RNS Number : 4870D
Walker Greenbank PLC
10 October 2018

For immediate release **10 October 2018**

WALKER GREENBANK PLC

("Walker Greenbank", the "Company" or the "Group")

Interim Results for the six months ended 31 July 2018

Walker Greenbank PLC (AIM: WGB), the luxury interior furnishings group, announces its interim results for the six-month period ended 31 July 2018.

Financial Highlights

- Total Group sales down 1.4% to £54.7 million (H1 2017: £55.5 million*) with good growth from some segments amid a generally difficult marketplace
  - Licensing income up 35.4% in reportable currency, 37.4% in constant currency, at £2.0 million driven by apparel and Japanese licensees
  - Third party manufacturing sales up 10.7% in reportable currency, helped by export growth and digital printing
  - Encouraging in-market growth in the US, our second largest market, with Brand sales of £6.9 million, (up 5.8% in constant currency and down 0.7% in reportable currency)
- Total statutory profit from operations down 12.2% at £4.3 million (H1 2017: £4.9 million)
- Statutory profit after tax down 8.8% at £3.1 million (H1 2017: £3.4 million)
- Adjusted underlying profit before tax** down 28.3% at £4.3 million (H1 2017: £6.0 million)
- Adjusted underlying earnings per share** down 32.6% at 4.73 pence (H1 2017: 7.02 pence)
- Interim dividend unchanged at 0.69 pence per share (H1 2017: 0.69 pence per share)
- Net debt reduced to £3.4 million at 31 July 2018 (31 July 2017: £5.2 million)

Operational Highlights

- Commenced in-house paint tinting and distribution for our Sanderson and Zoffany brands in partnership with global paint manufacturer PPG
- Direct business models launched in Moscow and Germany
- Our online, direct to consumer, product offering has recently been extended with the addition of paint and bedding through our website www.stylelibrary.com.
- Board changes announced separately today: John Sach has stepped down as Chief Executive; Christopher Rogers, Non-executive Director, to become Interim Executive Chairman; and Terry Stannard, Non-executive Chairman, to become a Non-Executive Director

* The prior period has been restated for IFRS 15 Revenue from Contracts with Customers, see note 1.
** Excludes accounting charges relating to share-based incentives, defined benefit pension charge and non-underlying items, see note 6.

Terry Stannard, Non-executive Chairman of Walker Greenbank, said:

"The sales performance in the first nine weeks of the second half has seen some modest improvement. In the UK the trend has been less negative and, in total, sales to overseas markets have been broadly similar to the same period last year.

"Subject to this trend being sustained over the key Autumn selling period, the Board expects the outturn for the year ending 31 January 2019 to be in line with its expectations."

Analyst meeting
A meeting for analysts will be held at 10.00 a.m. today, 10 October 2018, at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. For further details, contact Buchanan on 020 7466 5000 or email walkergreenbank@buchanan.uk.com.

For further information:

Walker Greenbank PLC **c/o +44 (0) 20 7466 5000**
Christopher Rogers, Interim Executive Chairman
Mike Gant, Chief Financial Officer
Caroline Geary, Company Secretary

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

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

Notes for editors:

About Walker Greenbank

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

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

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

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

Walker Greenbank trades on the AIM market of the London Stock Exchange under the ticker symbol WGB.

For further information please visit: www.walkergreenbank.com/

NON-EXECUTIVE CHAIRMAN'S STATEMENT

Overview

The first half of the year was characterised by a difficult trading environment in the UK for the Group's Style Library portfolio of brands (Sanderson, Morris & Co., Harlequin, Zoffany, Scion, and Anthology) and mixed trading conditions in export markets. To mitigate the difficult environment the Board has increased its focus on growth-based strategic initiatives including international expansion, licensing and product category extension and has identified a number of cost-saving opportunities such as manufacturing efficiency and cost re-engineering programmes.

During the first half we made progress with our licensing strategy, launched direct sales in Russia and Germany and commenced in-house paint tinting and distribution. We have recently extended our online, direct to consumer, product offering with the addition of paint and bedding through our website www.stylelibrary.com.

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

Total Group sales in the six months to 31 July 2018 were down 1.4% at £54.7 million (H1 2017: £55.5 million). The adjusted underlying profit before tax* for the first six months was £4.3 million (H1 2017: £6.0 million), a decrease of 28.3% on the same period last year reflecting the performance of the Style Library portfolio of brands within the Brands division.

Total Brand revenue decreased for the first half by 3.9% in reportable currency, compared with the same period last year, to £44.6 million, down 3.3% in constant currency. Total Brand product sales were down by 5.2% in reportable currency, compared with the same period last year, to £42.6 million, down 4.6% in constant currency. In the UK, our largest market, sales decreased by 5.9% compared with the same period last year to £23.1 million, impacted by the weaker UK consumer environment. Within the Brands, Clarke & Clarke has continued to perform strongly as a result of being positioned at the more affordable end of our target markets and boosted by the launch of a number of homewares ranges which are completely new categories for the business and form part of the Group's product category extension strategy.

International Brand sales were down 4.3% in reportable currency, down 2.9% in constant currency, to £19.5 million. Sales in the US, our second largest market after the UK, were down 0.7% in reportable currency, up 5.8% in constant currency, compared with the same period last year, to £6.9 million. This growth has been driven by initiatives implemented over the last eighteen months including the opening of our second direct showroom in Chicago in October 2017 and increasing the number of dedicated sales representatives. Brand sales in Western Europe were down 4.6% in reportable currency, down 6.4% in constant currency, compared with the same period last year at £5.8 million and sales in the Rest of the World were down 11.7% in constant currency.

Licensing income in the first six months was up 35.4% in reportable currency, 37.4% in constant currency, to £2.0 million, largely as a result of new apparel collaborations and a strong performance from our Japanese licensees. The Company has continued to develop its licensing through range extensions into new product areas and a number of new licence agreements have been signed in the first half of the year. During the first half approximately 55% of licensing income was generated in overseas markets.

Total manufacturing sales grew 1.4% over the first six months to £16.3 million compared with the same period last year. Third-party sales were up 10.7% in the first half, helped by export growth in the USA and Europe. The factories have seen increased orders from both new and existing third-party customers driven by digital printing and the weakness of Sterling over the period.

* excluding the Long Term Incentive Plan ("LTIP") accounting charge, the net defined benefit charge and non-underlying items.

The Brands

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

Harlequin incorporating Scion and Anthology

Harlequin saw a reduction in worldwide sales of 9.5% in reportable currency, compared with the same period last year, to £14.4 million. Whilst Harlequin remains one of the UK's leading mid-market contemporary brands, UK sales reduced by 10.2%. Total export sales fell 8.5% in reportable currency, down 7.6% in constant currency in the first half. In the US, Harlequin was down 0.2% in reportable currency, up 5.6% in constant currency. Sales in Western Europe fell 14.0% in reportable currency and fell 15.7% in constant currency when compared with the same period last year.

The Scion brand continues to be a valuable brand for licensing where the contemporary and graphic nature of the designs work well with licensed products. The brand's designs have translated very successfully to a wide range of licensed product ranging from bedding and bathroom products to window furnishings, apparel, gifting, stationery and tableware. This fresh, accessibly priced brand continues to be a success with younger, aspirational customers.

The Anthology brand continues to grow and its range of wallcoverings and complementary fabrics remains inherently suitable for contract applications.

Arthur Sanderson & Sons incorporating the Morris & Co brand

Worldwide sales at Sanderson, one of the oldest surviving English soft furnishing brands, were down 7.6% at £11.2 million in reportable currency, compared with the same period last year. Sales in the UK decreased by 13.2%. Sales in the US were up 7.2% in reportable currency, 13.7% in constant currency. Sales in Western Europe were down 8.5% in reportable currency, 10.7% in constant currency.

The Morris & Co. brand has continued to see positive sales performance helped by the Pure Morris collection which interprets William Morris' iconic designs in a neutral colour palette opening the potential of the brand to a wider audience.

Zoffany

Zoffany, positioned at the upper end of the premium market, saw worldwide sales reduce 9.6% in reportable currency compared with the same period last year to £5.7 million. UK sales were down 11.6%. Sales in the US were up 4.3% in constant currency and sales in Western Europe were down 5.5% in constant currency.

Clarke & Clarke

Worldwide sales at Clarke & Clarke were up 7.8% at £11.1 million in reportable currency compared with the same period last year. UK sales were up 11.9% at £6.5 million compared with the same period last year, boosted by the launch of a number of homewares ranges including ready-made and made to measure curtains, bedding, cushions and furniture. These launches form part of the Board's product category extension growth strategy. April 2018 saw the debut launch of furniture, combining best-selling fabrics with contemporary chair designs, marketed under three separate brands: Clarke & Clarke, Oasis and Emma J Shipley.

Growth of Clarke & Clarke has continued as these products are targeted at the more affordable end of the market.

Licensing

Licensing income in the first six months, was up 35.4% in reportable currency, 37.4% in constant currency, to £2.0 million. In addition to being high margin and an increasingly significant source of Group profits, licensing is important to the Group in helping to create greater consumer awareness of our Brands in the UK and internationally. We continue to increase our product offering through new licensing arrangements, taking our Brands further into lifestyle products and apparel.

The strength and breadth of our brand portfolio and archive stretching back many decades means that the Group can provide a hugely diverse design offering to potential licensees. During the first half, we signed new licensing agreements Uniqlo, the Japanese casualwear designer; Radley, the London-based accessories brand; and global fashion brand H&M.

Our largest single apparel agreement to date was signed in the first half, with H&M. As announced in September 2018, H&M has collaborated with Morris & Co to produce an extensive collection of women's and men's wear. This collection was launched last week in stores worldwide and online. The collection has been well-received by consumers, with some items selling out online within days of the launch.

Some licensing agreements, such as bedding and towelling, have recurring income for a number of years whereas other agreements, such as apparel, are generally one-off in nature but can lead to repeat business.

We are excited about our recent collaborations and anticipate further growth in licensing in the second half.

Manufacturing

Our Manufacturing capabilities are one of the Group's key assets, a differentiator from our peer group and an integral part of our

growth strategy. In the first six months, total Manufacturing sales grew 1.4% to £16.3 million. Despite internal sales to our own Group Brands declining by 10.6%, third party sales grew by 10.7% year on year over the same period and the focus on export delivered excellent growth of 41.5%.

Anstey

In the first six months, sales at Anstey, our wallpaper printing business, grew 9.8% to £9.4 million. Third party sales in the UK were up 15.7%; third party export sales were up 39.4%; internal sales to our own Group Brands fell by 14.1%. Sales in export and in the UK delivered a strong performance in the first half of the year as Anstey pursued its strategy of world-class excellence in manufacturing, customer service, quality products and innovation.

Our new in-house paint business in partnership with PPG, the global US-based paints and coating company, is running efficiently at Anstey and has sufficient capacity to support the Group's ambitions to grow this category strongly over the next few years.

Standfast

Standfast, our fabric printing factory, saw a decrease in sales of 8.2% to £6.9 million. Standfast's third party UK customers showed a decline in the first six months of 5.0%, and sales to our own Group Brands decreased by 21.7%. In the first six months, the strong focus on exports meant that Standfast experienced a period of significant third-party export growth in sales of 52.7%. For the half year, Standfast's mix of digital print by value has increased further to 55%, compared with 44% in the first half of 2017.

The ongoing return on investment in digital printing, combined with sales from modern reinterpretations from Standfast's design studio using our extensive historic archive, are expected to continue to grow, particularly in export markets.

Financials

Newly adopted accounting standards

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

Adjustments were required in relation to:

(i) Fixed minimum guaranteed income amounts receivable under multi-year licensing agreements from Licensing partners have been recognised from the point the licence and hence control has transferred to the licensee, rather than in the period in which it is earned. This is provided there are no further performance obligations to be satisfied.

(ii) Consideration received from the sale of marketing materials and additional services to support the sale of the Group's core products have been classified within 'Net other income'. These were previously deducted from distribution costs as a contribution to marketing expense.

(iii) Carriage recoveries relating to the delivery of goods have been classified within 'revenue'. These were previously deducted from distribution costs.

(iv) Other items including customer returns.

Overview

Statutory profit before tax of £3.9 million (2017: £4.2 million) included non-underlying charges of £0.04 million (H1 2017: non-underlying charges of £0.98 million). These are analysed below:

	H1 2018 £000	H1 2017 £000
Statutory profit before tax	**3,867**	4,181
Amortisation of acquired intangible assets	**508**	525
Unwind of the fair value uplift adjustment on inventory	**-**	182
Unwind of discount on contingent consideration	**-**	268
Total acquisition-related costs	**508**	975
Standfast flood-related costs	**-**	1,125
Standfast flood insurance reimbursements	**-**	(1,342)
Standfast net other income	**-**	(217)
Restructuring and reorganisation costs	**95**	222
Anstey fire-related costs	**85**	-
Anstey fire insurance reimbursements	**(650)**	-
Anstey net other income	**(565)**	-
Total non-underlying charges included in profit before tax	**38**	980
Underlying profit before tax	**3,905**	5,161
LTIP accounting charge	**68**	522
Net defined benefit pension charge	**323**	327
Adjusted underlying profit before tax	**4,296**	6,010

Acquisition related costs incurred were in respect of the acquisition of Clarke & Clarke, which completed on 31 October 2016. This comprises the amortisation of intangible assets of £0.5 million.

Restructuring and reorganisation costs of £0.09 million 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.

Anstey net other income comprises proceeds of £0.57 million from the reimbursement of plant and equipment repair and related costs following a machine fire.

In addition to the non-underlying net other income described above, a further £1.07 million was recognised in the prior year which represented business interruption losses for the period to 31 July 2017.

The net underlying interest charge was broadly flat at £0.14 million. The defined benefit pension charge reduced marginally to £0.32 million driven by a decrease in the interest on pension scheme liabilities as a result of a fall in bond rates.

Adjusted underlying profit before tax, excluding the LTIP accounting charge, defined benefit charge and non-underlying items, decreased 28.3% to £4.3 million (H1 2017: £6.0 million) and adjusted earnings per share were down 32.6% at 4.73 pence (H1 2017: 7.02 pence), after removing the LTIP accounting charge, defined benefit charge and other non-underlying items.

Statutory profit after tax was £3.1 million (H1 2017: £3.4 million) and basic earnings per share were down 9.8% at 4.35 pence (2017: 4.82 pence).

Working capital mainly reflects the half year movement in accruals and prepayments and should be viewed in conjunction with the £0.65m insurance reimbursement proceeds received in respect of the Anstey machine fire which, in part, offsets the working capital outflow.

Capital expenditure in the period was £1.6 million which includes the purchase of a digital pigment printer at our fabric printing factory in line with the Group's strategy to continue to invest in innovative printing techniques, cementing its position as the UK's leading manufacturer to the industry.

The Group's net debt at the half year reduced to £3.4 million (31 January 2018: net debt £5.3 million).

Dividend

The Board announces an unchanged interim dividend of 0.69 pence per share (H1 2017: 0.69p). The interim dividend will be payable on 23 November 2018 to shareholders on the register as at 26 October 2018.

People

On behalf of the Board, I would like to thank all of our management and employees for their contribution during the first half. I was delighted to welcome Christopher Rogers to the Walker Greenbank Board as Non-executive Director and Chair of the Company's Audit Committee during the half year. Christopher brings a wealth of corporate governance, strategic planning and international growth experience to the Company. I would also like to say a particular thank you to Fiona Goldsmith, who stepped down as a Non-executive Director at this year's Annual General Meeting after 10 years of service.

A number of Board changes were announced separately today. John Sach has stepped down as Chief Executive; Christopher Rogers, Non-executive Director, to become Interim Executive Chairman; and Terry Executive and an additional Non-executive Director is underway.

On behalf of the Board, I would like to thank John for his significant contribution to the Company and the pivotal role he has played in the Company's development during more than 20 years. He leaves the Company with our best wishes.

Current Trading and Outlook

The sales performance in the first nine weeks of the second half has seen some modest improvement. In the UK the trend has been less negative and, in total, sales to overseas markets have been broadly similar to the same period last year.

Subject to this trend being sustained over the key Autumn selling period, the Board expects the outturn for the year ending 31 January 2019 to be in line with its expectations.

Unaudited Consolidated Income Statement

For the six months ended 31 July 2018

	Note	**6 months to 31 July 2018**			6 months to 31 July 2017		
		Underlying £000	**Non-underlying (note 6) £000**	**Total £000**	Underlying £000 (Restated*)	Non-underlying (note 6) £000 (Restated*)	Total £000 (Restated*)
Revenue	2	**54,682**	**-**	**54,682**	55,531	-	55,531

	Note						
Cost of sales		**(22,332)**	**-**	**(22,332)**	(22,458)	(182)	(22,640)
Gross profit / (loss)		**32,350**	**-**	**32,350**	33,073	(182)	32,891
Net operating expenses:							
Distribution and selling expenses		**(11,790)**	**-**	**(11,790)**	(11,868)	-	(11,868)
Administration expenses		**(19,475)**	**(603)**	**(20,078)**	(20,112)	(747)	(20,859)
Net other income	4	**3,278**	**565**	**3,843**	4,529	217	4,746
Profit / (loss) from operations		**4,363**	**(38)**	**4,325**	5,622	(712)	4,910
Net defined benefit pension charge	5	**(323)**	**-**	**(323)**	(327)	-	(327)
Finance costs		**(135)**	**-**	**(135)**	(134)	(268)	(402)
Total finance costs		**(458)**	**-**	**(458)**	(461)	(268)	(729)
Profit / (loss) before tax		**3,905**	**(38)**	**3,867**	5,161	(980)	4,181
Tax (expense) / income	7	**(862)**	**78**	**(784)**	(936)	121	(815)
Profit / (loss) for the period attributable to owners of the parent		**3,043**	**40**	**3,083**	4,225	(859)	3,366

Earnings per share - Basic	**8**	**4.35p**	**4.82p**
Earnings per share - Diluted	**8**	**4.35p**	**4.68p**
Adjusted earnings per share - Basic	**8**	**4.73p**	**7.02p**
Adjusted earnings per share - Diluted	**8**	**4.73p**	**6.82p**

* The prior period has been restated for IFRS 15 Revenue from Contracts with Customers. See note 1 for more details.

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2018

	6 months to 31 July 2018 £000	6 months to 31 July 2017 £000 (Restated*)
Profit for the period	**3,083**	3,366
Items that may be reclassified subsequently to profit or loss:		
Currency translation gains / (losses)	**93**	(13)
Total items that may be reclassified subsequently to profit or loss	**93**	(13)
Other comprehensive income / (expense) for the period, net of tax	**93**	(13)
Total comprehensive income for the period attributable to the owners of the parent	**3,176**	3,353

* The prior period has been restated for IFRS 15 Revenue from Contracts with Customers. See note 1 for more details.

Unaudited Consolidated Balance Sheet

As at 31 July 2018

	As at 31 July 2018	As at 31 July 2017	As at 31 January 2018

	Note	£000	£000 (Restated*)	£000 (Restated*)
Non-current assets				
Intangible assets		**31,419**	32,143	31,780
Property, plant and equipment		**15,929**	16,252	15,962
		47,348	48,395	47,742
Current assets				
Inventories		**27,878**	29,228	29,555
Trade and other receivables		**22,116**	20,550	21,600
Cash and cash equivalents	9	**1,813**	1,708	1,295
		51,807	51,486	52,450
Total assets		**99,155**	99,881	100,192
Current liabilities				
Trade and other payables		**(20,545)**	(22,557)	(22,360)
Borrowings	9	**(5,181)**	(6,860)	(6,558)
Provision for other liabilities and charges		**-**	(1,280)	-
		(25,726)	(30,697)	(28,918)
Net current assets		**26,081**	20,789	23,532
Non-current liabilities				
Deferred income tax liabilities		**(1,542)**	(2,502)	(1,825)
Retirement benefit obligation		**(6,620)**	(6,789)	(7,298)
Provision for other liabilities and charges		**-**	(2,636)	-
		(8,162)	(11,927)	(9,123)
Total liabilities		**(33,888)**	(42,624)	(38,041)
Net assets		**65,267**	57,257	62,151
Equity				
Share capital		**710**	709	709
Share premium account		**18,682**	18,681	18,682
Foreign currency translation reserve		**(432)**	(441)	(525)
Retained earnings / (accumulated losses)		**5,800**	(2,199)	2,778
Other reserves		**40,507**	40,507	40,507
Total equity attributable to owners of the parent		**65,267**	57,257	62,151

* The prior period has been restated for IFRS 15 Revenue from Contracts with Customers. See note 1 for more details.

Unaudited Consolidated Cash Flow Statement

For the six months ended 31 July 2018

	Note	6 months to 31 July 2018 £000	6 months to 31 July 2017 £000 (Restated*)
Cash flows from operating activities			
Cash generated from operations	10	**4,181**	1,722
Interest paid		**(128)**	(118)
Corporation tax paid		**(694)**	(1,102)
Net cash generated from operating activities		**3,359**	502
Cash flows from investing activities			
Interest received		**3**	-
Purchase of intangible assets		**(469)**	(448)
Purchase of property, plant and equipment		**(1,143)**	(1,662)
Insurance proceeds relating to investing activities		**-**	1,785
Net cash used in investing activities		**(1,609)**	(325)
Cash flows from financing activities			
Net repayment of loans	9	**-**	(200)
Dividends paid to Company's shareholders		**-**	-
Net cash used in financing activities		**-**	(200)
Net decrease / (increase) in cash and cash equivalents		**1,750**	(23)
Cash and cash equivalents and bank overdraft at beginning of period		**(5,263)**	(5,110)
Effect of exchange rate fluctuations on cash held		**145**	(19)
Cash and cash equivalents and bank overdraft at end of period	9	**(3,368)**	(5,152)

* The prior period has been restated for IFRS 15 Revenue from Contracts with Customers. See note 1 for more details.

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 31 July 2018

	Attributable to owners of the parent				
			Other reserves		
	Share	Retained earnings / (accumulated		Foreign currency	Total

	Share capital £000	Share premium account £000	losses) £000 (Restated*)	Capital reserve £000	Merger reserve £000	Hedge reserve £000	translation reserve £000	equity £000 (Restated*)
Balance at 1 February 2018	709	18,682	2,239	43,457	(2,950)	-	(525)	61,612
Impact of adopting IFRS 15 (note 1)	-	-	539	-	-	-	-	539
Restated total equity as at 1 February 2018	709	18,682	2,778	43,457	(2,950)	-	(525)	62,151
Profit for the period	-	-	3,083	-	-	-	-	3,083
Other comprehensive income:								
Currency translation differences	-	-	-	-	-	-	93	93
Total comprehensive income	**-**	**-**	**3,083**	**-**	**-**	**-**	**93**	**3,176**
Transactions with owners, recognised directly in equity:								
Allotment of share capital	1	-	(1)	-	-	-	-	-
Long-term incentive plan charge	-	-	75	-	-	-	-	75
Long-term incentive plan vesting	-	-	(135)	-	-	-	-	(135)
Balance at 31 July 2018	**710**	**18,682**	**5,800**	**43,457**	**(2,950)**	**-**	**(432)**	**65,267**

	Attributable to owners of the parent							
				Other reserves				
	Share capital £000	Share premium account £000	Retained earnings / (accumulated losses) (Restated*) £000	Capital reserve £000	Merger reserve £000	Hedge reserve £000	Foreign currency translation reserve £000	Total equity £000 (Restated*)
Balance at 1 February 2017	696	16,390	(5,872)	43,457	(2,950)	-	(428)	51,293
Impact of adopting IFRS 15 (note 1)	-	-	275	-	-	-	-	275
Restated total equity as at 1 February 2017	696	16,390	(5,597)	43,457	(2,950)	-	(428)	51,568
Profit for the period	-	-	3,366	-	-	-	-	3,366
Other comprehensive income:								
Currency translation differences	-	-	-	-	-	-	(13)	(13)
Total comprehensive income	**-**	**-**	**3,366**	**-**	**-**	**-**	**(13)**	**3,353**
Transactions with owners, recognised directly in equity:								
Allotment of share capital	13	2,291	(2)	-	-	-	-	2,302
Long-term incentive plan charge	-	-	443	-	-	-	-	443

Long-term incentive plan vesting	-	-	(404)	-	-	-	-	(404)
Related tax movements on long-term incentive plan	-	-	(5)	-	-	-	-	(5)
Balance at 31 July 2017	**709**	**18,681**	**(2,199)**	**43,457**	**(2,950)**	**-**	**(441)**	**57,257**

* The prior period has been restated for IFRS 15 Revenue from Contracts with Customers. See note 1 for more details.

Unaudited Notes to the interim financial statements

1. Basis of preparation of interim financial statements

The interim financial statements have been prepared in accordance with the accounting policies that the Group expects to apply in its annual financial statements for the year ending 31 January 2019. The Group's accounting policies are based on 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.

These interim financial statements for the six months ended 31 July 2018 have been prepared in accordance with IAS 34, 'Interim financial reporting', as adopted by the European Union. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 January 2018, which have been prepared in accordance with IFRSs as adopted by the European Union. All comparative information is for the six month period ended 31 July 2017, unless otherwise stated.

The Group's accounting policies for the year ended 31 January 2019 will be set out in the annual report for that year. Since the Group's previous annual financial report for the year ended 31 January 2018, a number of authoritative pronouncements issued by the International Accounting Standards Board and IFRS IC along with new or revised accounting standards are now effective for financial years ending 31 January 2019. Details of these are described below. Additional authoritative pronouncements have been issued and will become effective in later years; these have not been adopted early by the Group.

The interim financial statements do not represent statutory accounts for the purposes of section 434 'Requirements in connection with publication of statutory accounts' of the Companies Act 2006. The financial information for the year ended 31 January 2018 is based on the statutory accounts for the financial year ended 31 January 2018, on which the auditors issued an unqualified opinion and did not contain a statement under section 498 'Duties of auditor' of the Companies Act 2006 and have been delivered to the Registrar of Companies. The interim financial statements for the 6 month period ended 31 July 2018 have not been audited, but have been reviewed by the auditors. The auditors' review report is included following the interim financial statements.

After making enquiries, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the interim statements.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, capital risk, credit risk and liquidity risk. The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 January 2018. There have been no changes in the risk management policies since the year end.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 January 2018, with the exception of changes in estimates that are required in determining the provision for income taxes and the following new critical estimates for the newly adopted accounting policies described below.

The Board approved the interim financial information on 10 October 2018.

Newly adopted accounting policies

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It

supersedes the previous revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction contracts and has been effective for the Group from 1 February 2018.

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

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

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

Unaudited Notes to the interim financial statements (continued)

1. Basis of preparation of interim financial statements continued

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

Unaudited Notes to the interim financial statements (continued)

1. Basis of preparation of interim financial statements continued

In accordance with the transition provisions of IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial period. The impact of adopting IFRS 15 is disclosed below:

Unaudited Consolidated Income Statement - Impact of adopting IFRS 15 for 31 July 2018 and 31 July 2017

	Note	**6 months to 31 July 2018**			6 months to 31 July 2017		
		Previous accounting£000	**IFRS 15 impact £000**	**IFRS 15 basis £000**	**Previous accounting£000**	**IFRS 15 impact £000**	**Restated £000**
Revenue	a,b,c	**53,429**	**1,253**	**54,682**	54,254	1,277	55,531
Cost of sales	c	**(22,326)**	**(6)**	**(22,332)**	(22,677)	37	(22,640)
Gross profit / (loss)		**31,103**	**1,247**	**32,350**	31,577	1,314	32,891
Net operating expenses:							
Distribution and selling expenses	d	**(7,394)**	**(4,396)**	**(11,790)**	(7,206)	(4,662)	(11,868)
Administration expenses		**(20,078)**	**-**	**(20,078)**	(20,859)	-	(20,859)
Net other income	d	**565**	**3,278**	**3,843**	1,286	3,460	4,746
Profit from operations		**4,196**	**129**	**4,325**	4,798	112	4,910
Net defined benefit pension charge		**(323)**	**-**	**(323)**	(327)	-	(327)
Finance costs		**(135)**	**-**	**(135)**	(402)	-	(402)
Total finance costs		**(458)**	**-**	**(458)**	(729)	-	(729)
Profit before tax		**3,738**	**129**	**3,867**	4,069	112	4,181
Tax expense	e	**(758)**	**(26)**	**(784)**	(815)	-	(815)
Profit for the period attributable to owners of the parent		**2,980**	**103**	**3,083**	3,254	112	3,366
Earnings per share - Basic	**8**	**4.20p**	**0.15p**	**4.35p**	4.66p	0.16p	**4.82p**
Earnings per share - Diluted	**8**	**4.20p**	**0.15p**	**4.35p**	4.52p	0.16p	**4.68p**
Adjusted earnings per share - Basic	**8**	**4.59p**	**0.14p**	**4.73p**	6.86p	0.16p	**7.02p**
Adjusted earnings per share - Diluted	**8**	**4.59p**	**0.14p**	**4.73p**	6.66p	0.16p	**6.82p**

a. Increase in revenue from future fixed minimum guaranteed amounts for contracts launched in the period and where performance obligations are satisfied: £106,000 (Jul-17: £128,000).

b. Increase in revenue from the reclassification of carriage recoveries from distribution costs to revenues £1,118,000 (Jul-17: £1,202,000).

c. Increase/(decrease) in profit from operations from other IFRS 15 adjustments including customer returns: £23,000 (Jul-17: (£16,000)).

d. Reclassification of consideration received from the sale of marketing materials and additional services to net other income £3,278,000 (Jul-17: £3,460,000), and reclassification of carriage recoveries to revenue as per b. above: £1,118,000 (Jul-17: £1,202,000).

e. Corporation tax impact of IFRS 15 adjustments at the effective tax rate of 20.27%.

1. Basis of preparation of interim financial statements continued

The following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 February 2018):

	As reported 31 Jan 2018	(i)Minimum guaranteed income	(ii)Other	Restated as at 1 February 2018
	£000	£000	£000	£000
Inventories	29,378	-	177	29,555
Trade and other receivables	21,238	785	(423)	21,600

The impact on the Group's retained earnings as at 1 February 2018 and 1 February 2017 is as follows:

Adjustments to Retained Earnings from adoption of IFRS 15	Notes	2018	2017
		£000	£000
Retained Earnings as reported 1 February		2,239	(5,872)
Minimum guaranteed income	(i)	785	500
Other	(ii)	(246)	(225)
Net Adjustments		*539*	*275*
Opening Retained Earnings 1 February - Adjusted IFRS 15		**2,778**	**(5,597)**

The following adjustments were made to the amounts recognised in the balance sheet at the 31 July 2017:

	As reported 31 Jul 2017	(i)Minimum guaranteed income	(ii)Other	Restated as at 31 July 2017
	£000	£000	£000	£000
Inventories	29,046	-	182	29,228
Trade and other receivables	20,345	628	(423)	20,550

(i) Fixed minimum guaranteed income amounts receivable under multi-year licensing agreements from licensing partners. In accordance with IFRS 15, these are now recognised from the point the licence and hence control has transferred to the licensee, rather than in the period in which it is earned. This is provided there are no further performance obligations to fulfil and the recoverability of income is deemed highly probable.

(ii) Other adjustments including customer returns.

Cash flows

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

IFRS 9 Financial instruments

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

Classification and measurement

IFRS 9 amends the classification and measurement of financial assets:

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

The adoption of IFRS 9 has had no impact on the classification and measurement of the Group's financial assets or financial liabilities.

Impairment

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

Unaudited Notes to the interim financial statements (continued)

1. Basis of preparation of interim financial statements continued

months. For trade and other contractual receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model. The Group has applied the simplified approach to the recognition of lifetime expected credit losses for

its trade receivables and the calculation of the loss allowance for these assets as at 1 February 2018 was broadly in line with the loss allowance calculated under IAS 39.

In accordance with transitional provisions in IFRS 9 the Group has applied IFRS 9 using the cumulative effect method and therefore the comparative information has not been restated. The reclassifications and adjustments arising from adopting the new accounting rules are therefore recognised in the opening balance sheet on 1 February 2018.

Standards not yet effective

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. IFRS 16 will supersede the current guidance on leases including IAS 17 *Leases* and the related interpretations when it becomes effective for the Group's financial year commencing 1 February 2019.

Under IFRS 16, the distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting and replaced with a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees. As a result, all leases will be on balance sheet except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation. The lease liability is initially measured at the present value of the lease payments. Subsequently, the lease liability is adjusted for interest and lease payments. As a consequence, earnings before interest, depreciation, amortisation and tax (EBITDA)
will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset and interest expense on the lease liability. However, there will be an overall reduction in profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under IAS 17. In addition, the classification of cash flows will also be affected because operating lease
payments under IAS 17 are presented within operating cash flows, whereas under IFRS 16 the payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

As at 31 January 2018, the Group had non-cancellable operating lease commitments of £12.6m. A preliminary assessment indicated that these arrangements would meet the definition of a lease under IFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify as short-term or low value leases. The new requirement to recognise a right-of-use asset and related lease liability is expected to have a significant impact on the amounts recognised in the Group's financial statements. Management are currently assessing the potential impact and at this stage it is not practicable to provide a reasonable estimate of the financial effect until this review is complete. Management intends to adopt the modified retrospective approach on transition. This will require an adjustment to equity as at 31 January 2019, however prior year comparatives will not be restated.

2. Segmental analysis

Walker Greenbank PLC is a designer, manufacturer and distributor of luxury interior furnishings, fabrics and wallpaper. The Board of Walker Greenbank PLC predominantly manages the operations of the Group. The reportable segments of the Group are 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 Chief Operating Decision Maker (CODM) for the purposes of IFRS 8 'Operating Segments'. 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 plans expenses, taxation and eliminations of intersegment items, are presented within 'Eliminations and unallocated'.

2. Segmental analysis continued

a) Principal measures of profit and loss - Income Statement segmental information

6 months to 31 July 2018	**Brands**	**Manufacturing**	**Eliminations and unallocated**	**Total**
	£000	**£000**	**£000**	**£000**
UK Revenue	**23,137**	**7,509**	-	**30,646**
International Revenue	**19,482**	**2,554**	-	**22,036**

Licence Revenue	**2,000**	**-**	-	**2,000**
Revenue - External	**44,619**	**10,063**	-	**54,682**
Revenue - Internal	**-**	**6,245**	**(6,245)**	**-**
Total Revenue	**44,619**	**16,308**	**(6,245)**	**54,682**
Profit/(loss) from operations	**4,783**	**637**	**(1,095)**	**4,325**
Net defined benefit pension charge	**-**	**-**	**(323)**	**(323)**
Finance costs	**-**	**-**	**(135)**	**(135)**
Profit/(loss) before taxation	**4,783**	**637**	**(1,553)**	**3,867**
Tax charge	**-**	**-**	**(784)**	**(784)**
Profit/(loss) for the period	**4,783**	**637**	**(2,337)**	**3,083**

Business interruption reimbursements to cover loss of profits of £nil (2017: £1,069,000) are included within 'Eliminations and unallocated'. Tax charges have not been allocated to a segment.

6 months to 31 July 2017	Brands £000 (Restated)	Manufacturing £000 (Restated)	Eliminations and unallocated £000 (Restated)	Total £000 (Restated)
UK Revenue	24,600	7,287	-	31,887
International Revenue	20,362	1,805	-	22,167
Licence Revenue	1,477	-	-	1,477
Revenue - External	46,439	9,092	-	55,531
Revenue - Internal	-	6,983	(6,983)	-
Total Revenue	46,439	16,075	(6,983)	55,531
Profit from operations	6,087	495	(1,672)	4,910
Net defined benefit pension charge	-	-	(327)	(327)
Finance costs	-	-	(402)	(402)
Profit before taxation	6,087	495	(2,401)	4,181
Tax charge	-	-	(815)	(815)
Profit for the period	6,087	495	(3,216)	3,366

2. Segmental analysis continued

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	6 months to 31 July 2018 £000	6 months to 31 July 2017 £000 (Restated)
Western Europe	**5,819**	6,175
Scandinavia	**1,397**	1,344
Eastern Europe	**1,496**	1,670
Europe Total	**8,712**	9,189
Middle East	**847**	1,150
Far East	**1,747**	2,011
USA	**6,897**	6,715
South America	**295**	328
Australasia	**681**	614
Other	**303**	355
	19,482	20,362

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:

Brands revenue analysis	6 months to 31 July 2018 £000	6 months to 31 July 2017 £000 (Restated)
Harlequin, incorporating Anthology and Scion	**14,371**	15,877
Sanderson, incorporating Morris & Co	**11,194**	12,109
Zoffany	**5,725**	6,331
Clarke & Clarke, incorporating Studio G	**11,062**	10,266
Other brands	**267**	379
Licensing	**2,000**	1,477
	44,619	46,439

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

Manufacturing revenue analysis	6 months to 31 July 2018 £000	6 months to 31 July 2017 £000 (Restated)
Standfast	**6,868**	7,479
Anstey	**9,440**	8,596
	16,308	16,075

3. Analysis of revenue by category

	6 months to 31 July 2018 £000	6 months to 31 July 2017 £000 (Restated)
Sale of goods	**52,682**	54,054
Licence royalty income	**2,000**	1,477
	54,682	55,531

4. Net other income

Following the adoption of IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15'), consideration received from the sale of marketing materials and additional services to support the sale of the Group's core products amounting to £3,278,000 (2017: £3,460,000) have been classified within 'Net other income'.

Net other income in the prior period included £1,069,000 relating to the flood at Standfast, the Group's fabric printing factory in December 2015, and represents business interruption reimbursements to cover loss of profits from repeat business.

5. Net defined benefit pension charge

	6 months to 31 July 2018 £000	6 months to 31 July 2017 £000	Year to 31 January 2018 £000
Expected return on pension scheme assets	**815**	900	1,789
Interest on pension scheme liabilities	**(898)**	(994)	(1,976)
Scheme expenses met by the Group	**(240)**	(233)	(386)
Net charge	**(323)**	(327)	(573)

6. 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:

		6 months to 31 July 2018 £000	6 months to 31 July 2017 £000	Year to 31 January 2018 £000
(i) Acquisition related:				
Amortisation of acquired intangible assets		**(508)**	(525)	(1,016)
Unwind of the fair value uplift adjustment on inventory	(a)	**-**	(182)	(182)
Unwind of discount on contingent consideration	(b)	**-**	(268)	(405)
Fair value adjustment to contingent consideration	(c)	**-**	-	4,047
		(508)	(975)	2,444
(ii) Standfast flood:				
Incremental costs, inventory loss and property, plant and equipment impairments		**-**	(1,125)	(1,125)
Insurance reimbursements		**-**	1,342	1,342
	(d)	**-**	217	217
(iii) Restructuring and reorganisation costs	(e)	**(95)**	(222)	(701)
(iv) Anstey fire: Incremental costs and property, plant and equipment repairs		**(85)**	-	(709)
Insurance reimbursements		**650**	-	-
	(f)	**565**	-	(709)
Total non-underlying items included in profit before tax		**(38)**	(980)	1,251
Tax on non-underlying items		**78**	121	1,458
Total impact of non-underlying items on profit after tax		**40**	(859)	2,709

Unaudited Notes to the interim financial statements (continued)

6. Non-statutory profit measures continued

Costs detailed in (a) - (b) below incurred in the period to 31 July 2017 relate to the acquisition of Clarke & Clarke, which completed on 31 October 2016.

(a) 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. £nil (2017: £182,000) cost in respect of unwind of the fair value uplift adjustment is considered an exceptional cost of sale. The balance of the fair value uplift was fully unwound during the prior period.
(b) A charge of £nil (2017: £268,000) was recognised in respect of unwind of the contingent consideration on acquisition in finance costs.
(c) As a result of the challenging performance targets and prevailing market conditions, the performance target for the period ended 31 January 2018 was not achieved. It was not considered likely that the performance targets for the remaining two years would be achieved; therefore, there was a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 credit to the Income Statement, in other income for the period ended 31 January 2018.
(d) Other income of £nil (2017: £217,000) comprises of proceeds arising from reimbursement of costs to replace impaired plant and equipment and intangible assets.
(e) Restructuring and reorganisation costs relate to the reorganisation of the Group and comprise of the rationalisation of certain operational and support functions. These costs mainly comprise professional fees, employee severance and property costs associated with the reorganisation process.
(f) Other income of £565,000 (2017: £nil) comprises of proceeds arising from reimbursement of costs to repair Anstey plant and equipment following a minor fire.

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'.

7. Income tax expense

	6 months to 31 July 2018 £000	6 months to 31 July 2017 £000
Current tax:		
- UK, current tax	**(906)**	(891)
- UK, adjustments in respect of prior years	**(161)**	-
- overseas, current tax	**-**	-
Corporation tax	**(1,067)**	(891)
Deferred tax:		
- current year	**76**	90
- adjustments in respect of prior years	**207**	-
- effect of changes in corporation tax rates	**-**	(14)
Deferred tax	**283**	76
Tax charge for the period	**(784)**	(815)

No overseas taxation is anticipated to become payable within the immediate future due to the availability of gross tax losses of approximately £3,200,000 (2017: £3,200,000).

The deferred tax balance at 31 July 2018 included within these interim 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 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.

A deferred tax credit of £283,000 (2017: credit of £76,000) arose in the period to 31 July 2018 on the profits for the period and adjustments in respect of prior years.

Unaudited Notes to the interim financial statements (continued)

8. Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held in the Employee Benefit Trust ('EBT') and those held in treasury, which are treated as cancelled. The adjusted basic earnings per share is calculated by dividing the adjusted earnings by the weighted average number

of shares. As a consequence of the difficult marketplace impacting the profitability of the Group, PBT performance criteria within LTIPs 10 and 11 are not being met and as a consequence these Long Term Incentive Plan ("LTIP") awards are not dilutive.

	6 months to 31 July 2018			6 months to 31 July 2017 (restated)		
	Earnings £000	**Weighted average number of shares (000s)**	**Per Share Amount Pence**	Earnings £000	Weighted average number of shares (000s)	Per Share Amount Pence
Basic earnings per share	**3,083**	**70,926**	**4.35**	3,366	69,846	4.82
Effect of dilutive securities:						
Shares under LTIP	-	**-**	-	-	2,088	-
Diluted earnings per share	**3,083**	**70,926**	**4.35**	3,366	71,934	4.68
Adjusted basic and diluted earnings per share:						
Add back LTIP accounting charge	68			522		
Add back net defined benefit pension charge	323			327		
Non-underlying items (note 6)	38			980		
Tax effects of non-underlying items and other addbacks	(157)			(291)		
Adjusted basic earnings per share	**3,355**	**70,926**	**4.73**	4,904	69,846	7.02
Adjusted diluted earnings per share	**3,355**	**70,926**	**4.73**	4,904	71,934	6.82

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

Following these transactions Walker Greenbank's issued ordinary share capital with voting rights consists of 70,983,505 (2017: 69,778,923) ordinary shares of which no (2017: nil) ordinary shares are held in treasury and no (2017: 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 31 May 2017, 421,218 shares vested under the Company's LTIP. To satisfy the vesting, 227,247 shares of 1 pence each were allotted at par value and 4,909 shares were issued from the Walker Greenbank PLC EBT.

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

Unaudited Notes to the interim financial statements (continued)

9. Analysis of net funds / (debt)

	1 February 2018 £000	Cash flow £000	Other non-cash changes £000	31 July 2018 £000
Cash and cash equivalents	1,295	349	169	**1,813**
Bank overdraft	(6,558)	1,401	(24)	**(5,181)**
Cash and cash equivalents and bank overdraft	(5,263)	1,750	145	**(3,368)**
Net debt	(5,263)	1,750	145	**(3,368)**

In December 2015, the Group entered into a £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 is amortised over the life of the loan. Following full settlement of a five year variable rate Term Loan in July 2017, total facilities from Barclays Bank PLC comprise of the revolving credit facility secured on the Group's freehold property which may be drawn down in either sterling or euro.

The total Barclays Bank PLC facilities are capped at £22,500,000 (2017: £22,500,000); the utilisation of the facilities at 31 July 2018 was £5,181,000 (2017: £6,860,000). 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 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.

10. Cash generated from operations

	6 months to 31 July 2018 £000	6 months to 31 July 2017 £000 (Restated)
Profit before tax	**3,867**	4,181
Defined benefit pension charge	**323**	327
Net finance costs	**135**	402
Depreciation and impairment of property, plant and equipment	**1,230**	1,253
Amortisation	**825**	853
Insurance reimbursements	**(650)**	(2,411)
Charge for LTIP recognised in equity	**75**	443
LTIP vesting	**(135)**	(404)

Unrealised foreign exchange losses / (gains) included in operating profit	**(86)**	22
Defined benefit pension cash contributions	**(1,001)**	(951)
Cash (used in) / generated from operating activities pre insurance proceeds	**4,583**	3,715
Insurance proceeds relating to operating activities	**650**	2,126
Cash generated from operating activities post insurance proceeds	**5,233**	5,841
Changes in working capital		
Decrease / (increase) in inventories	**1,677**	1,222
(Increase) / decrease in trade and other receivables	**(868)**	(2,155)
(Decrease) / increase in trade and other payables	**(1,861)**	(3,186)
Cash generated from operations	**4,181**	1,722

Unaudited Notes to the interim financial statements (continued)

11. Retirement benefit obligations

The Group operates the following funded pension schemes in the UK: the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. The Walker Greenbank Pension Plan is the biggest scheme. All schemes contain defined benefits sections, which are closed to new members and the accrual of future benefits, however the Abaris Holdings Limited Pension Scheme also contains a defined contribution section, although this section is relatively small.

The pension costs relating to the UK defined benefit schemes are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. These schemes are subject to triennial actuarial reviews with the most recent ones having been April 2015. An updated funding valuation for IAS 19 financial reporting purposes was completed for the previous annual financial statements to 31 January 2018.

The assumptions applied for valuation of the defined benefit schemes are fully disclosed in the annual financial statements for the year ended 31 January 2018 and continue to be applied in the half year ended 31 July 2018. The net defined benefit pension charge recognised in the half year represents the relevant proportion of the annual amounts expected to be recognised for the year ending 31 January 2019 and are based on previous actuarial estimates. The net retirement benefit obligation recognised at 31 July 2018 is based on the actuarial valuation under IAS 19 'Employee Benefits' at 31 January 2018 updated for movements in net defined benefit pension charge and contributions paid during the half year period which include additional payments to the pension scheme to reduce the deficit along with regular contributions to fund scheme expenses. The deferred tax effect of movements in the net retirement benefit obligation has also been recognised in the half year. An updated funding valuation for IAS 19 financial reporting purposes will be completed for the next annual financial statements for the year ending 31 January 2019, at which time any actuarial gains and losses arising throughout the year will be recognised, including those arising from a change in the underlying assumptions applied for valuation of the defined benefit schemes.

12. Business combinations

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

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

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

During the year and within 12 months of the acquisition date, the Directors undertook a review of the provisional fair value of the contingent consideration, with adjustments of £617,000 being reflected within the carrying value of goodwill as at the acquisition date.

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

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

The Group remeasures the contingent consideration at fair value at each Balance Sheet date. As a result of the challenging performance targets and prevailing market conditions, the performance target for the period ended 31 January 2018 has not been achieved. It is not considered likely that the performance targets for the remaining two years will be achieved; therefore, there has been a remeasurement of the fair value of this contingent consideration resulting in a £4,047,000 credit to the Income Statement. Therefore there has not been an additional charge (2017: £268,000) recognised in respect of the unwind of the contingent consideration payable for Clarke & Clarke. The

estimated fair value of the assumed probability adjusted contingent consideration at 31 July 2018 was £nil (2017: £3,916,000), which is classified as Level 3 in the fair value hierarchy.

Unaudited Notes to the interim financial statements (continued)

13. Dividends

The directors paid on 10 August 2018, a final dividend of 3.68 pence per share (2017: 3.06 pence), a total of £2,612,193 (2017: £2,169,000) for the financial year ended 31 January 2018.

The directors have announced an interim dividend of 0.69 pence per share (2017: 0.69 pence), a total of £490,000 (2017: £489,000) for the six months ended 31 July 2018, which will be payable on 23 November 2018 to shareholders on the register on 26 October 2018.

14. Events after the reporting period

On 10 October 2018, John Sach stepped down as Chief Executive and will leave the business on 31 October 2018 after 20 years as a Board Director.

Independent review report to Walker Greenbank PLC

Report on the interim financial statements

Our conclusion
We have reviewed Walker Greenbank PLC's interim financial statements (the "interim financial statements") in the Interim Results of Walker Greenbank PLC for the 6 month period ended 31 July 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed
The interim financial statements comprise:

- the unaudited consolidated balance sheet as at 31 July 2018;
- the unaudited consolidated income statement and unaudited consolidated statement of comprehensive income for the period then ended;
- the unaudited consolidated statement of cash flows for the period then ended;
- the unaudited consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors
The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, 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 a review of interim financial statement involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with

International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
St Albans
10 October 2018

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

IR UKAKRWVARRAA