reach of our brands through further product categories such as cushions and blinds.

New towels featuring Scion's iconic characters, Mr Fox and Spike.

LICENSING INCOME

£2.6m

CONSTANT CURRENCY GROWTH DURING THE YEAR
+13.1%

Floreale rug from Harlequin's collaboration with Brink and Campman.

A glorious array of bold floral cushion designs from Sanderson.

STRATEGY IN ACTION

BRITISH MANUFACTURING CAPABILITY

Callista wallpapers from Harlequin's second collaboration with Clarissa Hulse.

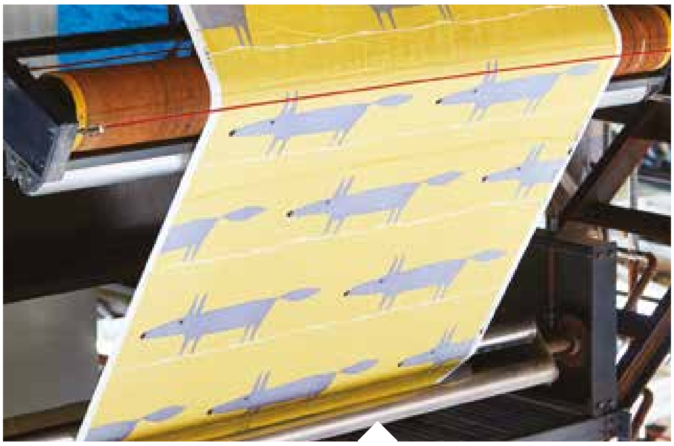
THE UK MANUFACTURING BASE COMPRISING OF THE LOUGHBOROUGH-BASED WALLPAPER PRINTING BUSINESS AND LANCASTER-BASED FABRIC PRINTING BUSINESS, IS A KEY ASSET THAT DIFFERENTIATES US FROM OTHERS IN OUR INDUSTRY.

Innovative printing techniques together with continuing investment in enhanced capacity, capability and efficiency puts us at the forefront of our industry.

The Lancaster factory has been fully restored following the flood in December 2015. Replacement of flood-damaged printing equipment means that the factory is now operating with the latest machinery, increasing our production capacity and capabilities.

We manufacture for the industry, with approximately 55% of our total production being for the Brands' direct competitors.

A Sanderson fabric in the process of being digitally printed.



Scion's Mr Fox fabric in the process of production.

Digital printed fabric sales (£m)

2017	**6.1**
2016	5.6
2015	5.4
2014	3.6

STRATEGY IN ACTION

ACQUISITION

CLARKE & CLARKE WILL ADD SIGNIFICANTLY TO OUR PRODUCT OFFERING, CUSTOMER BASE AND OUR PRESENCE IN THE US MARKET WILL ALSO CREATE COLLABORATIVE OPPORTUNITIES.

A selection of fabrics from the Matador collection, Clarke & Clarke.

A selection of Savannah plains from Clarke & Clarke's Studio G.

Founded in 1999, Clarke & Clarke is a designer and distributor of interior fabrics and wallcoverings under the brands of Clarke & Clarke and Studio G. The brands are at the affordable end of the interior furnishings market and enhance Walker Greenbank Group's international reach, particularly in the US.

Studio G is a fresh new brand which brings design provenance to unique collections that deliver trendy savvy designs and colours at an affordable price. Lively, fashionable and accessible, Studio G is designed with aspirational and fashion-aware customers in mind.

The products are distributed to over 90 countries and have an extensive customer base including home furnishing stores, interior designers and major UK chains.

The acquisition provides revenue growth opportunities, strengthens our sourcing expertise and capabilities and is materially earnings enhancing.

CLARKE & CLARKE POST-ACQUISITION CONTRIBUTION TO REVENUE

£7.3m

CHIEF FINANCIAL OFFICER'S REVIEW

FINAL DIVIDEND UP 24.9% TO 3.06P PER SHARE, GIVING A TOTAL DIVIDEND UP 24.9% AT 3.61P PER SHARE.

INCOME STATEMENT

The Chairman's Statement and Chief Executive's Strategic Review provide an analysis of the key factors impacting revenue and operating profit. In addition to the information on our Brands and Manufacturing divisions included in these reports, the Group has included in note 3 to the accounts further information on our reporting segments. This is the basis on which the Group presents its operating results to the Board of Directors, which is considered to be the Chief Operating Decision Maker ('CODM') for the purposes of IFRS 8.

NON-UNDERLYING

Statutory profit before tax of £6,965,000 (2016: £7,338,000) included non-underlying charges of £2,164,000 (2016: £nil). These charges are analysed below.

	2017 £000	2016 £000
Statutory profit before tax	**6,965**	7,338
Acquisition-related costs	**2,955**	–
Unwind of discount on contingent consideration	**181**	–
Total acquisition-related costs	**3,136**	–
Standfast flood-related costs	**7,165**	3,276
Standfast flood insurance reimbursements	**(9,413)**	(3,276)
Standfast net other income	**(2,248)**	–
Restructuring and reorganisation costs	**1,276**	–
Total non-underlying charges included in profit before tax	**2,164**	–
Underlying profit before tax	**9,129**	7,338
LTIP accounting charge	**756**	924
Net defined benefit pension charge	**527**	685
Adjusted profit before tax	**10,412**	8,947

Acquisition-related costs incurred were in respect of the acquisition of Clarke & Clarke. These include professional fees of £1,552,000; amortisation of intangible assets of £342,000 and a cost of £1,061,000 associated with the fair value adjustment recognised on the inventory as at the date of acquisition. A charge of £181,000 has been recognised in respect of the unwind of the contingent consideration payable for Clarke & Clarke.

Standfast net other income comprises of proceeds of £2,780,000 from the reimbursement of costs to replace impaired plant and equipment, less flood defence costs of £253,000 and additional insurance costs of £279,000 not reimbursed.

Restructuring and reorganisation costs of £1,276,000 reflect the rationalisation of certain operational and support functions. These costs mainly comprise professional fees, employee severance and property costs associated with the reorganisation process.

NET OTHER INCOME

The substantial flooding at Standfast & Barracks resulted in extensive stock and machinery damage as well as a period of disrupted printing, resulting in lost sales revenue. Our Brands business was also impacted by the lack of printing capacity at Standfast, resulting in a loss of profits. We have recovered the costs of machinery loss and other incremental costs together with interim business interruption losses from our insurance providers for the period to 31 January 2017. The insurance claim in respect of losses for future financial years is ongoing.

To date, £16,933,000 cash has been received as interim payments from our insurers of which £518,000 has been recognised and included within accruals and deferred income as at 31 January 2017. In the Income Statement, in addition to the non-underlying net other income described above, a further £2,837,000 has been recognised in underlying net other income which represents business interruption losses for the period to 31 January 2017.

CLARKE & CLARKE ACQUISITION

The acquisition of 100% of the issued share capital of Clarke & Clarke was completed during the year, 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 and 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.

In order to finance the initial cash consideration, a placing of a total of 8,947,369 new ordinary shares of 1p each in the Company was also undertaken. These shares were placed at a price of 190.0 pence per share, raising gross proceeds of approximately £17,000,000.

LONG-TERM INCENTIVE PLAN ('LTIP')

There was a new award of shares during the financial year under the LTIP with vesting conditions half based on Total Shareholder Return ('TSR') with an adjusted profit before tax floor and half based on Earnings Per Share ('EPS') growth. There was a charge of £756,000 (2016: £924,000) in the Income Statement relating to LTIP awards. The charge in the year is lower than last year driven by a reduction in the expected number of shares that will vest in future awards compared with the prior year.

INTEREST

The net underlying interest charge for the year was £186,000 (2016: £179,000) including amortisation of capitalised debt issue costs reflecting higher borrowings as a result of utilisation of £5,000,000 of the Group's existing accordion tranche of its bank facilities following the acquisition of Clarke & Clarke.

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 £527,000 (2016: £685,000). The decrease reflects an increase to the expected return on pension scheme assets.

CURRENT TAXATION

There was a corporation tax charge of £1,445,000 (2016: £1,410,000) which has been impacted by the Clarke & Clarke transaction costs not being eligible for tax relief. The effective tax rate has increased to 23.0% (2016: 20.0%) due to transaction costs and the amortisation of acquired intangible assets being non-deductible for UK corporation tax.

DEFERRED TAXATION

There was a deferred tax charge of £155,000 (2016: £56,000) driven by the intangible assets 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 ('EPS')

Basic reported EPS for the year was 8.55p (2016: 9.79p). 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 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 13.67p (2016: 11.93p).

OPERATING CASH FLOW AND NET DEBT

The Group generated net cash inflow from operating activities during the year of £9,925,000 (2016: £6,324,000) driven by a reduction to the insurance reimbursement debtor compared with the prior year.

Capital expenditure was £6,768,000 (2016: £2,510,000) and includes investment in new next-generation digital printers and other equipment at Standfast & Barracks amounting to £4,627,000 and development costs relating to the design of new collections for the Brands. The depreciation and amortisation charge during the period was £3,191,000 (2016: £2,638,000). During the prior year there was also a property, plant and equipment impairment in respect of the flood of £988,000.

The defined benefit scheme's triennial valuation was formally completed during the financial year. This is based on continuing the current level of deficit repayments but has resulted in a modest extension of one year in the recovery plan.

The Group made additional payments to the pension schemes of £1,374,000 (2016: £1,307,000) to reduce the deficit, part of the ongoing planned reduction, along with £392,000 (2016: £380,000) of pension fund scheme expenses.

Income tax and national insurance of £664,000 (2016: £967,000) that arose on the vesting of an LTIP award was paid during the year.

The Group had net debt at the year end of £5,309,000 (2016: net funds £2,306,000). Average debt during the year varies due to the timing and seasonality of revenues and investment in product. The average monthly net debt decreased by £881,000 to £3,040,000 (2016: £3,921,000) as a result of the Group starting the financial year with net funds which reduced the need to utilise the bank facilities.

The Group utilises facilities provided by Barclays Bank PLC. There is a term property facility of £200,000 (2016: £600,000) at the year end expiring in July 2017. In December 2015, the Group entered into a new £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 substantial headroom for future growth. There were £7,500,000 borrowings at the end of the year for the revolving facility (2016: £nil). Under these facilities there was borrowing headroom of £12,391,000 (2016: £15,405,000). The total facilities have a current limit of £22.70 million (2016: £23.10 million).

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

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

PENSION DEFICIT

The pension deficit has increased this year. The increase in liabilities is a result of a lower discount rate being applied due to a reduction in the bond rates. The impact of these factors is shown as follows:

	2017 £000
Deficit at beginning of the year	**(4,313)**
Scheme expenses	**(392)**
Interest cost	**(2,199)**
Expected return on plan assets	**2,064**
Contributions	**1,766**
Return on scheme assets	**8,107**
Actuarial loss from the change in discount factor	**(12,615)**
Experience adjustments on benefit obligation	**169**
Gross deficit at the end of the year	**(7,413)**

DIVIDENDS

During the year, the Group paid a final dividend for the year ended 31 January 2016 of 2.45p per share and an interim dividend of 0.55p per share.

The Directors have recommended the payment of a final dividend of 3.06p per share (2016: 2.45p) which will be payable on 11 August 2017 to shareholders on the register on 21 July 2017. This brings the total dividend for the year to 3.61p per share (2016: 2.89p), an increase of 24.9%.

GOING CONCERN

The Directors are confident, after having made appropriate enquiries, that the Group and Company have adequate resources to continue trading for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the 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 and 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. There is no hedging liability (2016: £26,000 liability) at the end of the year in relation to US dollar forward contracts. There is no liability (2016: £nil) arising from US dollar and euro swaps used 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 aging 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 £65,000 (2016: £241,000) which is a collective assessment of the risk against non-specific receivables.

Mike Gant
Chief Financial Officer
25 April 2017

KEY PERFORMANCE INDICATORS

THE KPIs FOR THE BUSINESS ARE PRIMARILY FINANCIAL.

Group revenue (£m)

2017	**92.4**
2016	87.8
2015	83.4
2014	78.4

Total current year revenue.

Revenue growth (%)

2017	**5.2**
2016	5.4
2015	6.3
2014	3.6

Growth is the total current year revenue as a percentage of the previous year's revenue.

Group adjusted underlying operating margin (%)

2017	**11.5**
2016	10.4
2015	10.0
2014	9.6

Underlying operating profit adjusted for the accounting charge relating to the share-based incentive plan, expressed as a percentage of revenue.

Average gearing (%)

2017	**5.9**
2016	11.1
2015	15.3
2014	15.6

Average net debt for the year divided by total equity.

Adjusted underlying EPS (pence)

2017	**13.67**
2016	11.93
2015	11.64
2014	11.30

Underlying earnings adjusted for accounting charges relating to the share-based incentives, defined benefit charge and non-underlying items, less tax at the effective rate, divided by the weighted average number of shares in issue during the year.

Year end gearing (%)

2017	**(10.4)**
2016	6.5
2015	0.0
2014	(5.6)

Year end net (debt)/funds divided by total equity.

PRINCIPAL RISKS

THE GROUP HAS PUT IN PLACE AN ONGOING PROCESS TO IDENTIFY, MONITOR AND MANAGE THE RISKS FACED BY THE GROUP. RISKS ARE RANKED ACCORDING TO THEIR POTENTIAL FINANCIAL IMPACT AND PROBABILITY. THE BOARD REGULARLY REVIEW THE RISKS FACED BY THE GROUP.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the internal controls and risk management and no significant failings in control were found.

There are general business risks faced by the Group that are comparable to those faced by most other businesses. General business risks include:

- Marketplace – changes in the economic environment, weakening of the eurozone and changes in consumer discretionary spending.
- Financial – availability of bank borrowing and costs of borrowing, taxation and pension fund liability.
- Operational – market penetration, international expansion and information security (IT systems and cyber risk).

In addition, there are a number of more specific risks which are more relevant to Walker Greenbank and the industry in which we operate. These risks are principal risks and uncertainties facing the Group that are material to our strategy.

EMPLOYEES

The Group is a responsible employer, compliant with all relevant human resources and health and safety regulations. The Group keeps its employees informed on matters affecting them and on the progress of the Group by way of informal meetings and consultation with employees' representatives.

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

ENVIRONMENT

Both factories have environmental policies and actively seek to reduce their impact on the environment through responsible sourcing of raw materials, responsible waste handling and recycling where economically viable, and emissions monitoring in accordance with environmental permits.

Third party suppliers to the Brands are issued a set of quality and operational standards to which they are expected to adhere, which includes their confirmation that they conduct their business within all applicable laws with regard to human rights, pay, working conditions and health and safety.

This report was approved by the Board of Directors on 25 April 2017 and signed on its behalf by

John Sach
Group Chief Executive

VIABILITY STATEMENT

The Group meets its day-to-day working capital requirements through its bank facilities of up to £12.5 million. The Group's forecasts, taking into account the Board's future expectations of the Group's performance, indicate that there is sufficient headroom within these bank facilities and the Group will continue to operate well within the covenants attaching to those facilities. The Directors' assessment has been made with reference to the resilience of the Group and its strong financial position, the Group's current strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as described in the Strategic Report.
An assessment period of three years has been chosen as it is consistent with the Board's strategic review of the Group's strategy at which the prospects of each business are discussed; assumptions are made regarding entering into new markets and geographies, about future growth rates of the existing businesses and potential acquisitions and about the acceptable performance of existing businesses. Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

RISK	CHANGE	CONTROLS TO MITIGATE
MARKETPLACE		
Trading environment The Group operates in major international markets which have experienced headwinds and there is ongoing uncertainty around the economic outlook for some markets. Given that our products may be viewed as discretionary, there is a risk that these are impacted by consumer confidence. Change in consumer trends in interior decoration.	↑	The Group continues to focus on strong cost control to try to ensure that it remains well positioned to deal with an uncertain environment. Focus on product diversification through licensing opportunities as well as geographic expansion to strengthen our product offering. The Group offers a well-balanced, diverse product range to meet the demands of different customers. The recent acquisition of Clarke & Clarke, which is at the affordable end of the market, accelerates the Group's market penetration strategy. The Group is broad based, carries out consumer research and the design teams constantly monitor trends within and outside our marketplace.
Competition The Group operates in markets that are highly competitive.	→	The Group has sought to differentiate itself through high-quality luxury products and continues to develop new product categories and extension of market positions. We have continued to invest in our British manufacturing sites through innovative printing techniques and market-leading factories to provide quality, added-value products. There is focus on product extension through global recognition of the Group's heritage brands and the contemporary design excellence, broadening the product range and exploring worldwide licencing opportunities. The Group's focus is on international expansion through the distribution and marketing of our brands in the important US, European and Asia Pacific markets. Our recent acquisition of Clarke & Clarke has helped to enhance our international reach, particularly in the US. We are continuing to make progress with consumer e-commerce development and gaining greater consumer insight.
FINANCIAL		
Foreign exchange A large proportion of the Group's activities and earnings are denominated in US dollars and euros, giving rise to foreign currency exposure.	↑	The Group hedges a portion of revenue and earnings to minimise exposure to foreign exchange losses. Increasing exchange rate volatility may have an adverse effect on balance sheet and/or profit and loss account. The recent reduction in the value of sterling and ongoing currency fluctuations as a result of Brexit will lead to higher input costs; however, we are taking actions to reduce some of this impact. Our manufacturing businesses are likely to become more competitive, helping exports.
OPERATIONAL		
Recruitment and retention of key employees The Group is reliant upon a number of key employees to design, manufacture and sell its products.	→	The Group's employees are its key asset. The depth of their experience is a real benefit to the business. In recognition of this, the Group has developed programmes to help attract and retain employees and encourage personal development across all levels. In addition, the Group offers competitive remuneration packages including long-term incentive schemes designed to retain key individuals and during the year has appointed a Group HR director.
Reputation risk The Group prides itself on the high quality of its product range.	→	There is ongoing emphasis on high quality control throughout the various stages, right from manufacturing through to delivery of the finished product and customer satisfaction. The Group has invested in customer market research which has helped to identify further areas of improvement. There is regular monitoring at the monthly Board meetings of the Group's image and reputation.
Acquisition risk Acquiring the wrong company or at the wrong price would impact our financial return and any benefits from the acquisition, as well as causing disruption to other business activities.	→	Management actively evaluate acquisition opportunities that fit synergistically with our brand portfolio. We have a rigorous pre-acquisition due diligence process which seeks to evaluate each opportunity. Close monitoring of the integration of any acquisition would take place to ensure planned revenue and cost synergies are realised to enable further earnings growth. Sound project discipline would be implemented in the event of an acquisition and would be resourced by dedicated and appropriately qualified personnel to ensure minimum disruption to our core business activities. The recent acquisition of Clarke & Clarke was completed following a thorough due diligence process and involved a significant number of professional advisers. Trading performance for the first 18 weeks of ownership has been in line with expectations. Risks are further mitigated through the retention and appropriate incentivisation of acquisition targets' senior management. Where appropriate, the consideration is structured to include deferred and contingent elements which are dependent on financial performance for a number of years following completion of the acquisition.
Major incident or disaster such as fire/flood An incident affecting one or more of the Group's key locations could significantly impact its operations.	↓	Business continuity and disaster recovery plans are regularly reviewed to ensure the uninterrupted operation of the Group's core business operations. Business continuity plans are in place to manage the impact of such an event and insurance cover mitigates the financial consequences. The segregation of the Group's central warehousing facility with two warehouses has helped to mitigate risk to stock. Flood defence measures have been installed at the Lancaster production site.

↑ Increased ↓ Decreased → Unchanged

BUSINESS UNITS OVERVIEW

THE BRANDS SEGMENT INCORPORATES GLOBAL TRADING FROM OUR INTERNATIONALLY RECOGNISED BRANDS INCLUDING OUR OVERSEAS SUBSIDIARIES IN THE US AND FRANCE.

TOTAL BRANDS SALES INCREASED BY 12.8% COMPARED WITH LAST YEAR TO £76.6 MILLION AS A RESULT OF CONTINUED INVESTMENT IN DESIGN, MARKETING AND DISTRIBUTION, AND FROM NEW PRODUCT LAUNCHES.

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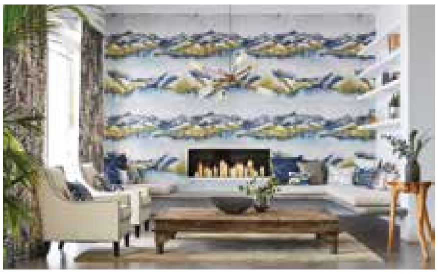
THE ORIGINAL MORRIS & Co Page 26

ZOFFANY Page 27



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ANSTEY WALLPAPER COMPANY Standfast & Barracks Fabric Printing Company Page 31

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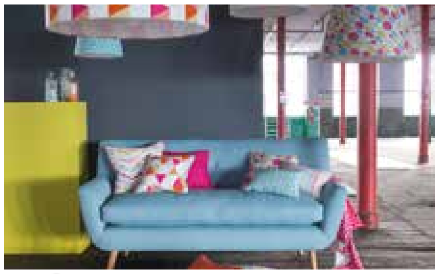


STUDIO G Page 33

Sanderson

TIMELESSLY ELEGANT PRODUCTS THAT CELEBRATE THE ENGLISH COUNTRYSIDE

Founded in 1860 and granted the Royal Warrant in 1923, Sanderson is one of the most renowned interiors brands worldwide. Sanderson is famous for its signature style that is informed by its heritage and designed for modern living. Combining classic, country-inspired, hand-drawn patterns with fresh vibrant colours, its products bring a timeless and easy elegance to family life. The ‘Woodland Walk’ collection launched in 2016 was a standout success, with its beautifully drawn nature-inspired patterns in their ‘Potting Shed’ colours. The early indicators are that the ‘Art of the Garden’ collection launched in January 2017 will enjoy a similar outcome.

THE ORIGINAL
MORRIS & Co

BEAUTIFULLY CRAFTED PRODUCTS THAT UPHOLD THE LEGACY OF WILLIAM MORRIS

Steeped in history, Morris & Co. dates back to 1861 when the acclaimed designer William Morris founded his first company. As custodians of the original company, Morris & Co. today preserves its unique Arts and Crafts heritage within its modern interpretations. Designs are often inspired by their extensive Morris & Co. archive, which houses historical log books, samples of every wallpaper, printed and woven textiles and the original wooden printing blocks. The 'Pure Morris' range is in perfect harmony with Morris' values of craftsmanship and expertly executed patterns, recognising that as an interior designer he created rooms with honesty and simplicity. Harnessing this spirit, 'Pure Morris' present his iconic designs in a pared back, neutral palette, while maintaining the intricacies of the originals.

ZOFFANY

LUXURIOUS DESIGN, ARTFULLY CRAFTED TO THE HIGHEST STANDARDS

Fusing luxury and art, Zoffany is one of the fastest growing and respected brands in premium interiors. Drawing on the Zoffany archive, innovative technology and contemporary design, the Zoffany collection of fabrics, wallcoverings, paints and furniture pieces are celebrated for their artistry, integrity and authenticity. In the design process, all artwork is developed by hand. Each yarn, each brushstroke and each technique is meticulously considered, resulting in exquisitely crafted, unique fabrics and wallpapers. Used by interior designers and architects all over the world, Zoffany's designs are captivating and effortlessly sophisticated. Early pioneers of digital printing and paper-backed fabric wallcoverings, the studio push the boundaries to create products that are truly individual.

HARLEQUIN

A FASHION STATEMENT FOR THE HOME

By mixing innovative production techniques with ambitious, uninhibited design, Harlequin has earned a global reputation as a trend-leading brand. Harlequin brings together high-quality collections with vivacious colours, innovative textures and catwalk-inspired designs. Early indicators of the new 'Momentum' launch for spring 2017 show that this hugely anticipated sequel will not disappoint. First launched in 2011, Momentum is a highly successful range of collections within the Harlequin brand. Its iconic, hotel-chic fabrics and wallcoverings are now firmly established as trend-setters within the premium interiors world.

scion

FUN AND PLAYFUL BRITISH DESIGNS THAT BRING A SMILE TO THE EVERYDAY

Scion is an upbeat brand for everyone, with zesty colours, clean Scandi-inspired designs and fresh ideas for modern living. Launched to great acclaim in spring 2012, Scion celebrates its fifth birthday in 2017 and is already a market leader. Accessibly priced, Scion collections are full of fun and have a sense of spontaneity. From Scion's very first collection, 'Melinki', the 'Mr Fox' design took to the spotlight and quickly became the iconic design of the brand. Today you'll find Mr Fox, his new friend Spike and many other Scion designs popping up on bedlinen, rugs, towels, tableware and bathroom accessories.

ANTHOLOGY

CUTTING-EDGE DESIGN FOR DYNAMIC METROPOLITAN SPACES

Launched in spring 2014, Anthology is the first ever Walker Greenbank brand dedicated to design products aimed at the contract market. Fuelled by a passion for challenging convention and producing state-of-the-art designs, Anthology collections are designed to evoke sleek, contemporary spaces. Originally presenting a compendium of innovative wallcoverings, Anthology's creative finishes, subtle textures and sophisticated complexity easily caught the eye of interior designers and hotel groups worldwide. Capitalising on this success, Anthology introduced a collection of edgy, urban fabrics in 2016.

ANSTEY
WALLPAPER COMPANY

Anstey Wallpaper Company is the world's leading specialist commission printer of wallcoverings. The business operates at the premium end of the market, offering a unique combination of gravure, rotary, flexo, surface print and hand screen printing methods.

As well as producing for the Walker Greenbank brands it also produces for many third party customers in the UK and overseas. Anstey continues to invest in innovative techniques, including a scatter machine to produce exciting new texture effects and most recently in wide-width digital printing.

Standfast & Barracks
Fabric Printing Company

Standfast & Barracks has a heritage stretching back almost 90 years and is acknowledged as a worldwide leader in its field, using a variety of conventional rotary and flatbed screen printing techniques to produce beautiful prints for many of the world's finest design-led home furnishings and apparel brands.

A programme of investments in the latest CAD and printing technology has positioned Standfast at the forefront of the digital revolution in fabric printing with a rapidly expanding customer base around the world.

CLARKE & CLARKE

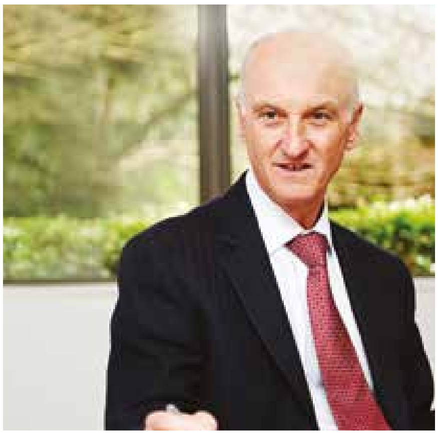
ACQUIRED BY WALKER GREENBANK IN 2016, CLARKE & CLARKE WAS FOUNDED IN 1999 BY HUSBAND AND WIFE TEAM, LEE AND EMMA CLARKE

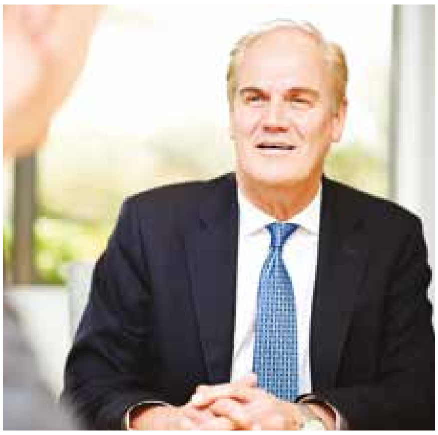
Clarke & Clarke's creative vision began with an ambition to create products that would inspire both consumers and interior designers, underpinned by impeccable service. Seventeen years on, the company distributes fabrics and wallcoverings to over 90 countries and their energy and enthusiasm has certainly delivered against their ambition to provide quality, innovation and excellence in customer service. For 2017, Clarke & Clarke will launch a number of collections taking inspiration from many styles, including arts and crafts, English country style, English cottage gardens, Nordic folklore and Spanish culture, augmented by a range of plains in linen and chenille.

FRESH, MODERN AND STYLISH, STUDIO G IS A NEW BRAND OF CONTEMPORARY FABRICS CREATED BY THE DESIGN TEAM AT CLARKE & CLARKE

Designed with aspirational, fashion-conscious customers in mind, Studio G brings their interpretation of the latest trends in the seasons' key colours at an affordable, accessible price without compromising on the quality that customers have come to expect from the Clarke & Clarke studio. The latest collections for 2017 are: 'Batik', 'Graphica', 'Linum' and 'Savannah'.

BOARD OF DIRECTORS





	Terry Stannard Non-executive Chairman	John Sach Group Chief Executive Officer
TERMS OF APPOINTMENT	Terry joined the Board as a Non-executive Director in September 2007 and became Non-executive Chairman on 31 January 2009. He has particular expertise in international brand-based businesses. From a marketing background he went on to run businesses in Asia Pacific and Europe at United Biscuits plc, was a divisional CEO at Hillsdown Holdings plc and CEO at Terranova Foods plc and Uniq plc. Since 2001, he has held a wide range of non-executive chair and director appointments at both quoted and unquoted businesses.	John is a Chartered Management Accountant who joined the Group in 1994 as Group Financial Controller and was appointed to the Board as Group Finance Director in 1999. He was appointed Group Chief Executive Officer in May 2004.
COMMITTEE MEMBERSHIP	Audit Committee Remuneration Committee Nomination Committee	Nomination Committee

Caroline Geary
Company Secretary

Caroline joined the Group in 2000. She is a Chartered Secretary, and was appointed Company Secretary in 2012.

Fiona Holmes
Managing Director – Brands

Fiona joined the Group in October 2016 as Managing Director of the Brands business and was appointed to the Board. She brings a wealth of brand and multi-channel retail experience, gained in a broad variety of roles at Marks & Spencer plc, Charles Tyrwhitt Ltd and N Brown Group plc.

Mike Gant
Chief Financial Officer

Mike is a Chartered Management Accountant with an MBA from Nottingham Business School who joined the Board in 2014.
He brings a breadth of international, financial and brand experience to the Company from his previous roles at Bass plc, Marstons plc, Geest plc, Constellation Brands Inc, and Britvic plc.

Fiona Goldsmith
Non-executive Director

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

Audit Committee
Remuneration Committee
Nomination Committee

REPORT OF THE DIRECTORS

The Directors submit their Annual Report together with the audited financial statements of the Company and its subsidiary undertakings ('the Group') for the year ended 31 January 2017.

GROUP RESULT
The profit before taxation amounted to £6,965,000 (2016: £7,338,000), and profit after tax of £5,365,000 (2016: £5,872,000).

DIVIDEND
The Directors recommend payment of a final ordinary dividend of 3.06p per share, amounting to £2,128,131 (excluding dividends on shares held by the employee benefit trust) which will be recognised in the financial statements for the following year (2016: 2.45p per share). Subject to shareholders' approval at the Annual General Meeting ('AGM') the final dividend is expected to be paid on 11 August 2017 to shareholders on the register at 21 July 2017. An interim dividend of 0.55p per share was paid during the year.

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

BUSINESS REVIEW AND FUTURE DEVELOPMENTS
A review of the principal activities during the year and likely developments of the business is contained in the Strategic Report. A description of the Group's exposure and management of risks is provided in the Strategic Report on pages 22 to 23.

FINANCIAL RISK MANAGEMENT
Details of the Group's financial risk management objectives and policies are contained in the Strategic Report on page 22 and in note 2 to the financial statements.

RESEARCH AND DEVELOPMENT
The Group continues to invest in its products to retain and enhance its market position. Details of the Group's expenditure on collection design development costs are set out in note 15 of the financial statements.

DIRECTORS
The Board of Directors who served during the year ended 31 January 2017 and up to the date of reporting were as follows:

Terry Stannard	Non-executive Chairman
Fiona Goldsmith	Non-executive Director
John Sach	Chief Executive Officer
Mike Gant	Chief Financial Officer
Fiona Holmes	Managing Director (Brands) – appointed 31 October 2016
David Smallridge	Managing Director (Brands) – retired 31 January 2017

Details of the Directors' service contracts are set out in the Directors' Remuneration Report on pages 40 to 43, together with details of their interests in the ordinary shares of the Company. Biographical details are set out on pages 36 and 37.

DIRECTORS' INTERESTS IN MATERIAL CONTRACTS
None of the Directors had any material interest in any contract during the year which was significant to the business of the Group.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE
The Group maintains liability insurance for its Directors and officers.

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

POLITICAL DONATIONS
The Group has not made any political donations (2015: nil).

ANNUAL GENERAL MEETING
At the forthcoming AGM, Fiona Holmes will stand for election following her appointment since the last AGM. Mike Gant will retire by rotation and being eligible, will offer himself for re-election.

The AGM will be held on 21 June 2017 as stated in the Notice of Meeting separately distributed to shareholders.

SHARE CAPITAL
The Company's issued capital consists of 69,551,678 ordinary shares with a nominal value of 1p each with each share carrying the right to one vote and the right to distributions from dividends or on winding up of the Company. There are no restrictions on the transfer of securities. In October 2016 the Company conducted an equity placing of 8,947,369 new ordinary 1p shares at a price of 190.00 pence per share, a discount of 10%, to raise a total of £17,000,000 before expenses. The proceeds from the equity placing were used to partly fund the acquisition of the Clarke & Clarke business. Further detail is given in notes 27 and 33 of the consolidated financial statements.

DIRECTORS' AUTHORITY TO ISSUE AND PURCHASE SHARES
At the AGM in 2015, the Directors were authorised to allot ordinary shares up to a nominal value of £197,216 and were further authorised to make market purchases of up to 5,976,256 of the Company's ordinary shares. No purchases of Company shares were made during the year. Details of shares allotted during the year are shown in note 27 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDINGS
As at 7 April 2017, the Company is aware of the following substantial shareholdings in its ordinary share capital. The percentages are calculated from the 69,551,678 ordinary 1p shares allotted, called and fully paid up. Comparatives at 7 April 2016 are shown.

Octopus Investments 13.32% (2016: 13.15%), Schroder Investment Management 12.51% (2016: 11.71%), Investec Wealth & Investment 12.49% (2016: 13.83%), Blackrock Investment Management 6.86% (2016: 6.96%), Rathbones 3.37% (2016: 3.59%), Brown Shipley Asset Management 3.33% (2016: 3.18%), Royal London Asset Management 3.24% (2016: 4.05%), Killick & Co 3.22% (2016: 2.63%).

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section of the Annual Report, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

By order of the Board

Caroline Geary
Company Secretary
25 April 2017

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX

Registered number: 61880

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

As a company listed on the Alternative Investment Market ('AIM'), the Company is not required to comply with the Directors' Remuneration Report requirements set out in Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 ('the Regulations'). However, while the Company is not required to comply with the Regulations, the Company has used them as guidance and voluntarily presents selected disclosures in this report, where relevant and appropriate.

REMUNERATION COMMITTEE

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

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

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

The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice from external advisers when it considers it is appropriate. Aon Hewitt was retained during the financial year to provide independent advice to the Committee where required.

REMUNERATION POLICY

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

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

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

BASIC SALARY AND BENEFITS IN KIND

Salary is normally reviewed annually in February, or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary, including Group and individual performance, market levels of, and trends in, executive remuneration and relative pay levels within the Group.

In addition to basic salary, each Executive Director is provided with health care benefits.

ANNUAL PERFORMANCE-RELATED BONUS

Each Executive Director's remuneration package includes a performance-related bonus.

The maximum bonus potential was 100% of basic salary for the year ended 31 January 2017. Payouts are based on profit targets and performance against individual objectives. Details of the bonus awards for 2016/17 are set out on page 39.

LONG-TERM INCENTIVE PLAN ('LTIP')

The Company operates the Walker Greenbank Long-Term Incentive Plan ('LTIP') as its primary senior executive incentive arrangement. The LTIP was approved by shareholders at the 2015 Annual General Meeting. The LTIP seeks to motivate and retain Executive Directors and other senior management within the Group, to enable them to potentially benefit from delivering above-market Total Shareholder Return ('TSR') and earnings growth. The key terms of the LTIP are as follows:

- the LTIP has a maximum annual limit of 150% of basic salary;
- awards are normally granted in May each year. In 2016, the highest grant equated to a maximum of 150% of basic salary;
- awards are normally structured as nil cost options;
- awards only vest (i.e. become exercisable) subject to continued service and to the extent that relevant performance conditions are met.

The 2017 grant will again be a three-year measurement with the performance conditions based on a combination of TSR and EPS. This combination rewards both earnings growth and relative stock market performance and is consistent with market practice in the FTSE All-Share.

A summary of the performance conditions attaching to outstanding awards can be found on page 40. To the extent that these performance conditions are not met at the end of the vesting period, the options will lapse.

DILUTION

All equity-based awards are subject to an overall limit on the number of new shares issued of 10% within any 10-year period. The current dilution against this limit is 2.9%.

PENSIONS

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

John Sach, David Smallridge, Fiona Holmes and Mike Gant are members of a Group Flexible Retirement Plan ('the Plan') sponsored by the Group. Part way through the year, due to HMRC changes in tax relief, the Remuneration Committee agreed a cash allowance in lieu of pension contribution, for those who wished to opt out of the Plan. For the purposes of determining employer contributions to that scheme, annual performance-related bonuses are not included in the pensionable pay of the Executive Directors.

DIRECTORS' CONTRACTS

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

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

NON-EXECUTIVE DIRECTORS

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

DIRECTORS' DETAILED EMOLUMENTS

Year to 31 January 2017	Salary £000	Annual bonus £000	LTIP awards £000	Benefits in kind £000	Pension contribution £000	Cash allowance in lieu of pension contribution £000	2017 Total £000
Executive Directors							
J Sach	**261**	**105**	**440**	**2**	**6**	**28**	**842**
M Gant	**213**	**85**	**0**	**2**	**5**	**23**	**328**
D Smallridge	**110**	**25**	**315**	**1**	**14**	**–**	**465**
F Holmes (from 31.10.16)	**71**	**15**	**–**	**1**	**–**	**11**	**98**
Non-executive Directors							
T Stannard	**70**	**–**	**–**	**–**	**–**	**–**	**70**
F Goldsmith	**32**	**–**	**–**	**–**	**–**	**–**	**32**
	757	**230**	**755**	**6**	**25**	**62**	**1,835**

Year to 31 January 2016	Salary £000	Annual bonus £000	LTIP awards £000	Benefits in kind £000	Pension contribution £000	Cash allowance in lieu of pension contribution £000	2016 Total £000
Executive Directors							
J Sach	258	156	716	2	35	–	1,167
M Gant	210	127	0	1	32	–	370
D Smallridge	185	105	567	1	28	–	886
Non-executive Directors							
T Stannard	69	–	–	–	–	–	69
F Goldsmith	32	–	–	–	–	–	32
	754	388	1,283	4	95	–	2,524

The majority of the annual bonus payable was linked to achievement of operating profit, with a small percentage based on achievement of personal performance objectives.

DIRECTORS' REMUNERATION REPORT
CONTINUED

DIRECTORS' PENSION ENTITLEMENTS

Accrued annual pension benefits for John Sach at the year end were £14,593 (2016: £14,506).

DIRECTORS' SHARE INTERESTS

The interest of the Directors and their families in the shares of the Company at the beginning and end of the financial year were as follows:

	1p ordinary shares 31 January 2017 Number	1p ordinary shares 31 January 2016 Number
T Stannard	**80,526**	70,000
F Goldsmith	**52,894**	45,000
J Sach	**1,939,820**	1,800,877
D Smallridge	**1,248,435**	1,161,150
M Gant	**17,105**	0
F Holmes	**0**	0

There have been no changes in the interests set out above between 31 January 2017 and 26 April 2017.

DIRECTORS' LTIP AWARDS

	Date of grant	Share price at grant	Maximum awards at 1 February 2016	Granted in year	Exercised in year	Lapsed in year	Maximum awards at 31 January 2017
J Sach	16/05/2013	111.5p	274,897		229,883	45,014	0
	28/05/2014	187.0p	168,827				168,827
	26/05/2015	197.0p	163,461				163,461
	01/12/2016	204.5p		171,132			171,132
			607,185	171,132	229,883	45,014	503,420
D Smallridge	16/05/2013	111.5p	196,938		164,689	32,249	0
	28/05/2014	187.0p	120,949				120,949
	26/05/2015	197.0p	117,105			39,035	78,070
			434,992		164,689	71,284	199,019
M Gant	28/05/2014	187.0p	152,406				152,406
	26/05/2015	197.0p	159,898				159,898
	01/12/2016	204.5p		167,395			167,395
			312,304	167,395			479,699
F Holmes	01/12/2016	204.5p		103,075			103,075
				103,075			103,075

The LTIP awards granted in 2013 vested on 16 May 2016.
The performance conditions attached to this award were based both on compound growth in adjusted EPS* and relative TSR against a comparator group of AIM companies. The comparator group chosen was the AIM companies ranked 101 to 200 by market capitalisation as at the day preceding the respective date of grant. The performance of the Company over the three-year measurement period resulted in a vesting level of 83.625% of the total awards granted. The share price on the vesting date was 191.5p.

The performance conditions for the 2014 and 2015 awards are based both on compound growth in adjusted EPS* and relative TSR against a comparator group of AIM companies. The comparator group chosen was the AIM companies ranked 101 to 200 by market capitalisation as at the day preceding the respective date of grant, and the relevant TSR measurement is on a sliding scale, with no vesting until the Company reaches at least median position within the comparator group.

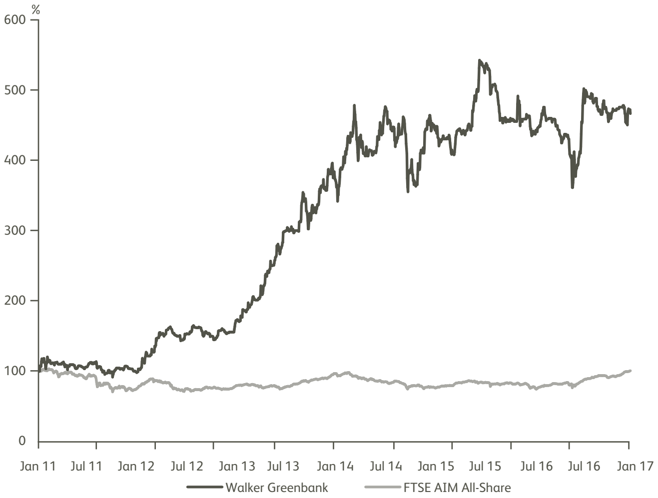
The performance conditions for the 2016 awards are also a mixture of compound growth in relative TSR against a comparator group of AIM companies, and an EPS measurement, with the EPS element based on an absolute adjusted EPS* for the period ending 31 January 2019.
The comparator group chosen was the AIM companies ranked 101 to 200 by market capitalisation as at the day preceding the respective date of grant, and the relevant TSR measurement is on a sliding scale, with no vesting until the Company reaches at least median position within the comparator group.

The 2014, 2015 and 2016 LTIP awards will vest subject to continued service and the extent to which relevant performance conditions are achieved.

* Adjusted for accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items.

The share price reached a high of 217.5p and a low of 159.5p during the financial year ended 31 January 2017. The average share price during the financial year was 200.1p. The share price on 1 February 2016 was 195.0p and on 31 January 2017 it was 202.5p.

Total Shareholder Return index for the five financial years ending 31 January 2017



APPROVAL

This report was approved by the Directors and signed by order of the Board:

Caroline Geary
Company Secretary
25 April 2017

CORPORATE GOVERNANCE STATEMENT

As a company listed on the Alternative Investment Market ('AIM'), the Company is not required to issue a Corporate Governance Statement of Compliance with the principles and provisions of the UK Corporate Governance Code ('the Code'); however, the Company voluntarily presents disclosures that reflect the extent of the Company's application of the Code.

CHAIRMAN'S STATEMENT

The Board supports the principles and aims of the Code. Good governance reduces risk and adds value to our business. Delivering growth and long-term shareholder value with effective and efficient decision making is of high importance to the Board.

THE BOARD

The Company is supervised by the Board of Directors. The Board comprises three Executive and two Non-executive Directors. There is a clear division of responsibilities between the Chairman, who is responsible for the effective leadership and smooth running of the Board, and the Chief Executive Officer who, with the other Executive Directors, is responsible for the running of the Company.

THE DIRECTORS

The Board of Directors who served during the year ended 31 January 2017 and their attendance at meetings is shown in the adjacent table. Biographical details of the current Board are given on pages 34 and 35.

BOARD PROGRAMME

The Board meets at least eight times each year in accordance with its scheduled meeting calendar and the attendance by each Board member at scheduled meetings is shown in the adjacent table.

THE ROLE OF THE BOARD

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major capital expenditure projects; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting.

Senior executives below Board level attend Board meetings where appropriate to present business updates.

Board meetings throughout the year are held at the Company's various sites giving, in particular the Non-executive Directors, access to the manufacturing sites to gain a greater understanding of the Group's activities.

INDEPENDENT ADVICE

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary.

BOARD COMMITTEES

The Board has Remuneration, Audit and Nomination committees, each of which has written terms of reference which are available on the Company's website. The Company Secretary acts as secretary to the committees. The Board is satisfied that the committees discharged their responsibilities appropriately.

ATTENDANCE AT MEETINGS OF THE BOARD AND ITS COMMITTEES

	Board	Nomination Committee	Remuneration Committee	Audit Committee
T Stannard	13	2	4	3
F Goldsmith	13	2	4	3
J Sach	13	2		
M Gant	13			
D Smallridge	11			
F Holmes	3			

The Board scheduled eight meetings during the year and additional meetings were convened to deal with specific matters and approval of the financial results.

INDEPENDENT DIRECTORS

The Board considers, after careful review, that the Non-executive Directors bring an independent judgement to bear. All Non-executive Directors have contracts which contain six-month notice clauses. These are available for inspection at the Company's registered office and at the Annual General Meeting ('AGM'). All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association and the principles of the Code. The Non-executive Directors continue to retire for re-election at least every third year and their other time commitments are reviewed regularly. Further details of each of the independent Directors are set out on page 34.

All Directors undergo a performance evaluation before being proposed for re-election to ensure their performance continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

NOMINATION COMMITTEE

The Nomination Committee is chaired by Terry Stannard, Non-executive Chairman, and comprises Fiona Goldsmith, the other Non-executive Director, and John Sach, the Chief Executive Officer. It makes recommendations to the Board on all new Board appointments. The Company's Articles of Association stipulate that one-third of the Directors, or the nearest whole number below one-third, shall retire each year. The Company requires all Directors to submit themselves for re-election at least every three years.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Terry Stannard and comprises himself and Fiona Goldsmith. The Remuneration Committee is responsible for making recommendations to the Board in relation to all aspects of remuneration for Executive Directors and designated senior managers. The Remuneration Committee believes that the presence of the Chief Executive Officer is important when determining the remuneration of the other Executive Directors.

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

AUDIT COMMITTEE

The Audit Committee is chaired by Fiona Goldsmith and comprises herself and Terry Stannard. Although all the Committee members are considered to be appropriately experienced to fulfil their role, Fiona Goldsmith is considered as having significant and relevant experience in line with the Code. Further details of the work of the Committee is contained in the Audit Committee Chairman's report on page 46.

INTERNAL CONTROL

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

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

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

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

RISK MANAGEMENT PROCESS

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

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

The Board has considered the need for an internal audit function, but because of the size and nature of its operations does not consider it necessary at the current time.

RELATIONS WITH SHAREHOLDERS

The Group encourages two-way communications with both its institutional and private investors and responds in a timely fashion to all queries received.

The Chief Executive Officer and Chief Financial Officer have regular dialogue with individual institutional investors in order to develop an understanding of their views. Presentations are made to analysts, investors and prospective investors covering the annual and interim results.

The Company website (www.walkergreenbank.com) has an Investors section giving private investors direct access to business information and Company reports. There is also an enquiries mailbox facility.

All shareholders receive notice of the AGM, at which all committee chairs will be available for questions.

AUDIT COMMITTEE REPORT

Fiona Goldsmith
Audit Committee Chairman

MEMBERSHIP
The Committee is comprised solely of independent Directors, being myself as Chairman, and the other Non-executive Director, Terry Stannard. The Board is satisfied that I have significant and relevant experience in line with the Code.

RESPONSIBILITIES
The objective of the Committee is to provide oversight and governance to the Group's financial reports, its internal controls and processes in place, its risk management systems and the appointment and relationship with the external auditors.

- Monitor the integrity of the financial statements of the Company, reviewing any significant reporting issues and judgements they contain.
- Advise on the clarity of disclosure and information contained in the Annual Report and Accounts.
- Ensure compliance with applicable accounting standards and review the consistency of methodology applied.
- Review the adequacy and effectiveness of the internal control and risk management systems.
- Oversee the relationship with the external auditors, reviewing performance and advising the Board on their appointment and remuneration.
- Ensure appropriate arrangements are in place for individuals to raise concerns regarding breach of conduct and legal and regulatory compliance.

TERMS OF REFERENCE
Updated terms of reference were adopted by the Board in 2012. These are available on the website.

MEETINGS
The Committee meets three times per year: in April and September, being the appropriate time to review the Annual Report and Accounts and the interim report respectively; and also in January to review the previous year and plan for the year ahead. At meetings the findings of the external audit are discussed, and the effectiveness of the Company's system of internal controls and risk management is reviewed.

Each meeting is attended by the Committee's members as well as, by invitation, the Executive Directors and the external auditor. A record of the meeting attendance by Committee members is set out on page 42.

During the year, the Audit Committee held a private meeting with the external auditor, PricewaterhouseCoopers LLP ('PwC'), without management being present, in order to receive feedback from them. The Committee Chairman also met with PwC separately on several occasions.

The Committee supports the Board in carrying out its responsibilities in relation to financial reporting, risk management and assessing internal controls. The need for an internal audit department is also examined on a continuing basis. The Committee also manages the relationship with the external auditor.

The Committee undertook the following activities during the course of the year:

FINANCIAL REPORTING
The Committee reviews the half-year and annual financial statements and matters raised by management and the auditors.

- The accounting policies used are consistent both year on year and across the Group (other than as disclosed in note 1 of the financial statements).
- The methods used to account for significant transactions are appropriate.
- The financial statements give a true and fair view and the disclosures made are balanced and understandable.
- Appropriate estimates and judgements have been used, taking into account the views of the external auditor.
- The appropriate accounting standards have been applied.

INTERNAL CONTROLS AND RISK MANAGEMENT
There is an ongoing process to identify, evaluate and manage the risks faced by the Group.

The Committee reviews this risk management process annually, and the process is continually being developed and improved. Each business unit reports monthly on key risks identified and measures that are being taken to mitigate the risk. The Strategic Report includes further detail as to the business risks identified and actions being taken.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the internal controls and risk management and no significant failings in control have been found.

EXTERNAL AUDIT

The Committee considers a number of areas when reviewing the external auditor appointment, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity, and their reappointment and remuneration.

The Committee reviews the objectivity and independence of the auditors when considering reappointment. The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements and is required to rotate the lead audit partner every five years.

PwC provide a range of other services which include tax compliance and advisory services.

To ensure auditor objectivity and independence, the Committee has adopted a policy on the engagement of external auditors for the provision of non-audit services, which include financial limits above which the Audit Committee must approve. The policy is available on the website.

Any non-audit fees above £15,000 per engagement must be approved by the Chairman of the Audit Committee before the work commences. Details of fees paid to PwC during the year are disclosed in note 8 of the financial statements.

The Committee had discussions with the external auditor on audit planning, fees, accounting policies, audit findings and internal controls. The effectiveness of the audit was assessed through the review of audit plans, reports and conclusions and through discussions with management and the external auditor.

The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of PwC and has recommended to the Board that the auditors be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting.

Fiona Goldsmith
Audit Committee Chairman
25 April 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC

REPORT ON THE GROUP FINANCIAL STATEMENTS

OUR OPINION

In our opinion, Walker Greenbank PLC's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 January 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Consolidated Balance Sheet as at 31 January 2017;
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

OTHER MATTER

We have reported separately on the Company financial statements of Walker Greenbank PLC for the year ended 31 January 2017.

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
25 April 2017

- The maintenance and integrity of the Walker Greenbank PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 JANUARY 2017

		2017			2016		
	Note	**Underlying £000**	**Non-underlying (note 7) £000**	**Total £000**	Underlying £000	Non-underlying (note 7) £000	Total £000
Revenue	4	**92,373**	**–**	**92,373**	87,839	–	87,839
Cost of sales		**(36,223)**	**(1,061)**	**(37,284)**	(35,875)	–	(35,875)
Gross profit/(loss)		**56,150**	**(1,061)**	**55,089**	51,964	–	51,964
Net operating expenses:							
Distribution and selling expenses		**(12,421)**	**–**	**(12,421)**	(13,125)	–	(13,125)
Administration expenses		**(36,724)**	**(3,170)**	**(39,894)**	(32,044)	–	(32,044)
Net other income	6	**2,837**	**2,248**	**5,085**	1,407	–	1,407
Profit/(loss) from operations	4–8	**9,842**	**(1,983)**	**7,859**	8,202	–	8,202
Net defined benefit pension charge	9	**(527)**	**–**	**(527)**	(685)	–	(685)
Finance costs	10	**(186)**	**(181)**	**(367)**	(179)	–	(179)
Total finance costs		**(713)**	**(181)**	**(894)**	(864)	–	(864)
Profit/(loss) before tax		**9,129**	**(2,164)**	**6,965**	7,338	–	7,338
Tax (expense)/income	13	**(1,609)**	**9**	**(1,600)**	(1,466)	–	(1,466)
Profit/(loss) for the year attributable to owners of the parent		**7,520**	**(2,155)**	**5,365**	5,872	–	5,872
Earnings per share – Basic	14			**8.55p**			9.79p
Earnings per share – Diluted	14			**8.08p**			9.52p
Adjusted earnings per share – Basic	14			**13.67p**			11.93p
Adjusted earnings per share – Diluted	14			**12.92p**			11.61p

All of the activities of the Group are continuing operations.

The notes on pages 53 to 89 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2017

	Note	2017 £000	2016 £000
Profit for the year		**5,365**	5,872
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension schemes	24	**(4,339)**	5,037
Corporation tax credits recognised in equity		**270**	184
Increase/(reduction) of deferred tax asset relating to pension scheme liability		**484**	(1,114)
Total items that will not be reclassified to profit or loss		**(3,585)**	4,107
Items that may be reclassified subsequently to profit or loss:			
Currency translation gains		**128**	(191)
Cash flow hedge gains		**26**	169
Total items that may be reclassified subsequently to profit or loss		**154**	(22)
Other comprehensive (expense)/income for the year, net of tax		**(3,431)**	4,085
Total comprehensive income for the year attributable to the owners of the parent		**1,934**	9,957

The notes on pages 53 to 89 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 JANUARY 2017

	Note	2017 £000	2016 £000
Non-current assets			
Intangible assets	15	**31,606**	7,104
Property, plant and equipment	16	**15,845**	11,687
Deferred income tax assets	17	**–**	108
		47,451	18,899
Current assets			
Inventories	18	**30,305**	18,104
Trade and other receivables	19	**19,508**	19,280
Cash and cash equivalents	21	**1,516**	2,902
		51,329	40,286
Total assets		**98,780**	59,185
Current liabilities			
Trade and other payables	22	**(25,347)**	(18,966)
Derivative financial instruments	20	**–**	(26)
Borrowings	23	**(6,825)**	(400)
Provision for other liabilities and charges	25	**(2,652)**	–
		(34,824)	(19,392)
Net current assets		**16,505**	20,894
Non-current liabilities			
Borrowings	23	**–**	(196)
Deferred income tax liabilities	17	**(2,573)**	–
Retirement benefit obligation	24	**(7,413)**	(4,313)
Provision for other liabilities and charges	25	**(2,677)**	–
		(12,663)	(4,509)
Total liabilities		**(47,487)**	(23,901)
Net assets		**51,293**	35,284
Equity			
Share capital	27	**696**	602
Share premium account		**16,390**	457
Foreign currency translation reserve		**(428)**	(556)
Accumulated losses		**(5,872)**	(5,700)
Other reserves		**40,507**	40,481
Total equity		**51,293**	35,284

The financial statements on pages 48 to 89 were approved by the Board of Directors on 25 April 2017 and signed on its behalf by

John Sach
Director

Mike Gant
Director

Registered number: 61880

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Cash generated from operations	30	**12,381**	7,103
Interest paid		**(162)**	(149)
Corporation tax paid		**(2,294)**	(630)
Net cash generated from operating activities		**9,925**	6,324
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	33	**(27,073)**	–
Purchase of intangible assets	15	**(792)**	(548)
Purchase of property, plant and equipment	16	**(5,976)**	(1,962)
Proceeds from disposal of property, plant and equipment		**89**	–
Insurance proceeds relating to investing activities		**2,268**	–
Net cash used in investing activities		**(31,484)**	(2,510)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**16,022**	–
Debt issue costs		**(40)**	(100)
Repayment of term loan	31	**(400)**	(400)
Dividends paid to Company's shareholders		**(1,818)**	(1,444)
Net cash generated from/(used in) financing activities		**13,764**	(1,944)
Net (decrease)/increase in cash and cash equivalents		**(7,795)**	1,870
Cash and cash equivalents and bank overdraft at beginning of year		**2,902**	971
Effect of exchange rate fluctuations on cash held		**(217)**	61
Cash and cash equivalents and bank overdraft at end of year	31	**(5,110)**	2,902

The notes on pages 53 to 89 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2017

	Attributable to owners of the parent							
				Other reserves				
	Share capital (note 27) £000	Share premium account £000	Accumulated losses £000	Capital reserve (note 28) £000	Merger reserve £000	Hedge reserve (note 20) £000	Foreign currency translation reserve £000	Total equity £000
Balance at 1 February 2015	598	457	(14,065)	43,457	(2,950)	(195)	(365)	26,937
Profit for the year	–	–	5,872	–	–	–	–	5,872
Other comprehensive income:								
Remeasurements of defined benefit pension schemes (note 24)	–	–	5,037	–	–	–	–	5,037
Corporation tax credits recognised in equity	–	–	184	–	–	–	–	184
Deferred tax relating to pension scheme liability	–	–	(1,114)	–	–	–	–	(1,114)
Currency translation differences	–	–	–	–	–	–	(191)	(191)
Cash flow hedge	–	–	–	–	–	169	–	169
Total comprehensive income	–	–	9,979	–	–	169	(191)	9,957
Transactions with owners, recognised directly in equity:								
Dividends	–	–	(1,444)	–	–	–	–	(1,444)
Allotment of share capital	4	–	(4)	–	–	–	–	–
Long-term incentive plan charge	–	–	790	–	–	–	–	790
Long-term incentive plan vesting	–	–	(967)	–	–	–	–	(967)
Related tax movements on long-term incentive plan	–	–	11	–	–	–	–	11
Balance at 31 January 2016	**602**	**457**	**(5,700)**	**43,457**	**(2,950)**	**(26)**	**(556)**	**35,284**

	Attributable to owners of the parent							
				Other reserves				
	Share capital (note 27) £000	Share premium account £000	Accumulated losses £000	Capital reserve (note 28) £000	Merger reserve £000	Hedge reserve (note 20) £000	Foreign currency translation reserve £000	Total equity £000
Balance at 1 February 2016	602	457	(5,700)	43,457	(2,950)	(26)	(556)	35,284
Profit for the year	–	–	5,365	–	–	–	–	5,365
Other comprehensive income:								
Remeasurements of defined benefit pension schemes (note 24)	–	–	(4,339)	–	–	–	–	(4,339)
Corporation tax credits recognised in equity	–	–	270	–	–	–	–	270
Deferred tax relating to pension scheme liability	–	–	484	–	–	–	–	484
Currency translation differences	–	–	–	–	–	–	128	128
Cash flow hedge	–	–	–	–	–	26	–	26
Total comprehensive income	–	–	1,780	–	–	26	128	1,934
Transactions with owners, recognised directly in equity:								
Dividends	–	–	(1,818)	–	–	–	–	(1,818)
Allotment of share capital	94	15,933	(4)	–	–	–	–	16,023
Long-term incentive plan charge	–	–	658	–	–	–	–	658
Long-term incentive plan vesting	–	–	(664)	–	–	–	–	(664)
Related tax movements on long-term incentive plan	–	–	(124)	–	–	–	–	(124)
Balance at 31 January 2017	**696**	**16,390**	**(5,872)**	**43,457**	**(2,950)**	**–**	**(428)**	**51,293**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND GENERAL INFORMATION

GENERAL INFORMATION

Walker Greenbank PLC ('the Company') and its subsidiaries (together 'the Group') is a luxury interior furnishings group whose brands include Sanderson, Morris & Co, Harlequin, Zoffany, Scion, Anthology, Clarke & Clarke and Studio G. The brands are targeted at the mid to upper end of the premium market. They have worldwide distribution including prestigious showrooms at Chelsea Harbour, London and the D&D building, Manhattan, New York. Half of the Brands' turnover is sourced in-house from the Group's own specialist manufacturing facilities of Standfast & Barracks, the fabric printing business situated in Lancaster, and Anstey Wallpaper Company situated in Loughborough. The Manufacturing businesses produce for other interior furnishing businesses both in the UK and throughout the world. The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is registered and domiciled in the UK. The company registration number is 61880 and the address of its registered office is Chalfont House, Oxford Road, Denham UB9 4DX.

BASIS OF PREPARATION

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

The Group meets its day-to-day working capital requirements through its banking facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities as disclosed in note 23.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

In preparing these financial statements the Group has applied the IFRSs as adopted by the European Union and the IFRS IC interpretations where the effective date is relevant to the financial year commencing on 1 February 2016 or ending 31 January 2017.

Since the Group's previous annual financial statements for the year ended 31 January 2016 the following pronouncements are now effective and have been adopted by the Group:

- Amendment to IAS 1 'Presentation of Financial Statements', on disclosure initiative – effective periods beginning on or after 1 January 2016
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation – effective periods beginning on or after 1 January 2016

There has been no material effect on the Group's financial statements following the introduction of the above.

The Group has not applied the following new standards, amendments and interpretations for which adoption is not mandatory for the year ending 31 January 2017 and/or which have not yet been endorsed by the EU. With the exception of IFRS 15 and IFRS 16 where the Group is continuing to assess the materiality of the impact of these new standards, the Group has concluded its evaluation of the impact of these pronouncements but at this stage does not expect there to be any material impact on the financial statements:

- IFRS 9 'Financial instruments' – classification and measurement – effective periods beginning on or after 1 January 2018
- IFRS 15 'Revenue from Contracts with Customers' – effective periods beginning on or after 1 January 2018
- IFRS 16 'Leases' – effective periods beginning on or after 1 January 2019
- Amendment to IAS 7 'Cash flow statements' on disclosure initiative – effective periods beginning on or after 1 January 2017

In addition, a number of exposure drafts of new or amended standards and interpretations have been announced by the International Accounting Standards Board ('IASB'). Until final details of these exposure drafts have been concluded by the IASB, the Group is not able to evaluate the potential impact on the Group of these pronouncements.

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

The financial statements of the Company as an entity are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 and are presented separately from the consolidated financial statements (pages 92 to 108).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

BASIS OF CONSOLIDATION

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

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

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

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree. Any acquisition costs are expensed as incurred. The identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

FOREIGN CURRENCIES

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

Transactions in foreign currencies, which are those other than the functional currency of the Company, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the Balance Sheet date. All unhedged exchange differences are recognised in the Income Statement for the period within administration expenses.

The assets and liabilities of the Group's overseas subsidiaries on consolidation are translated at the rates of exchange ruling at the Balance Sheet date. The income and expenses are translated at the weighted average rate during the period. Differences on translation are recognised in a separate foreign currency translation reserve within equity.

INTANGIBLE ASSETS – *GOODWILL*

Goodwill arising on acquisition of subsidiaries is initially measured at cost, being the excess of the fair value of the consideration for the acquisition, which includes the amount of any non-controlling interest recognised, over the Group's interest in the net fair value of the acquired entity's identifiable assets and liabilities and any non-controlling interest in the acquiree at the date of acquisition.

Goodwill is not amortised, but reviewed for impairment annually; any impairment is recognised immediately in the Income Statement and is not subsequently reversed. If a significant event occurs that may affect the carrying value of goodwill, an impairment review will be carried out. No such events have occurred in the current or previous financial year. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The measurement basis for goodwill is cost less accumulated impairment.

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

INTANGIBLE ASSETS – *ARTHUR SANDERSON AND WILLIAM MORRIS ARCHIVE*

The Arthur Sanderson and William Morris Archive comprises an historical record of unique designs that can be used at any point going forward and is regularly used to generate a significant royalty income in the business. The Directors believe that the Archive has an indefinite useful life and is therefore not subject to amortisation. The carrying value of this asset is reviewed annually and provision made for any impairment in the carrying value if required. If a significant event occurs that may affect the carrying value of the Archive, an additional impairment review will be carried out. No such events have occurred in the current or previous financial year. The measurement basis used for the Archive is historical cost less accumulated impairment.

INTANGIBLE ASSETS – *SOFTWARE*

Acquired computer software licences are capitalised at the cost incurred to bring the asset into use, including where relevant, directly attributable internal costs incurred in preparing the software for operation. The costs are amortised to their estimated residual value over their estimated useful lives which range from three to 10 years on a straight-line basis. Software amortisation commences when the asset goes into operational use by the business. The measurement basis used for software is cost less accumulated amortisation and impairment.

INTANGIBLE ASSETS – *COLLECTION DESIGN*

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

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

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

INTANGIBLE ASSETS – *BRANDS*

Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. Strategic brands are well-known international/local brands with a strong market position and an established brand name.

Strategic brands have a finite useful economic life and are carried at cost less accumulated amortisation. Brands are amortised on an individual straight-line basis over the estimated useful life of the brands being 20 years.

INTANGIBLE ASSETS – *CUSTOMER-RELATED INTANGIBLES*

Customer-related intangibles are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. If the amounts are not material, these are included in the brand valuation. The relationship between brands and customer-related intangibles is carefully considered so that brands and customer-related intangibles are not both recognised on the basis of the same cash flows.

Customer-related intangibles acquired as part of a business combination are valued at fair value. Customer-related intangibles acquired separately are measured at cost.

Customer-related intangibles are amortised on a straight-line basis over the remaining useful life of the customer relationships, currently being six years.

PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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

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

Government grants received for property, plant and equipment are included within other payables and deferred revenue and released to the Income Statement over the life of the asset.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

INVENTORIES

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

MARKETING MATERIALS

Marketing materials consist of patterning books and other saleable marketing assets used to support the sale of the Group's products. They are recognised at the lower of cost and net realisable value. Cost comprises direct materials plus costs of production.

Net realisable value is based on estimated recoveries from customers and distributors for those pattern books expected to be sold, less the anticipated cost of disposal.

As books are sold or otherwise utilised and are no longer within the control of the Group, their cost is charged to the Income Statement as an expense. An impairment allowance is made for any slow-moving and obsolete marketing materials including those expected to be given away free of charge. The Group's policy is to classify marketing materials on the Balance Sheet within trade and other receivables.

Non-saleable marketing materials are expensed to the Income Statement once the collection that these marketing materials relate to has been launched. Any subsequent costs or development expenditure are expensed as incurred.

FINANCIAL ASSETS AND LIABILITIES – MEASUREMENT BASIS

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

Non-derivative financial assets are classified as 'loans and receivables' according to the purpose for which the asset was acquired. This category includes:

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

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

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

- 'trade and other payables' – these are typically non-interest bearing and following initial recognition are included in the Balance Sheet at amortised cost using the effective interest method;
- 'bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs and subsequently held at amortised cost using the effective interest method; and
- 'borrowings' – these are recorded initially at the fair value, net of direct issue costs, and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are accounted for in the Income Statement, using the effective interest method, and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING – MEASUREMENT BASIS

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

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

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

Derivatives that do not qualify for hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement' are classified as 'financial assets or liabilities at fair value through profit or loss'. They are initially recognised at fair value, with fair value being remeasured at each reporting date. The fair value of the derivative is based on the market price of comparable instruments at the Balance Sheet date. Changes in fair value are included in the Income Statement within finance costs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

CASH AND CASH EQUIVALENTS

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

For the purposes of the Cash Flow Statement, it is the Group's policy to classify interest income and expense within 'cash flows from operating activities'.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

LEASES

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

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

EMPLOYEE BENEFITS – *RETIREMENT BENEFIT OBLIGATIONS*

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

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

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

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

Scheme expenses met by the Group, expected returns on plan assets, and interest on pension scheme liabilities are classified within 'Net defined benefit pension charge' within the Income Statement as the scheme is now closed to future accruals.

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

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

EMPLOYEE BENEFITS – *SHARE-BASED PAYMENTS UNDER LONG-TERM INCENTIVE PLANS ('LTIP')*

The Group issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the Income Statement with a corresponding increase in equity.

The fair values of these payments are measured at the date of grant, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met.

The total amount recognised in the Income Statement as an expense is adjusted to reflect the actual number of awards that vest. National insurance contributions related to the awards are recognised as an expense in the Income Statement with a corresponding liability on the Balance Sheet.

EMPLOYEE BENEFITS – *SHORT-TERM BONUS PLANS*

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

SHARE CAPITAL

Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution is set by the Board on a regular basis so long as sufficient funds are available.

SHARE PREMIUM

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

TREASURY SHARES

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

REVENUE

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

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

Deposits received from customers in advance of the delivery of goods or services are recognised as deferred 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.

NON-UNDERLYING ITEMS

Items that are both material and whose nature is sufficient to warrant separate disclosure and identification are disclosed within the financial statements and classified within their relevant category in the Income Statement as non-underlying.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset and recognised as an 'other receivable'.

TAXATION INCLUDING DEFERRED INCOME TAX

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES AND GENERAL INFORMATION CONTINUED

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

Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

SEGMENTAL REPORTING

The Group is a designer, manufacturer and distributor of furnishings, fabrics and wallpaper and manages its operations as two reportable segments, which are Brands and Manufacturing.

Reportable segments consist of one or more operating segments. Aggregation of operating segments into reportable segments occurs when aggregation criteria, as laid down in IFRS 8 'Operating Segments' are satisfied, including similar economic characteristics or when operating segments are less than the quantitative limits as laid down in IFRS 8. After applying aggregation, segmental information is disclosed in a manner consistent with the internal reporting to the Chief Operating Decision Maker ('CODM').

The Group considers its CODM to be the Board of Directors, who are responsible for the allocation of resources and assessing performance of the operating segments.

INTEREST RECEIVED

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

2. FINANCIAL RISK MANAGEMENT

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

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

A) FOREIGN EXCHANGE RISK

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

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

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

For the year ended 31 January 2017, the average sterling to US dollar translation rate applied by the Group, including the impact of hedging contracts was £1: US$1.35. If the rate had been £1: US$1.25 with all other variables held constant, profit before tax would have been higher by £314,000. If the rate had been £1: US$1.45 with all other variables held constant, profit before tax would have been lower by £270,000.

For the year ended 31 January 2017, the average sterling to euro translation rate applied by the Group, including the impact of hedging contracts was £1: €1.13. If the rate had been £1: €1.03 with all other variables held constant, profit before tax would have been lower by £60,000. If the rate had been £1: €1.23 with all other variables held constant, profit before tax would have been higher by £50,000.

The sensitivities tested above reflect movements in the foreign currency exchange rates over the financial year. The sensitivity of movements in other currencies is not considered material to the performance of the Group.

B) INTEREST RATE RISK

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

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings at variable rate are denominated in either UK pounds or euros. The Group regularly analyses its interest rate exposure calculating the impact on profit and loss of a defined interest rate shift. Based on the calculations the Board considers refinancing, renewal of existing positions, alternative financing and hedging. The Group has not felt there has been a requirement during the current or previous financial year to enter into any of these options.

In December 2015, the Group entered into a new multi-currency revolving credit facility with Barclays Bank PLC and cancelled the existing receivables facility. Variable interest rates were negotiated on all the loans. The Board continues to monitor the interest rates monthly.

For the year ended 31 January 2017, had the benchmark interest rate levels been 0.5% higher/(lower) than the actual experience, with all other variables held constant, the profit before tax of the Group would have been (lower)/higher by £27,000 due to the change in interest rate expense on variable rate borrowings. The 0.5% sensitivity is deemed a reasonable sensitivity analysis based on expected movements in the base rate for the next financial year.

C) CREDIT RISK

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

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

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

There is no difference between the carrying amount and the maximum credit risk exposure. No collateral is held as security by the Group.

D) LIQUIDITY RISK

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The maturity profile of the Group's debt and other financial liabilities is disclosed in note 23.

During the year the Group had facilities with Barclays Bank PLC which are disclosed in note 23.

Management monitors rolling forecasts of the Group's cash and loan facility utilisation on a monthly basis. The Group ensures that it has adequate facilities available to cover both its short-term and medium-term commitments and complies with bank covenants. In addition, the Group's liquidity management policy is to project cash flows in major currencies and consider the level of liquid assets necessary to meet these liabilities as they fall due. Surplus cash held over and above the balance required for working capital requirements is transferred to the Group treasury and held in interest-bearing accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2. FINANCIAL RISK MANAGEMENT CONTINUED

E) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

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

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

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

During the year to 31 January 2017, the Group's strategy, which was unchanged from the previous year, was to reduce the average gearing ratio. The average gearing ratios for 2017 and 2016 were as follows:

	Year ended 31 January	
	2017 £000	2016 £000
Average net debt	**3,040**	3,921
Total equity	**51,293**	35,284
Add: amounts recognised directly in equity relating to currency contracts	**–**	26
Adjusted capital	**51,293**	35,310
Average net debt to adjusted capital ratio	**5.9%**	11.1%
Year end net debt/(funds) to adjusted capital ratio	**10.4%**	(6.5)%

The Group considers the average net debt to adjusted capital ratio to be appropriate at this time, but it will continue to reduce the pension deficit by cash generated from operations and will also invest within the Group through capital expenditure and working capital.

The gearing ratio at the year end is higher than the average gearing ratio due to the seasonal nature of trading in the months of December and January.

F) FAIR VALUE ESTIMATION

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

A) RETIREMENT BENEFIT OBLIGATIONS

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Details of the estimates and assumptions applied, and carrying amounts of retirement benefit obligations and pension assets, are set out in note 24.

B) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group tests annually whether goodwill or its indefinite life intangible asset has suffered any impairment, in accordance with its accounting policy. Other intangibles and property, plant and equipment are also reviewed whenever impairment triggers are apparent. The recoverable amounts of cash-generating units have been determined based on value in use ('VIU') calculations. These calculations require use of estimates of future sales, margins, and other operating and administration expenses, and of discount rates. Further disclosures relating to the estimates and assumptions applied, and carrying amounts of the non-financial assets, are set out in notes 15 and 16.

The Group makes provision for impairment in the carrying amount of its inventories and marketing materials. The nature of the Group's products are exposed to changes in taste and attitudes from time to time, which can affect the demand for those products. The Group has skilled and experienced management who utilise historical sales information, and exercise their judgement, in making estimates about the extent of provisions necessary based on the realisable value of inventory and expected future benefit to the Group of marketing materials, taking into account the estimated price and volume of future sales or usage, less the further costs of sale and holding costs. Further disclosures relating to the effect on the Income Statement of the establishment and reversal of such provisions against inventory are included in note 8. Details of the carrying amount of inventories are disclosed in note 18 and of marketing materials in note 19. The carrying values of the non-financial assets are not considered to be sensitive due to the nature of the assets.

C) DEFERRED TAX RECOGNITION

The Group considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the long-term incentive plan. The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of companies within the Group, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of LTIP payment awards. Further disclosures relating to the effect on the Income Statement of the recognition of deferred tax assets are included in note 13 and the amount of deferred tax asset recognised and other relevant disclosures are included in note 17. The Group considers the sensitivity on deferred tax recognition to be based on profits generated by the Group and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

D) LONG-TERM INCENTIVE PLAN PAYMENT AWARDS

The Group has granted awards to Executive Directors and senior management which include vesting conditions relating to the future financial performance of the Group as measured by adjusted profit before tax ('PBT') and the relative performance of the Group's Total Shareholder Return ('TSR') against comparator companies. The fair value of the awards granted is charged against the Income Statement over the vesting period; the amount of that charge including the national insurance component of the charge, is dependent upon the Group's estimates of how many awards will ultimately vest, which is linked directly to its estimates regarding future PBT and TSR achievement. Further disclosures relating to performance targets are included in the Directors' Remuneration Report on pages 38 to 41 and in note 27.

E) 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. There is some sensitivity in determining this accounting estimate as there is a range of outcomes. If the EBITDA of the acquired business increases by 10%, then the contingent consideration would be £127,000 higher and if it decreased by 10%, it would be £127,000 lower. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

4. 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 and France.
- 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. Additional revenue-only data is also reported to the CODM and is disclosed on the basis explained below. Other Group-wide activities and expenses, predominantly related to corporate head office costs, defined benefit pension costs, long-term incentive plan expenses, taxation and eliminations of inter-segment items, are presented within 'Eliminations and unallocated'.

A) PRINCIPAL MEASURES OF PROFIT AND LOSS – INCOME STATEMENT SEGMENTAL INFORMATION

Year ended 31 January 2017	**Brands £000**	**Manufacturing £000**	**Eliminations and unallocated £000**	**Total £000**
UK revenue	**42,531**	**12,227**	**–**	**54,758**
International revenue	**31,552**	**3,497**	**–**	**35,049**
Licence revenue	**2,566**	**–**	**–**	**2,566**
Revenue – External	**76,649**	**15,724**	**–**	**92,373**
Revenue – Internal	**–**	**16,320**	**(16,320)**	**–**
Total revenue	**76,649**	**32,044**	**(16,320)**	**92,373**
Profit/(loss) from operations	**9,239**	**1,026**	**(2,406)**	**7,859**
Net defined benefit pension charge	**–**	**–**	**(527)**	**(527)**
Net finance costs	**–**	**–**	**(367)**	**(367)**
Profit/(loss) before tax	**9,239**	**1,026**	**(3,300)**	**6,965**
Tax charge	**–**	**–**	**(1,600)**	**(1,600)**
Profit/(loss) for the year	**9,239**	**1,026**	**(4,900)**	**5,365**

Year ended 31 January 2016	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK revenue	39,971	16,528	–	56,499
International revenue	25,888	3,409	–	29,297
Licence revenue	2,043	–	–	2,043
Revenue – External	67,902	19,937	–	87,839
Revenue – Internal	–	14,392	(14,392)	–
Total revenue	67,902	34,329	(14,392)	87,839
Profit/(loss) from operations	8,080	2,482	(2,360)	8,202
Net defined benefit pension charge	–	–	(685)	(685)
Net finance costs	–	–	(179)	(179)
Profit/(loss) before tax	8,080	2,482	(3,224)	7,338
Tax charge	–	–	(1,466)	(1,466)
Profit/(loss) for the year	8,080	2,482	(4,690)	5,872

The segmental Income Statement disclosures are measured in accordance with the Group's accounting policies as set out in note 1.

Inter-segment revenue earned by Manufacturing from sales to Brands is determined on normal commercial trading terms as if Brands were any other third party customer.

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

Business interruption reimbursements to cover loss of profits of £2,837,000 (2016: £1,407,000) are included within 'Eliminations and unallocated'.

B) ADDITIONAL SEGMENTAL REVENUE INFORMATION

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

Brands international revenue by export market:	2017 £000	2016 £000
Western Europe	**9,594**	6,982
Scandinavia	**2,557**	1,959
Eastern Europe	**2,374**	2,105
Europe Total	**14,525**	11,046
Middle East	**1,345**	1,161
Far East	**3,308**	3,207
US	**10,310**	8,459
South America	**458**	394
Australasia	**1,004**	1,031
Other	**602**	590
	31,552	25,888

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:	2017 £000	2016 £000
Harlequin, incorporating Anthology and Scion	**31,270**	31,676
Sanderson, incorporating Morris & Co	**22,516**	21,503
Zoffany	**12,162**	11,749
Clarke & Clarke, incorporating Studio G	**7,267**	–
Other brands	**868**	931
Licensing	**2,566**	2,043
	76,649	67,902

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

Manufacturing revenue analysis:	2017 £000	2016 £000
Standfast	**15,097**	15,681
Anstey	**16,947**	18,648
	32,044	34,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

4. SEGMENTAL ANALYSIS CONTINUED

C) OTHER INCOME STATEMENT SEGMENTAL INFORMATION

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

Year ended 31 January 2017	**Brands £000**	**Manufacturing £000**	**Eliminations and unallocated £000**	**Total £000**
Depreciation	**1,070**	**1,093**	**9**	**2,172**
Amortisation	**666**	**11**	**342**	**1,019**
Impairment losses – trade receivables	**45**	**4**	**–**	**49**
Reversal of impairment losses – trade receivables	**(160)**	**–**	**–**	**(160)**
Impairment losses – inventory	**1,366**	**189**	**–**	**1,555**
Reversal of impairment of inventory	**–**	**(32)**	**–**	**(32)**
LTIP payment charges	**–**	**–**	**756**	**756**

Year ended 31 January 2016	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Depreciation	979	1,046	11	2,036
Amortisation	595	7	–	602
Property, plant and equipment impairment in respect of flood at Standfast	–	988	–	988
Impairment losses – trade receivables	67	15	–	82
Reversal of impairment losses – trade receivables	–	(10)	–	(10)
Impairment losses – inventory	873	147	–	1,020
Inventory write off in respect of Standfast flood	–	1,469	–	1,469
Reversal of impairment of inventory	–	(40)	–	(40)
LTIP payment charges	–	–	924	924

D) PRINCIPAL MEASURES OF ASSETS AND LIABILITIES – BALANCE SHEET SEGMENTAL INFORMATION

Segment assets consist primarily of goodwill, intangible assets, property, plant and equipment, trade and other receivables including inter-segment receivables, and inventories. Segment liabilities consist primarily of trade and other payables including inter-segment payables. Unallocated assets and liabilities consist primarily of cash, deferred tax assets, borrowings, derivative financial instruments, retirement benefit obligations and elimination of inter-segment balances. Segment assets and liabilities and unallocated assets and liabilities are measured in accordance with the Group's accounting policies as set out in note 1.

Year ended 31 January 2017	**Brands £000**	**Manufacturing £000**	**Eliminations and unallocated £000**	**Total £000**
Assets	**47,925**	**20,996**	**29,859**	**98,780**
Liabilities	**(15,773)**	**(13,333)**	**(18,381)**	**(47,487)**
Total net assets	**32,152**	**7,663**	**11,478**	**51,293**
Capital expenditure – Intangible assets	**774**	**18**	**–**	**792**
Capital expenditure – Property, plant and equipment	**918**	**4,658**	**400**	**5,976**

Year ended 31 January 2016	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	34,333	15,715	9,137	59,185
Liabilities	(12,954)	(6,209)	(4,738)	(23,901)
Total net assets	21,379	9,506	4,399	35,284
Capital expenditure – Intangible assets	529	19	–	548
Capital expenditure – Property, plant and equipment	879	1,083	–	1,962

E) ADDITIONAL ENTITY-WIDE DISCLOSURES

Revenue by geographical location of customers:	2017 £000	2016 £000
United Kingdom	**56,064**	57,509
Continental Europe	**15,917**	12,551
US	**12,237**	10,099
Rest of the World	**8,155**	7,680
	92,373	87,839

No single customer of the Group accounts for 10% or more of total revenue.

Non-current assets by geographical territory:	2017 £000	2016 £000
United Kingdom	**46,584**	18,084
Continental Europe	**218**	202
US	**649**	613
	47,451	18,899

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

5. (A) ANALYSIS OF REVENUE BY CATEGORY

	2017 £000	2016 £000
Sale of goods	**89,807**	85,796
Licence royalty income	**2,566**	2,043
	92,373	87,839

(B) ANALYSIS OF EXPENSE BY NATURE

	2017 £000	2016 £000
Changes in inventories of finished goods and work in progress	**(5,858)**	4,256
Raw materials and consumables used	**32,927**	24,920
Employee benefit expense	**26,065**	24,824
Depreciation and amortisation charges	**2,849**	2,638
Transportation expenses	**2,180**	1,949
Advertising costs	**2,138**	1,383
Other selling costs	**5,355**	7,070
Establishment costs	**4,345**	4,478
Operating lease payments	**2,618**	2,501
Repairs and maintenance	**1,010**	1,229
Other expenses	**11,739**	5,796
Total cost of sales, distribution and selling costs and administration expenses included within underlying results	**85,368**	81,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. NET OTHER INCOME

Net other income arising as a result of the flood at Standfast, the Group's fabric printing factory, in December 2015 is £2,837,000 (2016: £1,407,000) and represents business interruption reimbursements to cover loss of profits.

7. 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	**2017 £000**	2016 £000
(i) Acquisition related:			
Transaction costs	(a)	**(1,552)**	–
Amortisation of acquired intangible assets	(b)	**(342)**	–
Unwind of the fair value uplift adjustment on inventory	33(c)	**(1,061)**	–
Unwind of discount on contingent consideration	(c)	**(181)**	–
		(3,136)	–
(ii) Standfast flood:			
Incremental costs, inventory loss and property, plant and equipment impairments		**(7,165)**	(3,276)
Insurance reimbursements		**9,413**	3,276
	(d)	**2,248**	–
(iii) Restructuring and reorganisation costs	(e)	**(1,276)**	–
Total non-underlying items included in profit before tax		**(2,164)**	–
Tax on non-underlying items		**9**	–
Total impact of non-underlying items on profit after tax		**(2,155)**	–

Costs detailed in (a) – (c) below relate to costs incurred in the period to 31 January 2017 on the acquisition of Clarke & Clarke, which completed on 31 October 2016 (see note 33).

(a) Transaction costs comprise legal and professional fees in relation to the acquisition. In addition, share issue costs of £978,000 relating to the acquisition have been offset against the share premium account.
(b) Details of acquired intangible assets are included in note 33.
(c) A charge of £181,000 (2016: £nil) has been recognised in respect of unwind of the contingent consideration on acquisition (note 33).
(d) The net other income balance of £2,248,000 (2016: £nil) comprises of proceeds arising from reimbursement of costs to replace impaired plant and equipment of £2,780,000 less flood defence costs of £253,000 and additional insurance costs of £279,000.
(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 professional fees, employee severance and property costs associated with the reorganisation process.

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'.

8. GROUP PROFIT FROM OPERATIONS

	2017 £000	2016 £000
Group profit from operations is stated after charging/(crediting):		
Depreciation of property, plant and equipment	**2,172**	2,036
Property, plant and equipment impairment in respect of flood at Standfast	**–**	988
Amortisation of intangibles	**677**	602
Amortisation of acquired intangibles	**342**	–
Cost of inventories recognised as expense in cost of sales	**27,069**	27,149
Unwind of the fair value uplift adjustment on inventory	**1,061**	–
Inventory write off in respect of Standfast flood	**–**	1,469
Impairment of inventories	**1,555**	1,020
Reversal of impairment of inventories	**(32)**	(40)
Impairment of trade receivables	**49**	82
Reversal of impairment of trade receivables	**(160)**	(10)
Net foreign exchange (gains)/losses	**(81)**	177
Operating lease rentals:		
– Hire of motor vehicles and plant and machinery	**564**	552
– Land and buildings	**2,054**	1,955

	2017 £000	2016 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	**58**	60
Fees payable to the Company's auditors for other services: Audit of the Company's subsidiaries pursuant to legislation	**148**	100
Other accounting services	**35**	10
Advisory services	**67**	18
Taxation services	**40**	20
Corporate finance services	**536**	–
	884	208

9. NET DEFINED BENEFIT PENSION CHARGE

	2017 £000	2016 £000
Expected return on pension scheme assets	**2,064**	1,829
Interest on pension scheme liabilities	**(2,199)**	(2,134)
Scheme expenses met by the Group	**(392)**	(380)
Net charge (note 24)	**(527)**	(685)

10. FINANCE COSTS

	2017 £000	2016 £000
Interest income:		
Interest received on bank deposits	**1**	–
Interest expense:		
Interest payable on bank borrowings	**(161)**	(152)
Amortisation of issue costs of bank loans	**(26)**	(27)
Total finance costs	**(187)**	(179)
Net finance costs excluding non-underlying items	**(186)**	(179)
Unwind of discount on contingent consideration (note 7)	**(181)**	–
Net finance costs including non-underlying items	**(367)**	(179)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. EMOLUMENTS OF DIRECTORS

	Salary £000	Bonus £000	LTIP £000	Benefits £000	Sub-total Aggregate emoluments £000	Pension £000	Cash allowance in lieu of pension £000	**2017 Total £000**	2016 Total £000
Executive Directors:									
John Sach	261	105	440	2	808	6	28	**842**	1,167
Mike Gant	213	85	–	2	300	5	23	**328**	370
David Smallridge (resigned 31 January 2017)	110	25	315	1	451	14	–	**465**	886
Fiona Holmes (appointed 31 October 2016)	71	15	–	1	87	–	11	**98**	–
Non-executive Directors:									
Terry Stannard	70	–	–	–	70	–	–	**70**	69
Fiona Goldsmith	32	–	–	–	32	–	–	**32**	32
	757	230	755	6	1,748	25	62	**1,835**	2,524

Retirement benefits were accruing to one Director (2016: one) under a defined benefit scheme, who is the highest paid Director. Accrued annual pension benefits at the year end were £14,593 (2016: £14,506). Benefits are accruing under defined contribution schemes for three Directors (2016: three Directors).

Further information on the remuneration of the Directors is included in the Directors' Remuneration Report set out on pages 38 to 41.

12. EMPLOYEE INFORMATION

	2017 £000	2016 £000
Wages and salaries	**22,276**	20,558
Social security costs	**2,101**	2,162
Other pension costs	**932**	1,180
LTIP awards, including NIC thereon	**756**	924
Employee benefit expense	**26,065**	24,824

The average monthly number of employees (including Directors) during the year	**2017 Number**	2016 Number
Brands, including warehousing	**300**	269
Manufacturing	**329**	331
Overseas	**34**	32
Corporate and administration	**18**	17
	681	649

Compensation of key management personnel

	2017 £000	2016 £000
Short-term employee benefits (including short-term incentives)	**3,286**	3,115
Post-employment benefits (including pension costs)	**182**	240
LTIP awards	**756**	924
	4,224	4,279

The Group regards its key management personnel to be its Directors and senior management having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. LTIP awards reflect the charge in the Income Statement and do not reflect the market value of shares expected to vest.

13. TAX EXPENSE

	2017 £000	2016 £000
Current tax:		
– UK current tax	**1,367**	1,278
– UK adjustments in respect of prior years	**78**	130
– overseas, current tax	**–**	2
Corporation tax	**1,445**	1,410
Deferred tax:		
– current year	**271**	253
– adjustments in respect of prior years	**(12)**	(84)
– effect of changes in corporation tax rates	**(104)**	(113)
Deferred tax	**155**	56
Total tax charge for the year	**1,600**	1,466

Reconciliation of total tax charge for the year	2017 £000	2016 £000
Profit on ordinary activities before tax	**6,965**	7,338
Tax on profit on ordinary activities at 20% (2016: 20.16%)	**1,393**	1,480
Non-deductible expenditure	**418**	23
Parent and overseas losses and temporary timing differences not recognised	**(99)**	(10)
Permanent differences in respect of share options	**11**	40
Adjustments in respect of prior years	**66**	46
Adjustments in respect of pre-acquisition period	**(85)**	–
Effect of changes in corporation tax rates	**(104)**	(113)
Total tax charge for year	**1,600**	1,466

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 £2.8 million (2016: £1.3 million).

The deferred tax balance at 31 January 2017 included within these financial statements has been calculated at a rate of 17%, as this is the rate at which the majority of the balances are expected to unwind.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 and became substantively enacted in the Finance Bill 2016 on 6 September 2016 to reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. 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 (note 27), 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 improved profitability of the Group, PBT performance criteria within LTIPs 8, 9 and 10 are now being met and as a consequence these LTIP awards are now dilutive.

	2017			2016		
	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	**5,365**	**62,732**	**8.55**	5,872	59,997	9.79
Effect of dilutive securities:						
Shares under LTIP		**3,645**			1,675	
Diluted earnings per share	**5,365**	**66,377**	**8.08**	5,872	61,672	9.52
Adjusted basic and diluted earnings per share:						
Add back LTIP accounting charge	**756**			924		
Add back net defined benefit pension charge	**527**			685		
Non-underlying items (note 7)	**2,164**			–		
Tax effect of non-underlying items and other add backs	**(235)**			(321)		
Adjusted basic earnings per share	**8,577**	**62,732**	**13.67**	7,160	59,997	11.93
Adjusted diluted earnings per share	**8,577**	**66,377**	**12.92**	7,160	61,672	11.61

As detailed in note 33, in order to finance the initial cash consideration to acquire 100% of the issued share capital of Clarke & Clarke, a placing of a total of 8,947,369 new ordinary shares of 1p each in the Company was announced on 12 October 2016. These shares, which represented approximately 12.9% of the Company's issued ordinary share capital on admission to trading on AIM (excluding treasury shares), were placed at a price of 190.0 pence per share, raising proceeds of approximately £17,000,000.

On 16 May 2016, 773,393 shares vested under the Company's Long-Term Incentive Plan. To satisfy the vesting, 431,788 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 69,551,678 (2016: 60,172,521) ordinary shares of which no (2016: nil) ordinary shares are held in treasury and 4,909 (2016: 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 18 May 2015, 1,090,326 shares vested under the Company's LTIP, of which 188,272 shares were issued from the Walker Greenbank PLC EBT.

The market value of shares held by the EBT at 31 January 2017 was £9,941 (2016: nil). The total number of shares held in the EBT at the year end represented 0.01% (2016: 0%) of the issued shares.

15. INTANGIBLE ASSETS

	Goodwill £000	Arthur Sanderson and William Morris Archive £000	Collection design £000	Brand £000	Customer related intangibles £000	Software £000	Total £000
Cost							
1 February 2015	1,400	4,300	2,476	–	–	2,262	10,438
Additions	–	–	330	–	–	218	548
31 January 2016	1,400	4,300	2,806	–	–	2,480	10,986
Additions	–	–	548	–	–	244	792
Additions from business combinations (note 33)	14,736	–	–	5,566	4,427	–	24,729
Disposals	–	–	(213)	–	–	–	(213)
31 January 2017	16,136	4,300	3,141	5,566	4,427	2,724	36,294
Accumulated amortisation							
1 February 2015	841	–	1,634	–	–	805	3,280
Charge	–	–	322	–	–	280	602
31 January 2016	841	–	1,956	–	–	1,085	3,882
Charge	–	–	340	94	248	337	1,019
Disposal	–		(213)	–	–	–	(213)
31 January 2017	841	–	2,083	94	248	1,422	4,688
Net book amount							
31 January 2017	**15,295**	**4,300**	**1,058**	**5,472**	**4,179**	**1,302**	**31,606**
31 January 2016	559	4,300	850	–	–	1,395	7,104
31 January 2015	559	4,300	842	–	–	1,457	7,158

During the year, goodwill (£14,736,000), brand (£5,566,000) and customer related intangibles (£4,427,000) have been recognised on the business combination of Clarke & Clarke (note 33).

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

The total amortisation expense of £1,019,000 (2016: £602,000) is split between administration expenses £666,000 (2016: £594,000), distribution and selling costs £11,000 (2016: £8,000) and £342,000 (2016: £nil) in non-underlying items. The amount included in non-underlying items relates to the amortisation of acquired intangible assets.

IMPAIRMENT TESTS FOR GOODWILL AND ARTHUR SANDERSON AND WILLIAM MORRIS ARCHIVE

Out of the total carrying value of goodwill at year end of £15,295,000 (2016: £559,000), £14,736,000 (2016: £nil) is attributable to the Brands segment and £559,000 (2016: £559,000) to the Manufacturing segment.

The carrying value of the Archive at the year end of £4,300,000 (2016: £4,300,000) is attributable to the Brands segment.

The Group tests goodwill and the Archive for impairment annually or more frequently if there are indications that they might be impaired. There was no impairment charge recognised in the year (2016: £nil).

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

The Group estimates the VIU using a discounted cash flow model ('DCF'), where the projected cash flows for separate or collective groups of CGUs are discounted using a pre-tax rate of 11.34% (2016: 11.11%). The discount rate used is the same across all segments.

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15. INTANGIBLE ASSETS CONTINUED

The Group has used formally approved budgets for the first two years (2016: two years) of its VIU calculation, with extrapolation beyond the last explicit year using an assumption of growth for future years ranging from 1% to 2% (2016: 1% to 2%) depending upon the CGU being tested.

The cash flows used in the calculation of the VIU are derived from past experience and are based on operating profit forecasts, which in turn rely upon assumptions relating to sales growth, margins and operating and administration expenses. The cash flows have not included the benefits arising from any future asset enhancement expenditure and therefore exclude significant benefits anticipated from future capital expenditure. The growth rates included within the assumptions supporting the VIU calculations do not therefore represent the Group's anticipated total forecast growth, but rather only the growth deriving from capital expenditure completed at the Balance Sheet date.

The recoverable amount of the Archive intangible asset is estimated based on VIU, and comprises estimated future cash flows from royalty income relating to the Archive. A discount rate of 11.34% (2016: 11.11%) is applied.

The Group does not consider it reasonably probable that any significant changes to the key assumptions will arise that would result in impairment of either goodwill or the Archive as at 31 January 2017.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £000	Leasehold improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost					
1 February 2015	5,434	–	26,753	1,742	33,929
Additions	–	–	1,834	128	1,962
Disposals	–	–	(1,700)	(158)	(1,858)
Currency movements	–	–	68	1	69
31 January 2016	5,434	–	26,955	1,713	34,102
Additions	275	412	5,074	215	5,976
Additions from business combinations	–	42	222	58	322
Disposals	–	–	(466)	–	(466)
Currency movements	–	–	173	4	177
31 January 2017	5,709	454	31,958	1,990	40,111
Accumulated depreciation					
1 February 2015	1,697	–	17,932	1,586	21,215
Charge	97	–	1,831	108	2,036
Impairment	–	–	988	–	988
Disposals	–	–	(1,698)	(158)	(1,856)
Currency movements	–	–	31	1	32
31 January 2016	1,794	–	19,084	1,537	22,415
Charge	97	3	1,945	127	2,172
Disposals	–	–	(377)	–	(377)
Currency movements	–	–	53	3	56
31 January 2017	1,891	3	20,705	1,667	24,266
Net book amount					
31 January 2017	**3,818**	**451**	**11,253**	**323**	**15,845**
31 January 2016	3,640	–	7,871	176	11,687
31 January 2015	3,737	–	8,821	156	12,714

The total depreciation expense of £2,172,000 (2016: £2,036,000) has been allocated to the following categories: cost of sales £22,000 (2016: £nil), administration expenses £2,114,000 (2016: £1,906,000) and distribution and selling costs £36,000 (2016: £130,000).

The net book amount of freehold land and buildings comprises:	2017 £000	2016 £000
Freehold land	**450**	450
Freehold buildings	**3,368**	3,190
Net book amount	**3,818**	3,640

Land and buildings are stated at historical cost less impairment where applicable.

All of the Group's banking facilities remain secured by a fixed and floating charge over the carrying value of assets (land and buildings) of £3,818,000 (2016: £3,640,000).

ASSETS UNDER CONSTRUCTION

Included in property, plant and equipment at 31 January 2017 was an amount of £1,195,000 (2016: £232,000) relating to expenditure for assets in the course of construction.

17. DEFERRED INCOME TAX

A net deferred tax liability of £2,573,000 (2016: asset of £108,000) is recognised in respect of future deductions for LTIP payments and other temporary differences.

	2017 £000	2016 £000
Taxable temporary differences on property, plant and equipment	**(1,361)**	(967)
Taxable temporary differences on intangible assets	**(2,591)**	(178)
Other temporary differences	**(141)**	42
Temporary differences on LTIP payments	**260**	435
	(3,833)	(668)
Retirement benefit obligations	**1,260**	776
	(2,573)	108

A deferred tax credit of £484,000 (2016: charge of £1,114,000) arising on retirement benefit obligations has been recognised within the Statement of Comprehensive Income.

At 31 January 2017 the Group has gross unused UK tax losses of £3,225,000 (2016: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2017 of £613,000 (2016: £674,000) relating to UK tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation. These are summarised in the table below and comprise the following:

- No deferred tax has been recognised on £3,225,000 (2016: £3,225,000) of gross UK losses as these are not readily available for offset against the Group's future profits under existing tax legislation and therefore the realisation of these losses is not considered probable.
- In addition, there are gross tax losses in overseas subsidiaries of £2,782,000 (2016: £1,302,000) which are available for offset against future taxable profits by those subsidiaries. However, the realisation of these losses is not considered probable in the foreseeable future.
- Other deductible temporary differences which predominantly arise on LTIP payment reserves.

	2017 £000	2016 £000
Unutilised tax losses – UK	**548**	645
Unutilised tax losses – Overseas	**473**	234
Other deductible temporary differences – UK	**65**	29
Derivative financial instruments – UK	**–**	5
	1,086	913

There are also unutilised capital tax losses at 31 January 2017 of £4,881,000 (2016: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

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17. DEFERRED INCOME TAX CONTINUED

The gross movement on the deferred income tax account is as follows:

Net deferred tax asset/(liability)	2017 £000	2016 £000
At 1 February	**108**	1,591
Acquisition of subsidiary (note 33)	**(2,885)**	–
Income Statement charge	**(155)**	(56)
Tax credit/(charge) relating to components of other comprehensive income	**484**	(1,114)
Tax charged directly to equity	**(125)**	(313)
At 31 January	**(2,573)**	108

18. INVENTORIES

	2017 £000	2016 £000
Raw materials	**3,389**	2,085
Work in progress	**2,035**	559
Finished goods	**24,881**	15,460
	30,305	18,104

The cost of inventories recognised as an expense and included in cost of sales amounted to £28,130,000 (2016: £27,149,000).

19. TRADE AND OTHER RECEIVABLES

Current	2017 £000	2016 £000
Trade receivables	**13,302**	10,463
Less: Provision for impairment of trade receivables	**(198)**	(398)
Net trade receivables	**13,104**	10,065
Corporation tax	**609**	–
Other taxes and social security	**39**	–
Other receivables	**2,066**	4,897
Marketing materials	**1,249**	1,346
Prepayments	**2,441**	2,972
	19,508	19,280

Other receivables include the recognition of £1,500,000 (2016: £4,683,000) relating to insurance reimbursement in respect of the Standfast flood received after the year end.

There is no material difference between the carrying amount and the fair value of the trade and other receivables. The only impaired assets are within trade receivables and marketing materials.

CREDIT QUALITY OF FINANCIAL ASSETS

(i) Neither past due nor impaired

Included in the Group's trade receivable balances are receivables with a carrying value of £8,782,000 (2016: £6,637,000) which are neither past due nor impaired at the reporting date. The nature of the Group's business means that it has a long-standing relationship with the majority of its customers, who either have no experience of historical default or only temporary late payments with full recovery of balances due.

(ii) Past due – not individually impaired

Included in the Group's trade receivable balances are receivables with a carrying value of £4,248,000 (2016: £3,134,000) which are past due at the reporting date for which the Group does not consider the need to create a specific impairment provision against individually identified receivables. The table below shows the aging analysis of the receivables:

	2017 £000	2016 £000
1–30 days past due	**2,363**	2,294
31–60 days past due	**1,216**	840
61–90 days past due	**515**	–
91+ days past due	**154**	–
	4,248	3,134

The Directors believe, however, that in the current economic environment there is objective evidence of credit deterioration and an impairment of £65,000 (2016: £241,000) representing a collective assessment of risk against receivables that are yet to be specifically identified. Due to the nature of the Group's products, there is a limited amount of inventory left in the possession of customers that could act as collateral under terms of trade. As the value of this inventory is immaterial, it has not been disclosed in the financial statements.

(iii) Past due – individually impaired

As at 31 January 2017, trade receivables of £272,000 (2016: £692,000) were individually determined to be impaired and provided for. The amount of the provision was £133,000 (2016: £157,000). The main factor used to assess the impairment of trade receivables is the circumstances of the individual customer.

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

	2017 £000	2016 £000
Sterling	**11,885**	13,287
US dollars	**769**	24
Euros	**2,304**	1,510
Other	**212**	141
	15,170	14,962

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

	2017 £000	2016 £000
United Kingdom	**8,161**	6,973
Continental Europe	**2,895**	1,573
US	**869**	340
Rest of the World	**1,179**	1,179
	13,104	10,065

PROVISIONS FOR IMPAIRMENT

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

	2017 £000	2016 £000
At 1 February	**(398)**	(371)
Provision for receivables impaired	**(49)**	(82)
Receivables written off in the year as uncollectible	**89**	46
Unused amounts reversed	**160**	9
At 31 January	**(198)**	(398)

The creation and release of provisions for impaired trade receivables have been included within distribution and selling costs in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 £000	2016 £000
Forward foreign exchange contracts – cash flow hedges – (liability)	**–**	(26)

FORWARD FOREIGN EXCHANGE CONTRACTS

The Group's US-based subsidiary, Walker Greenbank Inc., sells products to local customers with sales invoiced in US dollars. As the Group's presentation currency is sterling, it is exposed to changes in the reported sterling value of these sales. The Group considers that it is highly probable that future sales of this nature will continue to arise over at least the next 12 months.

The Company enters into monthly forward foreign exchange contracts with a third party to buy sterling and sell US dollars. The Group designates these contracts as cash flow hedges of the foreign currency risk arising from the highly probable future forecast sales transactions. As at the reporting date, there were no US dollar forward exchange contracts and, therefore, the fair value of the forward foreign currency contracts relating to the benefit on these anticipated future transactions was £nil (2016: liability of £26,000).

The amounts deferred in equity are released into the Income Statement in the period or periods during which the hedged forecast transactions impact the Income Statement, which is normally within one month of the Balance Sheet date.

The Brands make more purchases from the eurozone than sales made to the eurozone. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of the purchases. The Group considers that the level of this exposure will reduce over the next 12 months. As at the reporting date there were no euro forward foreign currency contracts.

SWAP FOREIGN EXCHANGE CONTRACTS

The Group uses swap contracts to manage its working capital exchange risk from both the foreign subsidiaries and the balances on receivables, payables and cash held in foreign currency. These swap contracts are designated as fair value through the Income Statement.

The use of swaps are reviewed monthly and renewed when necessary.

As at the reporting date, there were no US dollar swap contracts (2016: fair value liability of £nil) and no euro swap contracts (2016: fair value asset of £nil).

21. CASH AND CASH EQUIVALENTS

	2017 £000	2016 £000
Cash at bank and in hand	**1,516**	2,902

There is a set-off arrangement for bank accounts held with the UK clearing bank, and accordingly the amounts stated as bank overdraft in note 23 represent the net of accounts in funds and in overdraft.

22. TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Trade payables	**18,118**	12,522
Corporation tax	**–**	839
Other taxes and social security	**–**	949
Other payables and deferred revenue	**1,837**	712
Accruals	**5,392**	3,944
	25,347	18,966

23. BORROWINGS

	2017 £000	2016 £000
Current:		
Bank overdraft	**6,626**	–
Term loan	**200**	400
Committed facility	**(1)**	–
	6,825	400
Non-current:		
Term loan	**–**	200
Committed facility	**–**	(4)
	–	196
Total borrowings	**6,825**	596

In December 2015, the Group entered into a new £12,500,000 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 £10,000,000 accordion facility option to further increase available credit which provides substantial headroom for future growth. An initial bank arrangement fee of £100,000 and an additional £40,000 incurred during the year is amortised over the life of the loan. The total facilities from Barclays Bank PLC comprises: a variable rate term loan secured on the Group's freehold property which is being repaid on a five-year profile and a revolving credit facility which may be drawn down in either sterling or euro.

The total Barclays Bank PLC facilities are capped at £22,700,000 (2016: £23,100,000); the utilisation of the facilities at the year end was £6,825,000 (2016: £596,000). The term loan bears interest at variable rates based on a margin above the Bank of England base rate. The revolving credit facility bears interest at a variable rate based on a margin above LIBOR (for sterling loans) or the EURIBOR (for euro loans).

Under the Barclays Bank PLC facilities, the Group is subject to a financial covenant which applies to the term loan, being interest cover. The revolving credit facility is also subject to compliance of two financial covenants, being interest cover and leverage. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to Barclays Bank PLC that it was in full compliance with its covenants throughout each of the periods presented and expects to be for the remaining term of the agreement.

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

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

	Carrying amount		Fair value	
	2017 £000	2016 £000	2017 £000	2016 £000
Term loan	**–**	200	**–**	201
Committed facility	**–**	(4)	**–**	–
	–	196	**–**	201

The fair values are based on cash flows discounted using a weighted average rate based on the borrowing rate of 1.75% (2016: 1.75%).

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23. BORROWINGS CONTINUED

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

31 January 2017	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	6,825	–	–	–
Trade and other payables	25,347	–	–	–
Provision for other liabilities and charges	2,652	1,609	1,867	–
	34,824	1,609	1,867	–

31 January 2016	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	400	204	–	–
Trade and other payables	17,178	–	–	–
	17,578	204	–	–

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

	2017 £000	2016 £000
Sterling	6,825	596

24. RETIREMENT BENEFIT OBLIGATION

DEFINED CONTRIBUTION SCHEMES

The Group contributes to the defined contribution section of the Abaris Holdings Limited Pension Scheme and to a Group Personal Pension Plan which is also a defined contribution scheme. Contributions are charged to the Income Statement as incurred and amounted to £405,000 (2016: £495,000). There are no outstanding or prepaid contributions at 31 January 2017 (2016: nil). Active members of the schemes are also able to make contributions.

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 2017 are expected to be £1,907,000.

Plan assets held in the fund are governed by local regulations and practice in the UK. Responsibility for the governance of the plan, including investment decisions and contributions schedules, lies with the Trustees of the schemes.

Actuarial valuations of the schemes were carried out as at 31 January 2017, based on membership data at 5 April 2015, updated to take account of benefit outgo since 5 April 2015, using actuarial assumptions at 31 January 2017. The major assumptions used by the actuary were (in nominal terms) as follows:

	2017	2016
Discount rate	2.80%	3.75%
Inflation assumption (RPI)	3.35%	2.85%
Inflation assumption (CPI)	2.35%	1.85%
Rate of increase in salaries	3.35%	2.85%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	3.10%	2.80%
Rate of increase to pensions (in excess of GMP) in deferment	2.35%	1.85%

The mortality assumptions imply the expected future lifetime from age 65 as follows:

	2017	2016
Non-pensioner male currently 45	**23.3**	23.3
Pensioner male currently 65	**22.0**	22.0
Non-pensioner female currently 45	**26.0**	25.9
Pensioner female currently 65	**24.5**	24.4

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

	2017 £000	2016 £000
Equities, absolute return and property	**26,226**	23,845
Fixed interest gilts	**16,569**	14,785
Fixed interest bonds	**3,982**	4,671
Index-linked gilts	**10,813**	9,435
Insured annuities	**951**	983
Cash and cash equivalents	**5,960**	1,979
Fair value of scheme assets	**64,501**	55,698

All assets are invested in the UK. The assets do not include the Group's financial instruments or property connected with the Group.

The actual return on assets over the year was a gain of £10,171,000 (2016: loss of £1,794,000).

	2017 £000	2016 £000
Present value of funded obligations	**(71,914)**	(60,011)
Fair value of scheme assets	**64,501**	55,698
Deficit in funded scheme	**(7,413)**	(4,313)
Net liability in Balance Sheet	**7,413**	4,313

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

	2017 £000	2016 £000
Benefit obligation at beginning of year	**60,011**	68,966
Interest cost	**2,199**	2,134
Remeasurement losses/(gains) – changes in financial assumptions	**12,615**	(5,448)
Remeasurement losses/(gains) – changes in demographic assumptions	**–**	(1,298)
Remeasurement gains – experience	**(169)**	(1,914)
Benefits paid	**(2,742)**	(2,429)
Benefit obligation at end of year	**71,914**	60,011

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

	2017 £000	2016 £000
Fair value of plan assets at beginning of year	**55,698**	58,614
Interest income on scheme assets	**2,064**	1,829
Return on assets, excluding interest income	**8,107**	(3,623)
Contributions by employers	**1,766**	1,687
Benefits paid	**(2,742)**	(2,429)
Scheme administrative cost	**(392)**	(380)
Fair value of scheme assets at end of year	**64,501**	55,698

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24. RETIREMENT BENEFIT OBLIGATION CONTINUED

Remeasurements of the net defined benefit liability to be shown in the Statement of Comprehensive Income

	2017 £000	2016 £000
Net remeasurement – financial	**(12,615)**	5,448
Net remeasurement – demographic	**–**	1,298
Net remeasurement – experience	**169**	1,914
Return on assets, excluding interest income	**8,107**	(3,623)
Total remeasurements of the net defined benefit liability	**(4,339)**	5,037

SENSITIVITY ANALYSIS

The table below shows the impact on the defined benefit obligation of changing each of the most significant assumptions in isolation. The figures in the table as at 31 January 2017 have been calculated using the same valuation method that was used to calculate the defined benefit obligation above and are consistent year on year.

		Impact on scheme liabilities 2017 (£m)		Impact on scheme liabilities 2016 (£m)	
	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate	0.25% movement	**(3.1)**	**3.3**	(2.4)	2.5
Rate of inflation (RPI)*	0.25% movement	**1.6**	**(1.2)**	1.1	(1.1)
Rate of inflation (CPI)*	0.25% movement	**0.7**	**(0.6)**	0.5	(0.6)
Assumed life expectancy	1 year movement	**3.0**	**(3.0)**	2.1	(2.2)

Extrapolation of the sensitivity analysis beyond the ranges shown may not be appropriate.

* With corresponding changes to the salary and pension increase assumptions.

RISK EXPOSURE

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility
  The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- Changes in bond yields
  A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
- Inflation risks
  Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.
- Life expectancy
  The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The weighted average duration of defined benefit obligations is 17 years.

25. PROVISION FOR OTHER LIABILITIES AND CHARGES

Contingent liability arising on business combination:	2017 £000	2016 £000
At 1 February	**–**	–
Provision on acquisition of Clarke and Clarke (note 33)	**5,148**	–
Unwind of discount (note 7)	**181**	–
At 31 January	**5,329**	–

Analysis of total contingent liability:	2017 £000	2016 £000
Non-current	**2,677**	–
Current	**2,652**	–
Total	**5,329**	–

26. FINANCIAL INSTRUMENTS

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

31 January 2017	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	**15,170**	**–**	**–**	**15,170**
Cash and cash equivalents	**1,516**	**–**	**–**	**1,516**
Total	**16,686**	**–**	**–**	**16,686**

31 January 2017	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Derivative financial instruments	**–**	**–**	**–**	**–**
Borrowings	**–**	**6,825**	**–**	**6,825**
Trade and other payables	**–**	**25,347**	**–**	**25,347**
Provision for other liabilities	**–**	**5,329**	**–**	**5,329**
Total	**–**	**37,501**	**–**	**37,501**

31 January 2016	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	14,962	–	–	14,962
Cash and cash equivalents	2,902	–	–	2,902
Total	17,864	–	–	17,864

31 January 2016	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Derivative financial instruments	–	–	26	26
Borrowings	–	596	–	596
Trade and other payables	–	17,178	–	17,178
Total	–	17,774	26	17,800

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following financial assets/(liabilities) are subject to offsetting, enforceable master netting arrangements and similar arrangements.

31 January 2017	Gross amounts of recognised financial assets/ (liabilities) £000	Gross amounts of recognised financial assets set off in the Balance Sheet £000	Net amounts of financial assets/ (liabilities) included in the Balance Sheet £000
Cash and cash equivalents	**9,289**	**(9,289)**	**–**
Bank overdraft	**(14,868)**	**9,289**	**(5,579)**

31 January 2016	Gross amounts of recognised financial assets/ (liabilities) £000	Gross amounts of recognised financial assets set off in the Balance Sheet £000	Net amounts of financial assets/ (liabilities) included in the Balance Sheet £000
Cash and cash equivalents	5,337	(2,708)	2,629
Bank overdraft	(2,708)	2,708	–

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26. FINANCIAL INSTRUMENTS CONTINUED

For the financial assets and liabilities, subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for the net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

27. SHARE CAPITAL

Ordinary shares of 1p each:	Number of shares	£
Authorised share capital:		
1 February 2015, 31 January 2016 and 31 January 2017	85,000,000	850,000
Allotted and fully paid:		
31 January 2017	69,551,678	695,517
31 January 2016	60,172,521	601,725
1 February 2015	59,762,559	597,626

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

As detailed in note 33, in order to finance the initial cash consideration to acquire 100% of the issued share capital of Clarke & Clarke, a placing of a total of 8,947,369 new ordinary shares of 1p each in the Company was announced on 12 October 2016. These shares, which represented approximately 12.9% of the Company's issued ordinary share capital on admission to trading on AIM (excluding treasury shares), were placed on 12 October 2016 at a price of 190.0 pence per share, raising proceeds of approximately £17,000,000.

On 16 May 2016, 773,393 shares vested under the Company's Long-Term Incentive Plan. To satisfy the vesting, 431,788 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 69,551,678 (2016: 60,172,521) ordinary shares of which no (2016: nil) ordinary shares are held in treasury and 4,909 (2016: 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 18 May 2015, 1,090,326 shares vested under the Company's LTIP, of which 188,272 shares were issued from the Walker Greenbank PLC EBT.

The market value of shares held by the EBT at 31 January 2017 was £9,941 (2016: nil). The total number of shares held in the EBT at the period end represented 0.01% (2016: nil) of the issued shares.

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

LONG-TERM INCENTIVE PLANS ('LTIPS')

The Group operates an LTIP. There have been 10 awards under this plan, in which Executive Directors and senior management of the Group participate. The first award vested during 2009, the second vested during 2011, the third, fourth, fifth, sixth and seventh vesting in subsequent years. The LTIP has previously been approved by the shareholders at an Annual General Meeting.

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

	Award Eight	Award Eight	Award Nine	Award Nine	Award Ten	Award Ten
Grant date of awards	28 May 2014	28 May 2014	26 May 2015	26 May 2015	1 Dec 2016	1 Dec 2016
Grant date fair value of award (pence per award)	108.4	181.04	117.94	190.69	119.33	195.70
Vesting date of awards	28 May 2017	28 May 2017	26 May 2018	26 May 2018	30 Nov 2019	30 Nov 2019
Maximum number of awards	344,591	344,591	323,465	323,465	362,189	362,189
Vesting condition based on	TSR with PBT floor	EPS growth	TSR with PBT floor	EPS growth	TSR with PBT floor	EPS
Relevant date for determination of vesting conditions	TSR as at 28 May 2017 PBT for year ending 31 January 2017	EPS for year ending 31 January 2017	TSR as at 26 May 2018 PBT for year ending 31 January 2018	EPS for year ending 31 January 2018	TSR as at 30 Nov 2019 PBT for year ending 31 January 2019	EPS for year ending 31 January 2019

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 38 to 41.

Awards Eight and Nine have half the award based on vesting conditions that are market based and half based on the growth in adjusted EPS. Award Ten has half the award based on vesting conditions that are market based and half based on the absolute adjusted EPS. The weighted average fair value of options granted during the year (Award Ten) that related to market-based vesting conditions was determined using the Monte-Carlo valuation model was 119.33p per option. The significant inputs into the model were weighted average share price of 204.5p at the grant date, exercise price shown above, dividend yield of 1.47%, an expected option life of three years, and an annual risk-free interest rate of 0.24%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. The fair value of the options granted based on vesting conditions of growth in EPS was determined using the Black-Scholes valuation model was 195.70p. Refer to note 11 for the total expense recognised in the Income Statement for share options granted to Directors and employees.

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

	2017 Number	2016 Number
At 1 February	**2,452,476**	2,867,104
Granted	**724,377**	734,464
Exercised	**(773,294)**	(1,090,326)
Lapsed	**(363,071)**	(58,766)
At 31 January	**2,040,488**	2,452,476

28. CAPITAL RESERVE

Capital reserve represents:	£000
Share premium of companies acquired under merger accounting principles	1,276
Capital reserve arising on consolidation	293
Capital redemption reserve on capital restructurings	41,888
At 31 January 2017 and 2016	43,457

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29. DIVIDENDS

During the year, the Group has paid a final dividend for the year to 31 January 2016 of 2.45p and an interim dividend of 0.55p (£333,000) for the year to 31 January 2017 (2016: 0.44p, £265,000).

The Group will continue to invest in the future growth of the business and continue to pay dividends.

The Directors recommend the payment of a final dividend of 3.06p per share (2016: 2.45p per share) which will be payable on 11 August 2017 to shareholders on the register at 21 July 2017, giving a cost of £2,128,000 (2016: £1,485,000). This brings the total dividend for the year to 3.61p (2016: 2.89p).

30. CASH GENERATED FROM OPERATIONS

	2017 £000	Restated 2016 £000
Profit before tax:	**6,965**	7,338
Defined benefit pension charge	**527**	685
Net borrowing costs	**367**	179
Depreciation and impairment of property, plant and equipment	**2,172**	3,024
Insurance reimbursements	**(12,250)**	(4,683)
Amortisation	**1,019**	602
(Gain)/loss on disposal of property, plant and equipment	**–**	3
Charge for LTIP recognised in equity	**658**	790
LTIP vesting	**(664)**	(967)
Unrealised foreign exchange losses/(gains) included in operating profit	**56**	(227)
Defined benefit pension cash contributions	**(1,766)**	(1,687)
Cash (used in)/generated from operating activities pre insurance proceeds	**(2,916)**	5,057
Insurance proceeds relating to operating activities	**13,165**	–
Cash generated from operating activities post insurance proceeds	**10,249**	5,057
Changes in working capital		
(Increase)/decrease in inventories	**(5,976)**	3,900
Decrease/(increase) in trade and other receivables	**2,728**	(279)
Increase/(decrease) in trade and other payables	**5,380**	(1,575)
Cash generated from operations	**12,381**	7,103

The 2016 cash generated from operations has been restated to show non-cash insurance reimbursements included within other receivables.

31. ANALYSIS OF NET FUNDS

	1 February 2016 £000	Cash and cash equivalents acquired (note 33) £000	Cash flow £000	Current portion of term loan £000	Other non-cash changes £000	**31 January 2017 £000**
Cash and cash equivalents	2,902	2,663	(4,049)	–	–	**1,516**
Bank overdraft	–	–	(6,626)	–	–	**(6,626)**
Cash and cash equivalents and bank overdraft	2,902	2,663	(10,675)	–	–	**(5,110)**
Term loan due within one year	(400)	–	400	(200)	1	**(199)**
Term loan due after one year	(196)	–	–	200	(4)	**–**
	(596)	–	400	–	(3)	**(199)**
Net funds/(debt)	2,306	2,663	(10,275)	–	(3)	**(5,309)**

Other non-cash changes are capitalisation and amortisation of the issue costs relating to the borrowings.

32. COMMITMENTS

A) CAPITAL COMMITMENTS

Capital expenditure contracted for at the Balance Sheet date but not yet incurred is as follows:

	2017 £000	2016 £000
Property, plant and equipment	**95**	1,960

B) LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Group for certain office properties. Land and building leases are negotiated for an average of 14 years (2016: 14 years) and rentals are fixed for an average of five years (2016: five years). Other leases are negotiated for an average term of three years (2016: three years) and rentals are fixed for an average of three years (2016: three years).

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

	Land and buildings 2017 £000	Other 2017 £000	Total 2017 £000	Land and buildings 2016 £000	Other 2016 £000	Total 2016 £000
Within one year	**2,021**	**477**	**2,498**	1,768	389	2,157
Between one and five years	**8,189**	**592**	**8,781**	5,309	465	5,774
Over five years	**4,118**	**–**	**4,118**	3,034	2	3,036
	14,328	**1,069**	**15,397**	10,111	856	10,967

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

33. BUSINESS COMBINATIONS

On 12 October 2016, the Group conditionally acquired 100% of the issued share capital of Globaltex 2015 Limited, a company registered in the UK, 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.

Globaltex 2015 Limited is the parent entity and owns 100% of the issued share capital of Globaltex Limited, trading as Clarke & Clarke, which is a UK-based designer and worldwide distributor of interior fabrics and wallpapers.

In order to finance the initial cash consideration, a placing of a total of 8,947,369 new ordinary shares of 1p each in the Company was announced on 12 October 2016. These shares, which represented approximately 12.9% of the Company's issued ordinary share capital on admission to trading on AIM (excluding treasury shares), were placed at a price of 190.0 pence per share, raising proceeds of approximately £17,000,000. The remaining portion of the cash consideration is being funded from the Company's existing accordion tranche of its bank facilities and from the Company's existing cash resources.

The following tables summarise the consideration for Clarke & Clarke, the fair value of assets acquired and liabilities assumed at the acquisition date.

	£000
Initial cash consideration	25,000
Working capital adjustments to purchase consideration	5,400
Total cash consideration	30,400
Contingent consideration	5,148
Total consideration	**35,548**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

33. BUSINESS COMBINATIONS CONTINUED

Fair value of assets acquired and liabilities assumed:

	Note	£000
Brand		5,566
Customer relationships		4,427
Total acquired identifiable intangible assets	(b)	9,993
Property, plant and equipment		322
Inventories	(c)	5,936
Trade and other receivables	(d)	6,450
Cash and cash equivalents		2,663
Trade and other payables		(1,667)
Deferred tax liabilities		(2,885)
Net identifiable assets acquired		**20,812**
Goodwill	(e)	14,736
Total consideration		**35,548**

(a) Acquisition-related costs charged to the Income Statement for the year ended 31 January 2017 are detailed in note 7.

(b) The fair value of the acquired identifiable intangible assets of £9,993,000 is provisional pending receipt of the final valuations of those assets.

(c) In accordance with IFRS, the inventory value was uplifted to fair value at the date of the acquisition by £1,243,000 and this adjustment increased cost of sales in the post-acquisition period. £1,061,000 cost in respect of unwind of the fair value uplift adjustment is considered an exceptional cost of sale (note 7). The balance of the fair value uplift which is still to be unwound included within inventories as at 31 January 2017 was £182,000.

(d) Included in trade and other receivables were trade receivables with a carrying value of £3,524,000 expected to be recoverable in full. The fair value of trade receivables acquired approximates their carrying value.

(e) Goodwill is mainly attributable to growth opportunities identified for the acquired business, both in the UK and globally, plus cost synergies expected to arise. None of the goodwill recognised is expected to be deductible for income tax purposes.

(f) No contingent liabilities other than the contingent consideration of £5,148,000 at the acquisition date were recognised as a result of the business combination. The contingent consideration arrangement requires the Group to pay, in shares, to the former owners of Clarke & Clarke, for four years from 2017 to 2020 based on a target EBITDA number up to a maximum undiscounted amount of £17,500,000 in Group shares. The fair value of the contingent consideration arrangement of £5,148,000 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 10.9% and assumed probability-adjusted profit in Clarke & Clarke of £22,100,000 to £22,600,000. This is a level 3 fair value measurement. The key unobservable assumptions in calculating this profit are: the EBITDA projections of the Clarke & Clarke business for the four years from 2017 to 2020 and the discount rate applied (10.9%).
As of 31 January 2017, there was an increase of £181,000 recognised in the Income Statement for the contingent consideration arrangement, as the assumed probability adjusted contingent consideration was recalculated to be approximately £5,329,000. Assuming all other variables are held constant: an increase of 10% in EBITDA projections would result in an increase in contingent consideration of £127,000 and a decrease of 1% in the discount rate would result in an increase in contingent consideration of £74,000. An increase of 10% in revenue would result in an increase in contingent consideration of £317,000.

(g) The revenue included in the Consolidated Statement of Comprehensive Income since 12 October 2016 contributed by Clarke & Clarke was £7,276,000. Clarke & Clarke also contributed a profit before tax of £1,014,000 over the same period.

(h) Had Clarke & Clarke been consolidated from 1 February 2016, the Consolidated Statement of Income would include pro-forma revenue of £21,509,000 and profit before tax of £3,462,000.

Net cash outflow arising on acquisition:

	£000
Total cash consideration paid	29,736
Less: cash and cash equivalents acquired	(2,663)
Net cash outflow	**27,073**

The results of Clarke & Clarke are included within the Brands segment in note 4.

34. PRINCIPAL SUBSIDIARY UNDERTAKINGS

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

Name of subsidiary undertaking	Country of incorporation and place of business	Registered office
Abaris Holdings Limited	UK	Chalfont House, Oxford Road, Denham UB9 4DX
Globaltex 2015 Limited	UK	Chalfont House, Oxford Road, Denham UB9 4DX
Globaltex Limited, trading as Clarke & Clarke*	UK	Chalfont House, Oxford Road, Denham UB9 4DX
Walker Greenbank Inc*	US	800 Huyler Street, Teterboro, New Jersey, 07608
Arthur Sanderson & Sons SARL*	France	19 Rue de Mail, Paris, 75002

* Shares held by subsidiary company.

Investments in Group companies are ordinary shares.

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

For a full list of subsidiary companies refer to note 6 to the financial statements of the Company as an entity (pages 101 to 103).

35. EVENTS AFTER THE REPORTING PERIOD

Following the flooding at Standfast, the Group experienced a period of disrupted production and a loss of stock, machinery and profits. After the reporting period the Group has been reimbursed £1,500,000 as an interim payment which has been recognised and included within other receivables as at 31 January 2017, bringing the total cash received to date to £16,933,000 to cover the costs of stock and machinery loss and other incremental costs, along with business interruption losses. Further business interruption reimbursements are expected to cover future loss of profits up to a period of two years following the flood.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC

REPORT ON THE COMPANY FINANCIAL STATEMENTS

OUR OPINION

In our opinion, Walker Greenbank PLC's Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 31 January 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Company Balance Sheet as at 31 January 2017;
- the Company Statement of Comprehensive Income for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

OTHER MATTER

We have reported separately on the Group financial statements of Walker Greenbank PLC for the year ended 31 January 2017.

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
25 April 2017

- The maintenance and integrity of the Walker Greenbank PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2017

	2017 £000	2016 £000
Profit for the year	**693**	278
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Corporation tax credits recognised in equity	**22**	–
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedge	**26**	169
Other comprehensive income for the year, net of tax	**48**	169
Total comprehensive income for the year	**741**	447

The notes on pages 95 to 108 form an integral part of these financial statements.

COMPANY BALANCE SHEET

AT 31 JANUARY 2017

	Note	2017 £000	2016 £000
Fixed assets			
Property, plant and equipment	5	**1**	4
Investments	6	**83,560**	44,622
		83,561	44,626
Current assets			
Trade and other receivables	7	**1,853**	11,718
Deferred income tax assets	8	**260**	434
		2,113	12,152
Creditors: amounts falling due within one year	10	**(16,532)**	(7,559)
Derivative financial instruments	9	**–**	(26)
Provision for other liabilities and charges	12	**(2,652)**	–
Net current (liabilities)/assets		**(17,071)**	4,567
Total assets less current liabilities		**66,490**	49,193
Creditors: amounts falling due after more than one year	11	**–**	(196)
Provision for other liabilities and charges	12	**(2,677)**	–
Net assets		**63,813**	48,997
Capital and reserves			
Called up share capital	14	**696**	602
Share premium account		**16,390**	457
Retained earnings		**4,839**	6,076
Capital reserve	15	**41,888**	41,888
Hedge reserve		**–**	(26)
Total shareholders' funds		**63,813**	48,997

A profit of £693,000 (2016: £278,000) has been included within these financial statements.

The financial statements on pages 92 to 108 were approved by the Board of Directors on 25 April 2017 and signed on its behalf by

John Sach
Director

Mike Gant
Director

Registered number: 61880

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2017

	Called up share capital £000	Share premium account £000	Retained earnings £000	Capital reserve (note 15) £000	Hedge reserve (note 9) £000	Total shareholders' funds £000
Balance at 1 February 2015	598	457	7,412	41,888	(195)	50,160
Profit for the year	–	–	278	–	–	278
Other comprehensive income:						
Cash flow hedge	–	–	–	–	169	169
Total comprehensive income	–	–	278	–	169	447
Transactions with owners, recognised directly in equity:						
Dividends	–	–	(1,444)	–	–	(1,444)
Allotment of share capital	4	–	(4)	–	–	–
Long-term incentive plan charge	–	–	790	–	–	790
Long-term incentive plan vesting	–	–	(967)	–	–	(967)
Related tax movements on long-term incentive plan	–	–	11	–	–	11
Balance at 31 January 2016	**602**	**457**	**6,076**	**41,888**	**(26)**	**48,997**
Profit for the year	–	–	693	–	–	693
Other comprehensive income:						
Corporation tax credits recognised in equity	–	–	22	–	–	22
Cash flow hedge	–	–	–	–	26	26
Total comprehensive income	–	–	715	–	26	741
Transactions with owners, recognised directly in equity:						
Dividends	–	–	(1,818)	–	–	(1,818)
Allotment of share capital	94	15,933	(4)	–	–	16,023
Long-term incentive plan charge	–	–	658	–	–	658
Long-term incentive plan vesting	–	–	(664)	–	–	(664)
Related tax movements on long-term incentive plan	–	–	(124)	–	–	(124)
Balance at 31 January 2017	**696**	**16,390**	**4,839**	**41,888**	**–**	**63,813**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

These financial statements present information relating to the entity Walker Greenbank PLC ('the Company'), and are not consolidated. The consolidated financial statements of Walker Greenbank PLC and its subsidiaries ('the Group') of which the Company is the parent are separately presented within the Annual Report and Accounts and are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs').

BASIS OF PREPARATION

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the valuation of derivative financial instruments at fair value through profit and loss, and with the accounting policies set out below which have been consistently applied to all periods presented unless otherwise indicated.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the Company continues to adopt the going concern basis in preparing its financial statements.

No Income Statement is presented for the Company as it has applied the exemption provided by Section 408 of the Companies Act 2006.

In accordance with FRS 101, the following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
  (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period); and
  (iv) paragraphs 76 and 79(d) of IAS 40 'Investment Property'
- 101p8(g) – The following paragraphs of IAS 1, 'Presentation of financial statements':
  (i) 10(d) (statement of cash flows);
  (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  (iii) 16 (statement of compliance with all IFRS);
  (iv) 38A (requirement for minimum of two primary statements, including cash flow statements);
  (v) 38B-D (additional comparative information);
  (vi) 40A-D (requirements for a third statement of financial position);
  (vii) 111 (cash flow statement information); and
  (viii) 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of Assets'
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations'

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES CONTINUED
Since the Company's previous annual financial statements for the year ended 31 January 2016 the following pronouncements are now effective and have been adopted by the Company:

- Amendment to IAS 1 'Presentation of Financial Statements', on disclosure initiative effective periods beginning on or after 1 January 2016
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation – effective periods beginning on or after 1 January 2016

There has been no material effect on the Company's financial statements following the introduction of the above.

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

Transactions in foreign currencies, which are those other than the functional currency of the Company, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the Balance Sheet date. All unhedged exchange differences are recognised in the Income Statement for the period within administration expenses.

Further disclosures of the Group's financial risk management policies are included in note 2 to the consolidated financial statements of the Group, which are presented separately from these financial statements.

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

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

Plant, equipment and vehicles	Between 5% and 33%
Computer hardware	33%

INVESTMENTS
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

IMPAIRMENT OF NON-FINANCIAL ASSETS
Property, plant and equipment are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. Where impairment triggers are identified, the recoverable amount of the relevant asset or group of assets within a cash-generating unit is determined, being the higher of value in use and net realisable value. If the carrying amount of the asset exceeds its recoverable amount an impairment loss is calculated. Any impairment is recognised in the Income Statement in the year in which it occurs. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

FINANCIAL ASSETS AND LIABILITIES – MEASUREMENT BASIS
In accordance with FRS 101, financial assets and liabilities are recognised on the date on which the Company becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Financial assets and liabilities are initially recognised at fair value plus transaction costs and are continually reviewed for impairment going forward. Any impairment of a financial asset is charged to the Income Statement when incurred. Financial assets are derecognised when the Company's rights to cash inflows from the asset expire; financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

Non-derivative financial assets are classified as 'loans and receivables' according to the purpose for which the asset was acquired. This category includes:

- 'trade and other receivables' – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides goods directly to a customer, or advances money, with no intention of trading the loan or receivable. Subsequent to initial recognition, loans and receivables are included in the Balance Sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in the carrying amount recognised in the Income Statement within distribution and selling or administration expenses; and
- 'cash at bank and in hand' – this comprises deposits repayable on demand with banks and financial institutions, bank balances and cash in hand.

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

- 'creditors' – these are typically non-interest bearing and following initial recognition are included in the Balance Sheet at amortised cost using the effective interest method;
- 'bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs and subsequently held at amortised cost using the effective interest method; and
- 'borrowings' – these are recorded initially at the fair value, net of direct issue costs, and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are accounted for in the Income Statement, using the effective interest method, and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING – MEASUREMENT BASIS

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

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

The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within administration expenses. Amounts accumulated in equity are released to the Income Statement when the hedged item affects the Income Statement, and are also classified in the Income Statement within administration expenses.

Derivatives that do not qualify for hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement' are classified as 'financial assets or liabilities at fair value through profit or loss'. They are initially recognised at fair value, with fair value being remeasured at each reporting date. The fair value of the derivative is based on market price of comparable instruments at the Balance Sheet date. Changes in fair value are included in the Income Statement within finance costs.

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

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

LEASES

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

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

EMPLOYEE BENEFITS – *RETIREMENT BENEFIT OBLIGATIONS*

The Walker Greenbank Group operates both defined benefit and defined contribution pension schemes for the benefit of its employees. Further details of these schemes are included in note 24 of the consolidated financial statements of the Group.

Defined benefit pension schemes are accounted for within the separate financial statements of the Company's trading subsidiary, Abaris Holdings Limited. The Company recognises contributions to defined contribution schemes in respect of its employees as expenses when incurred.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES CONTINUED

EMPLOYEE SHARE OWNERSHIP PLAN ('ESOP')

Where the Company's issued share capital is acquired by an ESOP trust sponsored by the Company, the cost of acquisition is deducted from retained earnings.

EMPLOYEE BENEFITS – *SHARE-BASED PAYMENTS UNDER LONG-TERM INCENTIVE PLANS ('LTIP')*

The Company issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the Income Statement with a corresponding increase in equity.

The fair values of these payments are measured at the date of grant, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Company's estimate of the number of awards which will lapse, either due to employees leaving the Company prior to vesting or due to non-market based performance conditions not being met.

The total amount recognised in the Income Statement as an expense is adjusted to reflect the actual number of awards that vest. National insurance contributions related to the awards are recognised as an expense in the Income Statement with a corresponding liability on the Balance Sheet.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

EMPLOYEE BENEFITS – *SHORT-TERM BONUS PLANS*

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

SHARE CAPITAL

Ordinary shares are classified as equity. Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution is set by the Board on a regular basis so long as sufficient funds are available.

SHARE PREMIUM

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

TREASURY SHARES

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

TAXATION INCLUDING DEFERRED TAX

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

DIVIDEND INCOME
Dividend income is recognised when the right to receive payment is established.

DIVIDEND DISTRIBUTIONS
Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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

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

A) IMPAIRMENT OF NON-FINANCIAL ASSETS
Property, plant and equipment are reviewed for impairment whenever impairment triggers are apparent. The recoverable amounts of cash-generating units are determined based on value in use ('VIU') calculations. These calculations require use of estimates of future sales, margins, and other operating and administration expenses, and of discount rates. The carrying values of the non-financial assets are not considered to be sensitive due to the nature of the assets.

B) DEFERRED TAX RECOGNITION
The Company considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the long-term incentive plan. The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of the Company, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of LTIP payment awards. Further disclosures relating to the amount of deferred tax asset recognised and other relevant disclosures are included in note 8. The Company considers the sensitivity on deferred tax recognition to be based on profits generated by the Company and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

C) LONG-TERM INCENTIVE PLAN PAYMENT AWARDS
The Company has granted awards to Executive Directors and senior management which include vesting conditions relating to the future financial performance of the Group as measured by adjusted profit before tax ('PBT') and the relative performance of the Group's Total Shareholder Return ('TSR') against comparator companies. The fair value of the awards granted is charged against the Income Statement over the vesting period; the amount of that charge including the national insurance component of the charge, is dependent upon the Company's estimates of how many awards will ultimately vest, which is linked directly to its estimates regarding future PBT and TSR achievement.

NOTES TO THE FINANCIAL STATEMENTS

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2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS CONTINUED

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

D) CONTINGENT CONSIDERATION ON BUSINESS COMBINATIONS

For business combinations, the Company 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. There is some sensitivity in determining this accounting estimate as there is a range of outcomes. If the EBITDA of the acquired business increases by 10%, then the contingent consideration would be £127,000 higher and if it decreased by 10%, it would be £127,000 lower. Judgement is also applied in determining whether any future payments should be classified as contingent consideration or as remuneration for future services.

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.

3. AUDITORS' REMUNERATION

	2017 £000	2016 £000
Audit fee – fees payable to the Company's auditors for the audit of the parent Company and the consolidation of the Group financial statements	**58**	60
Corporate finance services	**536**	–
	594	60

4. EMPLOYEE INFORMATION

	2017 £000	2016 £000
Wages and salaries	**1,648**	1,517
Social security costs	**292**	183
Other pension costs	**87**	153
Share-based payment awards, including NIC thereon	**445**	536
Employee benefit expense	**2,472**	2,389

The average monthly number of employees (including Directors) during the year	2017 Number	2016 Number
Corporate and administration	**12**	11

5. PROPERTY, PLANT AND EQUIPMENT

	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost			
1 February 2015 and 31 January 2016	90	34	124
Additions	–	–	–
31 January 2017	90	34	124
Accumulated depreciation			
1 February 2015	83	28	111
Charge	6	3	9
31 January 2016	89	31	120
Charge	1	2	3
31 January 2017	90	33	123
Net book amount			
31 January 2017	**–**	**1**	**1**
31 January 2016	1	3	4
31 January 2015	7	6	13

The total depreciation expense of £3,000 (2016: £9,000) is included in administration expenses.

6. INVESTMENTS

Shares in subsidiary undertakings	2017 £000	2016 £000
Cost		
At 1 February	**45,660**	45,339
Assignment of receivable to subsidiary	**3,432**	–
Acquisition of Globaltex 2015 Limited	**35,239**	–
IFRS 2 cost relating to share-based payments	**267**	321
At 31 January	**84,598**	45,660
Provision for impairment		
At 1 February	**(1,038)**	(1,038)
At 31 January	**(1,038)**	(1,038)
Net book amount at 31 January	**83,560**	44,622

On 11 May 2016, the Company and its wholly owned subsidiary, Abaris Holdings Limited (‘Abaris’), entered into a Deed of Assignment assigning to Abaris absolutely and with full title guarantee the inter-company balance of US$5 million payable to the Company by its US subsidiary (the ‘Receivable’). The Receivable was always intended to be equity to help fund the US business with no expectation of payment. In consideration, Abaris made an allotment against the fair value of the Receivable and issued to the Company 2,400,000 ordinary shares of £1 each at a premium of £0.43 per share. Consequently, the Company de-recognised the Receivable and recorded an investment of £3,432,000 (US$5 million). Since the assignment of the Receivable was an inter-Group transaction, there has been no effect on the consolidated financial statements of the Walker Greenbank Group for the year ended 31 January 2017.

On 12 October 2016, the Company conditionally acquired 100% of the issued share capital of Globaltex 2015 Limited, a company registered in the UK, 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. Full details of the acquisition are included in note 33 of the consolidated financial statements of the Group which are separately presented within the Annual Report and Accounts.

During the year, the Company disposed of seven (2016: none) wholly owned subsidiaries which did not trade in any of the periods presented. The cost and net book amount of these subsidiaries held by the Company had already been written off in prior years and therefore their disposal had no impact on the Company’s equity or profit for the current and previous year.

Name of subsidiary undertaking disposed	Country of incorporation	Status as at 31 January 2017	Status as at 31 January 2016
Alkar International Limited	UK	**Dissolved**	Dormant
Hampshire Medical Developments Limited	UK	**Dissolved**	Dormant
Old English Wallpapers Limited	UK	**Dissolved**	Dormant
Ortho-Med Limited	UK	**Dissolved**	Dormant
The Whittington Wallpaper Company Limited*	UK	**Dissolved**	Dormant
WG Tendercare Limited	UK	**Dissolved**	Dormant
Whittaker & Woods Limited*	UK	**Dissolved**	Dormant

* Indicates that shares were held by a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENTS CONTINUED

Walker Greenbank PLC is registered and domiciled in the United Kingdom. It is the parent Company of the Walker Greenbank Group. The Company's related undertakings, all of which are wholly owned, are as follows:

Name of subsidiary undertaking	Country of incorporation and place of business	Holding	Proportion of voting rights/ shares held by the Company	Nature of business
Abaris Holdings Limited	UK	Ordinary shares	100%	Luxury interior furnishings
Globaltex 2015 Limited	UK	Ordinary shares	100%	Holding company
Globaltex Limited* (trading as Clarke & Clarke)	UK	Ordinary shares	100%	Luxury interior furnishings
Walker Greenbank Inc*	US	Ordinary shares	100%	Luxury interior furnishings
Arthur Sanderson & Sons SARL*	France	Ordinary shares	100%	Luxury interior furnishings
Abaris Trading Company B.V.*	Netherlands	Ordinary shares	100%	Luxury interior furnishings
Alkar Display Limited*	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Anstey Wallpaper Company Limited*	UK	Ordinary shares	100%	Dormant
Anthology Fabrics and Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Arthur Sanderson & Sons Limited*	UK	Ordinary shares	100%	Dormant
Barracks Fabric Printing Company Limited*	UK	Ordinary shares	100%	Dormant
Boyle and Son Limited*	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Bryant Corporation Limited	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Cirka Limited*	UK	Ordinary shares	100%	Dormant
Design Edition Limited*	UK	Ordinary shares	100%	Dormant
Forestand Limited	UK	Ordinary shares	100%	Dissolved (28 February 2017)
G Johnson (Cirencester) Limited	UK	Ordinary shares	100%	Dissolved (28 February 2017)
G Johnson Bros Limited	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Greenbank Engineering Overseas Limited	UK	Ordinary shares	100%	Dormant
Harlequin Fabrics & Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Harris Fabrics Limited*	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Melody Wallcoverings Limited*	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Morris & Co. (Artworkers) Limited*	UK	Ordinary shares	100%	Dormant
Pepys Wallpapers Limited*	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Prestake Limited*	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Sanderson of London Limited*	UK	Ordinary shares	100%	Dormant
Scion Fabrics & Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Scion Living Limited*	UK	Ordinary shares	100%	Dormant
Standfast Dyers and Printers Limited*	UK	Ordinary shares	100%	Dormant
Strines Textiles Limited*	UK	Ordinary shares	100%	Dormant
Style Library Limited*	UK	Ordinary shares	100%	Dormant
W.G. Strike1 Limited*	UK	Ordinary shares	100%	Dissolved (1 March 2017)
W.G. Strike2 Limited*	UK	Ordinary shares	100%	Dormant (in liquidation)
W.G. Strike3 Limited*	UK	Ordinary shares	100%	Dissolved (1 March 2017)
W.G. Strike4 Limited*	UK	Ordinary shares	100%	Dissolved (1 March 2017)
W.G. Strike5 Limited*	UK	Ordinary shares	100%	Dissolved (1 March 2017)
W.G. Strike6 Limited*	UK	Ordinary shares	100%	Dissolved (1 March 2017)
WG Fabrics Limited	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Walker Greenbank Distribution Limited*	UK	Ordinary shares	100%	Dormant
Warner Archive Limited*	UK	Ordinary shares	100%	Dissolved (1 March 2017)
William Morris Wallpapers Limited*	UK	Ordinary shares	100%	Dormant
Zoffany House Limited*	UK	Ordinary shares	100%	Dissolved (28 February 2017)
Zoffany Limited*	UK	Ordinary shares	100%	Dormant

* Indicates that the shares are held by a subsidiary company.

Registered offices of the Company's related undertakings, all of which are wholly owned, are as follows:

Name of subsidiary undertaking	Registered office
All undertakings other than the ones listed below	Chalfont House, Oxford Road, Denham UB9 4DX
Walker Greenbank Inc*	800 Huyler Street, Teterboro, New Jersey, 07608
Arthur Sanderson & Sons SARL*	19 Rue de Mail, Paris, 75002
Abaris Trading Company B.V.*	Postbus 372, 1970 AJ IJmuiden, Netherlands

* Indicates that the shares are held by a subsidiary company.

7. TRADE AND OTHER RECEIVABLES

Current	2017 £000	2016 £000
Amounts owed by subsidiary undertakings	–	10,543
Corporation tax	22	22
Other taxes and social security	1,461	843
Other receivables	370	310
	1,853	11,718

Amounts owed by subsidiary undertakings are non-interest bearing and are unsecured. These loans are repayable on demand by the Company should payment be required, but have no fixed date of repayment.

8. DEFERRED INCOME TAX

A net deferred tax asset of £260,000 (2016: £434,000) is recognised in respect of future deductions for LTIP payments.

	2017 £000	2016 £000
Temporary differences on LTIP payments	260	434

The deferred tax asset on LTIP payments is expected to unwind after more than one year.

At 31 January 2017, the Company has gross unused UK tax losses of £3,225,000 (2016: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2017 of £613,000 (2016: £674,000) relating to UK tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation.

	2017 £000	2016 £000
Unutilised tax losses – UK	548	645
Other deductible temporary differences – UK	65	29
Derivative financial instruments – UK	–	5
	613	679

There are also unutilised capital tax losses at 31 January 2017 of £4,881,000 (2016: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

The deferred tax balance at 31 January 2017 included within these financial statements has been calculated at a rate of 17%, as this is the rate at which the majority of the balances are expected to unwind.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 and became substantively enacted in the Finance Bill 2016 on 6 September 2016 to reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

NOTES TO THE FINANCIAL STATEMENTS

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9. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 £000	2016 £000
Forward foreign exchange contracts – cash flow hedges – (liability)	**–**	(26)

FORWARD FOREIGN EXCHANGE CONTRACTS

The Group's US-based subsidiary, Walker Greenbank Inc., sells products to local customers with sales invoiced in US dollars. As the Group's presentation currency is sterling, it is exposed to changes in the reported sterling value of these sales. The Group considers that it is highly probable that future sales of this nature will continue to arise over at least the next 12 months.

The Company enters into monthly forward foreign exchange contracts with a third party to buy sterling and sell US dollars. The Group designates these contracts as cash flow hedges of the foreign currency risk arising from the highly probable future forecast sales transactions. As at the reporting date, there were no US dollar forward exchange contracts and, therefore, the fair value of the forward foreign currency contracts relating to the benefit on these anticipated future transactions was £nil (2016: liability of £26,000).

The amounts deferred in equity are released into the Income Statement in the period or periods during which the hedged forecast transactions impact the Income Statement, which is normally within one month of the Balance Sheet date.

The Brands make more purchases from the eurozone than sales made to the eurozone. As the Group's presentation currency is sterling it is exposed to changes in the reported sterling value of the purchases. The Group considers that the level of this exposure will reduce over the next 12 months. As at the reporting date there were no euro forward foreign currency contracts.

SWAP FOREIGN EXCHANGE CONTRACTS

The Group uses swap contracts to manage its working capital exchange risk from both the foreign subsidiaries and the balances on receivables, payables and cash held in foreign currency. These swap contracts are designated as fair value through the Income Statement.

The use of swaps are reviewed monthly and renewed when necessary.

As at the reporting date, there were no US dollar swap contracts (2016: fair value liability of £nil) and no euro swap contracts (2016: fair value asset of £nil).

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Bank term loan (note 11)	**199**	400
Bank overdraft	**116**	1,639
Trade creditors	**276**	87
Amounts owed to subsidiary undertakings	**13,737**	4,410
Other creditors	**755**	98
Accruals	**1,449**	925
	16,532	7,559

Amounts owed to subsidiary undertakings are non-interest bearing and are unsecured. These loans are payable by the Company on demand should payment be required, but have no fixed date of repayment.

There is a set-off arrangement for bank accounts held with the UK clearing bank, and accordingly the amount stated as bank overdraft represents the net of accounts in funds and in overdraft.

11. CREDITORS: DUE AFTER MORE THAN ONE YEAR

	2017 £000	2016 £000
Current:		
Term loan	**200**	400
Committed facility	**(1)**	–
	199	400
Non-current:		
Term loan	**–**	200
Committed facility	**–**	(4)
	–	196
Total borrowings	**199**	596

In December 2015, the Group entered into a new £12,500,000 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 £10,000,000 accordion facility option to further increase available credit which provides substantial headroom for future growth. An initial bank arrangement fee of £100,000 and an additional £40,000 incurred during the year is amortised over the life of the loan. The total facilities from Barclays Bank PLC comprises: a variable rate term loan secured on the Group's freehold property which is being repaid on a five-year profile and a revolving credit facility which may be drawn down in either sterling or euro.

The total Barclays Bank PLC facilities are capped at £22,700,000 (2016: £23,100,000); the utilisation of the facilities at the year end was £6,825,000 (2016: £596,000). The term loan bears interest at variable rates based on a margin above the Bank of England base rate. The revolving credit facility bears interest at a variable rate based on a margin above LIBOR (for sterling loans) or the EURIBOR (for euro loans).

Under the Barclays Bank PLC facilities, the Group is subject to a financial covenant which applies to the term loan, being interest cover. The revolving credit facility is also subject to compliance of two financial covenants, being interest cover and leverage. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to Barclays Bank PLC that it was in full compliance with its covenants throughout each of the periods presented and expects to be for the remaining term of the agreement.

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

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

	Carrying amount		Fair value	
	2017 £000	2016 £000	2017 £000	2016 £000
Term loan	**–**	200	**–**	201
Committed facility	**–**	(4)	**–**	–
	–	196	**–**	201

The fair values are based on cash flows discounted using a weighted average rate based on the borrowing rate of 1.75% (2016: 1.75%).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the Balance Sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity profile of undiscounted cash flows on variable interest rate borrowings has assumed interest rates as at the Balance Sheet date.

31 January 2017	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	**200**	**–**	**–**	**–**
Creditors: amounts falling due within one year	**16,333**	**–**	**–**	**–**
Provision for other liabilities and charges	**2,652**	**1,609**	**1,867**	**–**
	19,185	**1,609**	**1,867**	**–**

NOTES TO THE FINANCIAL STATEMENTS

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11. CREDITORS: DUE AFTER MORE THAN ONE YEAR CONTINUED

31 January 2016	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	400	204	–	–
Creditors: amounts falling due within one year	7,159	–	–	–
	7,559	204	–	–

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

	2017 £000	2016 £000
Sterling	**199**	596

12. PROVISION FOR OTHER LIABILITIES AND CHARGES

Contingent liability arising on business combination:	**2017 £000**	2016 £000
At 1 February	**–**	–
Provision on acquisition of Clarke & Clarke	**5,148**	–
Unwind of discount	**181**	–
At 31 January	**5,329**	–

Analysis of total contingent liability:	**2017 £000**	2016 £000
Non-current	**2,677**	–
Current	**2,652**	–
Total	**5,329**	–

13. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 January 2017	**Loans and receivables £000**	**Assets at fair value £000**	**Derivatives used for hedging £000**	**Total £000**
Assets as per Balance Sheet				
Trade and other receivables	**370**	**–**	**–**	**370**
Cash at bank and in hand	**–**	**–**	**–**	**–**
Total	**370**	**–**	**–**	**370**

31 January 2017	**Liabilities at fair value £000**	**Other financial liabilities £000**	**Derivatives used for hedging £000**	**Total £000**
Liabilities as per Balance Sheet				
Derivative financial instruments	**–**	**–**	**–**	**–**
Borrowings	**–**	**200**	**–**	**200**
Creditors: amounts falling due within one year	**–**	**16,333**	**–**	**16,333**
Provision for other liabilities	**–**	**5,329**	**–**	**5,329**
Total	**–**	**21,862**	**–**	**21,862**

31 January 2016	Loans and receivables £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	10,853	–	–	10,853
Cash at bank and in hand	–	–	–	–
Total	10,853	–	–	10,853

31 January 2016	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Derivative financial instruments	–	–	26	26
Borrowings	–	596	–	596
Creditors: amounts falling due within one year	–	7,159	–	7,159
Total	–	7,755	26	7,781

14. CALLED UP SHARE CAPITAL

Ordinary shares of 1p each:	Number of shares	£
Called up and fully paid:		
31 January 2017	69,551,678	695,517
31 January 2016	60,172,521	601,725
31 January 2015	59,762,559	597,626

On 12 October 2016, the Company conditionally acquired 100% of the issued share capital of Globaltex 2015 Limited, a company registered in the UK. In order to finance the initial cash consideration for this acquisition, a placing of a total of 8,947,369 new ordinary shares of 1p each in the Company was announced on 12 October 2016. These shares, which represented approximately 12.9% of the Company's issued ordinary share capital on admission to trading on AIM (excluding treasury shares), were placed on 12 October 2016 at a price of 190.0 pence per share, raising proceeds of approximately £17,000,000. Full details of the acquisition are included in note 33 of the consolidated financial statements of the Group, which are separately presented within the Annual Report and Accounts.

On 16 May 2016, 773,393 shares vested under the Company's Long-Term Incentive Plan. To satisfy the vesting, 431,788 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 69,551,678 (2016: 60,172,521) ordinary shares of which no (2016: nil) ordinary shares are held in treasury and 4,909 (2016: 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 18 May 2015, 1,090,326 shares vested under the Company's LTIP of which 188,272 shares were issued from the Walker Greenbank PLC EBT.

The market value of shares held by the EBT at 31 January 2017 was £9,941 (2016: nil). The total number of shares held in the EBT at the period end represented 0.01% (2016: 0%) of the issued shares.

LONG-TERM INCENTIVE PLANS ('LTIPS')

The Group operates an LTIP. There have been 10 awards under this plan, in which Executive Directors and senior management of the Group participate. The LTIP has previously been approved by the shareholders at an Annual General Meeting. Further details are included in note 27 of the consolidated financial statements of the Group which are separately included within the Annual Report and Accounts.

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15. CAPITAL RESERVE

Capital reserve represents:	£000
Capital redemption reserve on capital restructurings	41,888
At 31 January 2017 and 2016	**41,888**

16. DIVIDENDS

During the year, the Company has paid a final dividend for the year to 31 January 2016 of 2.45p and an interim dividend of 0.55p (£333,000) for the year to 31 January 2017 (2016: 0.44p, £265,000).

The Directors recommend the payment of a final dividend of 3.06p per share (2016: 2.45p per share) which will be payable on 11 August 2017 to shareholders on the register at 21 July 2017, giving a cost of £2,128,000 (2016: £1,485,000). This brings the total dividend for the year to 3.61p (2016: 2.89p).

17. CONTINGENT LIABILITY

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

18. RELATED PARTY TRANSACTIONS

The Company made contributions to the Walker Greenbank Group Personal Pension Plan of £49,000 for the year ended 31 January 2017 (2016: £110,000).

19. LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Company for certain office properties. Land and building leases are negotiated for an average of 14 years (2016: 14 years) and rentals are fixed for an average of five years (2016: five years). Other leases are negotiated for an average term of three years (2016: three years) and rentals are fixed for an average of three years (2016: three years).

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

	Land and buildings 2017 £000	**Other 2017 £000**	**Total 2017 £000**	Land and buildings 2016 £000	Other 2016 £000	Total 2016 £000
Within one year	**421**	**10**	**431**	656	–	656
Between one and five years	**1,684**	**15**	**1,699**	2,624	–	2,624
Over five years	**1,312**	**–**	**1,312**	2,453	–	2,453
	3,417	**25**	**3,442**	5,733	–	5,733

Other leases include hire of motor vehicles.

FIVE YEAR RECORD

	2013 £000	2014 £000	2015 £000	2016 £000	**2017** **£000**
Revenue	75,725	78,434	83,373	87,839	**92,373**
Overseas revenue by location of customer	27,192	28,244	27,923	30,330	**36,309**
Underlying profit from operations	5,831	6,543	7,335	8,202	**9,842**
Profit from operations	5,831	6,543	7,335	8,202	**7,859**
Underlying EBITDA	7,175	8,903	9,684	10,155	**12,164**
Underlying profit before income tax	4,934	5,495	6,329	7,338	**9,129**
Capital expenditure	3,119	4,753	3,250	2,510	**6,768**
Earnings per ordinary share	6.89p	8.63p	8.60p	9.79p	**8.55p**
Average number of employees	587	592	640	649	**681**
Dividends paid in year	711	900	1,144	1,444	**1,818**
Shareholders' funds	24,182	26,852	26,937	35,284	**51,293**
Dividend per share					
– Final (prior year end) – paid	1.00p	1.25p	1.57p	1.96p	**2.45p**
– Interim (current year end) – paid	0.23p	0.28p	0.35p	0.44p	**0.55p**
– Final (current year end) – proposed	–	–	1.96p	2.45p	**3.06p**

SHAREHOLDER INFORMATION

Financial Calendar

Annual General Meeting	21 June 2017
Announcement of half-year results	October 2017

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