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Walker Greenbank PLC
14 October 2020

For immediate release **14 October 2020**

WALKER GREENBANK PLC

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

Interim Results for the six months ended 31 July 2020

Walker Greenbank PLC (AIM: WGB), the luxury interior design and furnishings group, announces its interim results for the six-month period ended 31 July 2020.

Financial Highlights

Six months ended 31 July	**2020**	**2019**
Revenue	£38.8m	£55.9m
Adjusted underlying profit before tax*	£0.4m	£4.9m
Adjusted underlying EPS*	0.54p	5.54p
Statutory (loss) / profit before tax	(£0.9m)	£3.5m
Statutory (loss) / profit after tax	(£0.8m)	£2.6m
Net funds/(debt) excluding impact of IFRS16 'Leases'	£4.5m	£0.9m
Net (debt) including impact of IFRS16 'Leases'	(£2.6m)	(£7.7m)

The interim results reflect the impact of Covid-19 on the Group, including the temporary closure of manufacturing sites and the effect of UK and international lockdowns on market demand:

- Group revenue down 30.6 % at £38.8 million (H1 2019: £55.9 million)
- Adjusted underlying profit before tax* of £0.4 million (H1 2019: £4.9 million) including £3.2 million furlough grants from UK and US governments
- Resilient performance from core licensing income, down 7.2% in both reportable and constant currency
- Measures taken to improve liquidity resulted in cash headroom against available banking facilities of £19.5 million at 31 July 2020 compared with £13.8 million at 31 January 2020
- Net debt following the adoption of IFRS 16 'Leases' reduced to £2.6 million (H1 2019: £7.7 million on an equivalent basis). Excluding the impact of IFRS 16 net funds increased to £4.5 million (H1 2019: net funds of £0.9 million)
- An interim dividend is not being proposed (H1 2019: 0.52p); the Board remains committed to future dividend payments when conditions allow
- Better than expected trading performance in July, August and September 2020; given the ongoing impact of Covid-19, the outlook remains cautious at the start of the autumn selling period

Strategic and Operational Highlights

- Continued progress on the strategic development of the Company, particularly focused on efficiency, agility and productivity
- Walker Greenbank plc to be renamed Sanderson Design Group plc to better convey the activities of the Group. The new name, which is expected to change in December this year, highlights design as being at the heart of all we do and leverages the international recognition of the Sanderson brand as well as helping drive internal efficiencies

- Exciting collaborations include a licensing deal between the Scion brand and major retailer NEXT for a range of homeware, nursery and fashion items; Zoffany's Palladio collection of wallpapers, and Morris & Co's Queen Square collaboration with Ben Pentreath
- Year-to-date efficiency and cost-savings expected to deliver a saving of £1.2 million in the current financial year with annualised savings of £3.0 million

*Excludes accounting charges relating to the LTIP, defined benefit pension charge and non-underlying items, see note 7 to the financial statements below.

Dianne Thompson, Non-executive Chairman of Walker Greenbank, said: "The first half results reflect both the impact of Covid-19 on the business and its end markets as well as the exceptional commitment and adaptability of all our colleagues at the Company, for which I thank them.

"At the start of our key autumn selling period, we remain cautious on the outlook for the months ahead. The Board believes that the actions taken by the leadership team have given the business a strong foundation on which to withstand the impact of Covid-19 and to build for future growth."

Analyst conference call
A conference call for analysts and institutional investors will be held at 11 a.m. today, 14 October 2020. For dial-in details, please contact Buchanan at walkergreenbank@buchanan.uk.com.

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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 licensing income from the use of its designs on a wide range of products such as bed and bath collections, rugs, blinds and tableware.

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

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

Walker Greenbank employs approximately 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.

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/

CHIEF EXECUTIVE OFFICER'S STRATEGY AND OPERATIONAL REVIEW

INTRODUCTION

Whilst our results for the six months ended 31 July 2020 have been impacted by Covid-19 and the temporary measures taken by UK and international Governments to stem the spread of the virus, we have come through the crisis with a better performance than anticipated in our scenario planning. Trading in July, August and September 2020 was ahead of our expectations set at the onset of the pandemic, with the business both fulfilling delayed orders and demand returning more strongly than expected. However, we are now at the start of our key autumn selling period and, owing to Covid-19, and the potential for further restrictive measures being implemented, we remain cautious in our outlook for the remainder of the year.

In February 2020, the first half of the year started well but the temporary closure of our factories in March 2020, and Covid-19 lockdowns across our target markets, had an immediate impact on both supply and demand. We acted decisively to protect the health and safety of our employees across manufacturing, distribution, sales, marketing, design and support services. We also took significant operational and financial measures to protect the liquidity of the Group. In terms of our customers, we ensured that warehouses in Milton Keynes and New Jersey, whilst adhering to local social distancing and other guidelines, remained open throughout, enabling us to mitigate the negative impact of lockdown on sales.

With the phased reopening of our factories in May 2020, and the progressive relaxation of lockdown measures worldwide, trading improved from a low in April 2020 and gained momentum towards the half year end, as set out in our trading update on 11 August 2020.

A key priority throughout the pandemic has been the health and wellbeing of our colleagues, customers and suppliers. We have followed all relevant government guidance on Covid-19 in our factories and other locations and remain committed to continuing to do so.

Up until 31 July 2020 we have received £2.7 million grant income from the UK Government through the Coronavirus Job Retention Scheme ("CJRS") and a further £0.5 million received in the US. These funds have enabled us to support furloughed colleagues and protect employment in the business.

Our better than expected performance in recent months means that we are repaying the 20% pay reduction introduced in response to Covid-19, to all employees apart from Directors and members of the Group Leadership Team, with salaries being moved back up to 100% from 1 July 2020. I would again like to thank all of the Company's staff for their dedication and resilience throughout the challenges brought by Covid-19 and for their ongoing support.

Maintaining a robust level of liquidity has been a key priority. At the half year end, the Company's cash headroom against its banking facilities was £19.5 million compared with £13.8 million at 31 January 2020 as a result of operational strong cash generation and decisive actions taken by management.

STRATEGY UPDATE

Whilst Covid-19 impacted our sales and operations in the first half, it has accelerated the strategic development of the Company by concentrating our focus on improving the efficiency, agility and productivity of the business and by propelling innovation.

Elevating the Company and the Brands

During the coming weeks, we intend to rename the business Sanderson Design Group plc, highlighting design as being at the heart of all we do and leveraging the unrivalled international recognition of the Sanderson brand in the world of interiors. Sanderson Design Group conveys our rich heritage and the collective purpose across our brands and manufacturing units: "To bring the beautiful into people's homes and lives."

Walker Greenbank currently has a multi-layered corporate structure of holding companies, trading names, brands and sub-brands. Simplifying this structure reduces complexity and enhances communication of our valuable brands, in line with our strategic priority.

The new name will become a platform to elevate the Company's brands and other assets. For example, our unique and valuable archive of more than 50,000 historic documents, mainly from the Arts & Crafts period, will be renamed the Sanderson Design Group Archive, which over time we intend to monetise as an important industry resource.

The timing of the Group's name change reflects imminent improvements to our existing website, for example to enhance navigation, to engage consumers with the beauty of our brands and to enhance the service for our trade customers.

Importantly, we have ensured that the name change is a cost-effective exercise. Further details of the timing of the name change from Walker Greenbank to Sanderson Design Group will be announced shortly.

New Collections and Collaborations

Innovation, in part as a result of Covid-19, led us to launch our first digital pattern book in July 2020 for Harlequin's new children's collection, the Book of Little Treasures. Sales of the collection in the first weeks following launch have been much higher than we would usually expect and we have been sending out far more samples from the collection than with a traditional pattern book launch. The cost of sending out these samples is much lower than the costs associated with traditional pattern books and there is also valuable feedback from the sampling process in that we can see which of the designs and colourways are the most popular; if we create a pattern book at a later date, we will benefit from knowing which designs to focus on.

The experience of digitally launching the Book of Little Treasures and Queen Square has convinced us that all collection launches in future will have a four week digital pre-launch so we can benefit from initial feedback.

During the half year, we have been pursuing our strategy of collaboration both in licensing and with designers.

A design collaboration that has been very well received is Morris & Co's Queen Square collection with Ben Pentreath, the interior designer, architect and William Morris enthusiast. The collection reinvents original designs in completely new colourways whilst remaining faithful to Morris & Co's traditional manufacturing techniques. Also launched digitally last month, initial sampling demand has been ahead of expectations and again the sampling process has provided valuable insights into customers, designs and colourways.

We have also recently launched Zoffany's Palladio collection, an exciting screen-printed wallpaper collection that draws on the original Palladio wallpapers launched in the 1950s that subsequently became part of the Sanderson archive.

The Palladio collection includes a completely new design, called Precarious Pangolins, by the influential designer Sam Wilde. The design adds a contemporary dimension to the collection and continues the tradition established in the 1950s of talented new designers creating Palladio wallpapers. Launched just a few weeks ago, initial feedback indicates that the Palladio collection has been well received by designers and architects.

In March 2020, we announced that the Scion brand had signed a licensing agreement with major retailer NEXT, further details of which are provided in the Operational Review below.

Operational Effectiveness

In April 2020 we took the decision to furlough 510 employees in the UK, out of a total of 627 UK employees, following the nationwide lockdown announced on 23 March 2020. It was particularly unclear at that time how Covid-19 would affect demand for our products and services with retail outlets being forced to close.

We took decisive action to protect all our employees, customers and suppliers. From April 2020 onwards we have been bringing employees back to work once it was clear that it was safe and secure to do so. We undertook a similar program for our 50 employees in overseas locations. As at 13 October 2020 we have 13 employees who remain as furloughed in the UK and we look forward to their return to work in due course.

Many of us, outside of the factories, were able to work from home and this has been a positive experience in developing a new and effective way of collaborating both within the organisation and with our customers and positions us well in the event of further local or national restrictive measures.

During the current financial year, we have continued to identify efficiencies, better ways of operating and cost savings, following the delivery of £2 million of annual cost savings in the previous financial year. In August 2020 we completed a consultation and restructuring process that resulted in a reduction of 68 roles across the Group, which now has approximately 600 staff. We are grateful to our dedicated and hardworking colleagues some of whom have left the business as a result of the restructuring process. The consultation and restructuring were undertaken following the effect of Covid-19 on our business and the consequent reduction in demand and revenue. The business has restructured in order to provide leaner and more agile operations enabling us to manage more effectively, if there are significant shifts in demand or disruptive effects from further external factors.

It is expected that the cost savings implemented this year will deliver a saving of £1.2 million in the current financial year. Going forwards, the restructuring is expected to deliver annualised savings of £3.0 million.

OPERATIONAL REVIEW

The Company's sale performance to date during the pandemic has been more resilient than expected at the start of the pandemic.

From a low in April 2020, trading has progressively improved and has been ahead of our expectations in

July, August and September. Sales in the 12 weeks to the end of June 2020 were 52.2% behind last year and this has improved notably to 0.8% behind for the 12 weeks to the end of September 2020.

Segmental review

Brands

	Half year ended 31 July		Change	
	2020	**2019**	**Reported**	**Constant Currency**
Total Brand sales	£32.4m	£46.3m	(30.0%)	(29.9%)
Comprising:				
Licensing	£1.3m	£3.2m	(59.4%)	(59.4%)
UK Brand product sales	£15.5m	£22.2m	(30.2%)	n/a
International Brand product sales	£15.6m	£20.9m	(25.4%)	(25.0%)
- *North America*	*£5.4m*	*£8.1m*	*(33.3%)*	*(34.1%)*
- *Northern Europe*	*£5.7m*	*£6.5m*	*(12.3%)*	*(12.3%)*
- *Rest of the World*	*£4.5m*	*£6.3m*	*(28.6%)*	*(26.2%)*
Total Brand product sales	£31.1m	£43.1m	(27.8%)	(27.7%)

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

The segmental impact of Covid-19 across our Brand sales is demonstrated in the table above, which shows that Total Brand sales decreased by 30.0% in reportable currency, compared with the same period last year, to £32.4 million, down 29.9% in constant currency.

In the UK, our largest market, brand product sales were down 30.2% whereas in Northern Europe they were down just 12.3% in reportable currency, reflecting the strength of the Morris & Co. brand in Scandinavia. In North America, brand product sales were down 33.3% in reportable currency.

Within the Brands, Clarke & Clarke continued to perform well, positioned at the more affordable end of our premium target markets. Morris & Co. has also continued strongly, reflecting the sustained revival of consumer interest in the Arts & Crafts movement, particularly in Scandinavia.

Kravet Inc., the industry leader in the US to the trade home furnishings industry, has been distributing the Clarke & Clarke brands in the US since August 2019. We continue to be pleased with the progress made and are confident in the future of this partnership.

Licensing

Licensing income in the first six months was down 59.4% in reportable and constant currency, to £1.3 million, largely reflecting the introduction of IFRS 15 last year and the recognition of fixed minimum guaranteed licensing income in the comparator period. Excluding the recognition of fixed minimum guaranteed licensing income under IFRS 15 and income from apparel contracts, core licensing income was down approximately 7.2% in reportable and constant currency, compared with the corresponding period last year.

In March 2020, we announced that the Scion brand had signed a licence with major retailer NEXT for a range of homeware, nursery and fashion items both online and in some NEXT stores. Structured in part as a licensing deal and in part as a wholesale supply agreement, a substantial number of products under this partnership can already be viewed on NEXT's website. The teams work well together and positive feedback from customers has prompted consideration of expanding the scope of this relationship.

Manufacturing

The Company's two manufacturing businesses, Standfast and Anstey, were both temporarily closed in March 2020 owing to Covid-19. As a result, we lost two months of production, representing approximately £7 million of lost or postponed revenue. We responded quickly when we were able to reopen the factories, with a phased reopening beginning towards the end of May 2020.

Total manufacturing sales decreased 38.5% in the first half to £10.5 million compared with the same period last year, with total third-party sales down 32.5%.

Manufacturing has started well in the second half year with both factories having strong third party order books and sales.

CURRENT TRADING AND OUTLOOK

Whilst our results for the six months ended 31 July 2020 have been impacted by Covid-19, we have come through the first wave of the coronavirus with a better performance than anticipated in our scenario planning, carried out at the onset of the pandemic. Trading has been ahead of our expectations in July, August and September 2020, with the business both fulfilling delayed orders and demand returning more strongly than expected. We are now at the start of our key autumn selling period and, owing to Covid-19, we remain cautious in our outlook for the remainder of the year. We have a clear strategy and, with the decisive action taken to improve liquidity and reduce costs, we are confident of emerging as a leaner and more agile business when the pandemic recedes.

FINANCIAL REVIEW

Overview

The Company achieved an adjusted underlying profit before tax of £0.4 million in the first half despite a decrease in revenues of £17.1 million. This is a good result in the difficult circumstances, reflecting improvements in cost control and efficiencies, as well as government support instigated in the lockdown period.

The reduction in gross profit, resulting from the decrease in revenues, was offset by a reduction in distribution expenses of £3.4 million and in administrative costs of £4.9 million, a total reduction in operating costs of £8.3 million. The staff cost reductions in cost of sales, distribution and overheads included the benefit of £3.2 million received in government support.

The Group accounts for government grants on an accruals basis and has elected to present receipts relating to government grants as a deduction in reporting the related expense.

Working capital, capital expenditure, distribution and administrative costs have all been managed to improve liquidity and the efficiencies achieved will help the Group going forwards to deal with any further shocks, such as future potential lockdowns.

Statutory loss before tax of £0.9 million (H1 2019: profit of £3.5 million) included non-underlying charges of £0.9 million (H1 2019: £1.1 million). These are analysed below:

	H1 2020	H1 2019
	£000	£000
Statutory (loss) / profit before tax*	**(907)**	3,502
Amortisation of acquired intangible assets	**508**	508
Restructuring and reorganisation costs	**362**	694
Anstey net other income	**-**	(144)
Total non-underlying charges included in profit before tax	**870**	1,058
Underlying (loss) / profit before tax*	**(37)**	4,560
LTIP accounting charge*	**106**	13
Net defined benefit pension charge	**296**	359
Adjusted underlying profit before tax	**365**	4,932

* The LTIP charge for the six months ended 31 July 2019 has been adjusted from £nil to a £13,000 charge to correct the accounting for the prior period.

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 £0.4 million reflect the planned rationalisation of certain operational and support functions. These comprise of employee severance costs associated with the reorganisation process.

The net underlying interest charge decreased to £0.15 million as a result of the higher level of net funds excluding the impact of IFRS 16.

Adjusted underlying profit before tax, excluding the LTIP accounting charge, defined benefit charge and non-underlying items, decreased 91.8% to £0.4 million (H1 2019: £4.9 million).

Adjusted earnings per share were down 90.3% at 0.54 pence (H1 2019: 5.54 pence), after removing the LTIP accounting charge, defined benefit charge and other non-underlying items.

Statutory loss after tax was £0.8 million (H1 2019: profit of £2.6 million) and basic (loss) / earnings per share was down 129.9% at (1.10) pence (H1 2019: 3.68 pence*).

Cash flow and balance sheet

In response to Covid-19, the Group enhanced its liquidity management and, as result, the net cash position of the business has improved despite the loss of sales.

We continue to have a very good relationship with our principal bankers, Barclays Bank, and secured an additional £2.5 million overdraft facility in April 2020 to further extend headroom, which was £19.5 million at the half year end.

The cash generated from operations in the period was £5.1 million, compared with £3.6 million in the corresponding six-month period, which reflected the significant improvement in working capital management in inventories and trade receivables, receipt of furlough grants and cost reductions achieved across the Group which is also the result of lower sales.

A working capital inflow during the period of £2.3 million (H1 2019: outflow of £3.0 million) reflected a significant decrease in finished goods inventory as a result of better inventory management; and a reduction in trade receivables driven by lower sales and improvements in credit management. We will continue to manage working capital closely and with the recovery in revenues and production we expect working capital movements to normalise throughout the rest of the year. We have seen no material deterioration in bad debt rates or any extension in the time it has taken customers to settle their accounts. We have made a concerted effort to reduce risk around our customers and receivables and have relatively little bad debt experience.

The additional inventory provision of approximately £0.9 million initially anticipated as a result of the Covid-19 pandemic driven by reduced sales volumes has not fully materialised as sales performance to date during the pandemic has been more resilient than we first expected and therefore, only an additional £0.5 million has been recognised in the period.

Inventory has been reduced to £23.4 million from £28.8 million in the corresponding period last year, as a result of tighter procurement of finished goods and our long term strategy to reduce inventory levels. Trade and other receivables were reduced to £17.1 million from £21.1 million in the corresponding period last year, reflecting the improvement in working capital management and reduction in sales volumes.

Trade and other payables were £16.8 million, compared with £22.4 million in the corresponding period last year. This reflected the Company's efforts to continue to pay suppliers in accordance with their terms of trade and the reduction in operating costs referred to earlier.

Capital expenditure in the period was £0.4 million, which reflects the Group's strategy to suspend non-essential expenditure with a view to conserving cash in light of the Covid-19 pandemic. We actively managed down capital expenditure during the lockdown period and we will continue to monitor investment needs closely going forwards.

The Group's reported net debt (including IFRS 16) at the half year decreased to £2.6 million (H1 2019: £7.7 million). Excluding the impact of IFRS 16, the Group had net funds at the end of July 2020 of £4.5 million (H1 2019: £0.9 million) reflecting the need to preserve liquidity and optimise cash in response to the health and economic threats of Covid-19.

The retirement obligation has increased from £5.7 million at the end of January 2020 to £9.2 million, reflecting the effects of reduced asset values and increasing liabilities due to lower bond yields.

DIVIDEND

Covid-19 continues to have a major impact on people, businesses and economies worldwide. Against this back drop the Board has decided that it would not be appropriate to pay an interim dividend for the six months ended 31 July 2020. The Board remains committed to future dividend payments to shareholders and will keep the final full year dividend under review, with any decision to be announced alongside the full year results in April 2021.

Unaudited Consolidated Income Statement

For the six months ended 31 July 2020

		6 months to 31 July 2020			6 months to 31 July 2019		
	Note	**Underlying £000**	**Non-underlying (note 7) £000**	**Total £000**	Underlying £000	Non-underlying (note 7) £000	Total £000
Revenue	2	**38,842**	**-**	**38,842**	55,932	-	55,932
Cost of sales		**(15,924)**	**-**	**(15,924)**	(20,405)	-	(20,405)
Gross profit / (loss)		**22,918**	**-**	**22,918**	35,527	-	35,527
Net operating expenses:							
Distribution and selling expenses		**(8,533)**	**-**	**(8,533)**	(11,950)	-	(11,950)
Administration expenses*		**(16,647)**	**(870)**	**(17,517)**	(21,503)	(1,202)	(22,705)
Net other income	5	**2,374**	**-**	**2,374**	2,694	144	2,838
Profit / (loss) from operations*		**112**	**(870)**	**(758)**	4,768	(1,058)	3,710
Net finance costs		**(149)**	**-**	**(149)**	(208)	-	(208)
Profit / (loss) before tax*		**(37)**	**(870)**	**(907)**	4,560	(1,058)	3,502
Tax income / (expense)	8	**72**	**51**	**123**	(1,082)	190	(892)
Profit / (loss) for the period attributable to owners of the parent*		**35**	**(819)**	**(784)**	3,478	(868)	2,610
Earnings per share - Basic*	**9**			**(1.10)p**			3.68p
Earnings per share - Diluted*	**9**			**(1.10)p**			3.68p
Adjusted earnings per share - Basic	**9**			**0.54p**			5.54p
Adjusted earnings per share - Diluted	**9**			**0.53p**			5.54p

**** see note 15 for explanation of adjustment for the six months ended 31 July 2019.***

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2020

	6 months to 31 July 2020	6 months to 31 July 2019

	£000	£000
(Loss) / profit for the period*	**(784)**	2,610
Items that may be reclassified subsequently to profit or loss:		
Currency translation (losses) / gains	**(31)**	71
Total items that may be reclassified subsequently to profit or loss	**(31)**	71
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement of defined benefit pension schemes	**(3,724)**	3,917
Corporation tax credits recognised in equity	**70**	-
Deferred tax relating to pension scheme liability	**708**	(666)
Total items recognised directly in equity	**(2,946)**	3,251
Total comprehensive income for the period attributable to the owners of the parent*	**(3,761)**	5,932

**** see note 15 for explanation of adjustment for the six months ended 31 July 2019.***

Unaudited Consolidated Balance Sheet
As at 31 July 2020

	Note	**As at 31 July 2020 £000**	As at 31 July 2019 £000	As at 31 January 2020 £000
Non-current assets				
Intangible assets		**29,051**	30,291	29,815
Property, plant and equipment		**13,123**	14,679	14,101
Right-of-use assets		**7,008**	8,793	8,392
Deferred income tax assets		**147**	-	-
		49,329	53,763	52,308
Current assets				
Inventories		**23,383**	28,807	28,456
Trade and other receivables		**17,068**	21,077	20,543
Cash and cash equivalents	10	**4,549**	2,460	3,055
		45,000	52,344	52,054
Total assets		**94,329**	106,107	104,362
Current liabilities				
Trade and other payables		**(16,785)**	(22,380)	(22,940)
Lease liabilities		**(2,130)**	(2,589)	(2,810)
Borrowings	10	**-**	(1,538)	(1,719)
		(18,915)	(26,507)	(27,469)
Net current assets		**26,085**	25,837	24,585
Non-current liabilities				
Lease liabilities		**(5,036)**	(6,077)	(5,603)
Deferred income tax liabilities		**-**	(1,510)	(802)
Retirement benefit obligation		**(9,209)**	(5,186)	(5,659)
		(14,245)	(12,773)	(12,064)
Total liabilities		**(33,160)**	(39,280)	(39,533)
Net assets		**61,169**	66,827	64,829
Equity				
Share capital		**710**	710	710
Share premium account		**18,682**	18,682	18,682
Retained earnings		**1,866**	7,266	5,495
Other reserves		**39,911**	40,169	39,942
Total equity attributable to owners of the parent		**61,169**	66,827	64,829

Unaudited Consolidated Cash Flow Statement
For the six months ended 31 July 2020

	Note	**6 months to 31 July 2020 £000**	6 months to 31 July 2019 £000
Cash flows from operating activities			
Cash generated from operations	11	**5,057**	3,555
Interest paid		**(209)**	(266)
Corporation tax refunds / (paid)		**59**	(402)
Net cash generated from operating activities		**4,907**	2,887
Cash flows from investing activities			
Interest received		**4**	-
Purchase of intangible assets		**(110)**	(337)
Purchase of property, plant and equipment		**(315)**	(839)
Net cash used in investing activities		**(421)**	(1,176)
Cash flows from financing activities			
Payment of lease liabilities		**(1,371)**	(1,291)
Net cash used in financing activities		**(1,371)**	(1,291)
Net increase in cash and cash equivalents		**3,115**	420
Cash and cash equivalents and bank overdraft at beginning of period		**1,336**	434
Effect of exchange rate fluctuations on cash held		**98**	68
Cash and cash equivalents and bank overdraft at end of period	10	**4,549**	922

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 31 July 2020

	Attributable to equity owners of the parent company						
				Other reserves			
	Share capital	Share premium account	Retained earnings	Capital reserve	Merger reserve	Foreign currency translation reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 February 2020	710	18,682	5,495	43,457	(2,950)	(565)	64,829
Loss for the period	-	-	(784)	-	-	-	(784)
Other comprehensive income:							
Re-measurement of defined benefit pension schemes	-	-	(3,724)	-	-	-	(3,724)
Corporation tax credits recognised in equity			70				70
Deferred tax relating to pension scheme liability	-	-	708	-	-	-	708
Currency translation differences	-	-	-	-	-	(31)	(31)
Total comprehensive income	**-**	**-**	**(3,730)**	**-**	**-**	**(31)**	**(3,761)**
Transactions with owners, recognised directly in equity:							
Long-term incentive plan charge	-	-	101	-	-	-	101
Balance at 31 July 2020	**710**	**18,682**	**1,866**	**43,457**	**(2,950)**	**(596)**	**61,169**

Attributable to equity owners of the parent company

				Other reserves			
	Share capital	Share premium account	Retained earnings	Capital reserve	Merger reserve	Foreign currency translation reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 February 2019	710	18,682	1,392	43,457	(2,950)	(409)	60,882
Profit for the period*	-	-	2,610	-	-	-	2,610
Other comprehensive income:							
Re-measurement of defined benefit pension schemes	-	-	3,917	-	-	-	3,917
Deferred tax relating to pension scheme liability	-	-	(666)	-	-	-	(666)
Currency translation differences	-	-	-	-	-	71	71
Total comprehensive income*	**-**	**-**	**5,861**	**-**	**-**	**71**	**5,932**
Transactions with owners, recognised directly in equity:							
Long-term incentive plan charge*	-	-	13	-	-	-	13
Balance at 31 July 2019	**710**	**18,682**	**7,266**	**43,457**	**(2,950)**	**(338)**	**66,827**

* see note 15 for explanation of adjustment for the six months ended 31 July 2019.

Notes to the unaudited interim financial statements

1. Basis of preparation of unaudited 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 2021. 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 2020 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 2020, 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 2019, unless otherwise stated.

The accounting policies adopted in the preparation of these interim financial statements to 31 July 2020 are consistent with the accounting policies applied by the Group in its Annual Report and Accounts as at, and for the year ended, 31 January 2020 as required by the Disclosure Guidance and Transparency Rules ('DTR') of the UK's Financial Conduct Authority, with the exception of the adoption of new and amended standards as set out below.

Since the Group's previous annual financial report for the year ended 31 January 2020, the Group has adopted IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over the tax position. In particular it addresses;
• how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty,
• that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge,
• that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept that treatment,
• that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty,
• that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The adoption of this interpretation did not have a material impact on the Group's financial statements.

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 2020 is based on the statutory accounts for the financial year ended 31 January 2020, 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 six-month period ended 31 July 2020 have not been audited.

Notes to the unaudited interim financial statements (continued)

1. Basis of preparation of interim financial statements (continued)

Critical accounting estimates and judgements

Going concern

A key accounting judgement for these interim financial statements for the six months ended 31 July 2020 is the continued adoption of the going concern basis of preparation in light of the uncertainties caused by Covid-19.

For the accounts to 31 January 2020, published in June 2020, the Company modelled an "Original" Management Base Case (MBC) trading scenario on a "bottom up" basis with input from senior managers and the Executive Directors, which showed sales for the year ending 31 January 2021 reducing by some 30% compared to the sales achieved in the year ended 31 January 2020, with a gradual pick up as the current year progressed and into 2021/2022. Given the continuing uncertainty regarding the impact of Covid-19 (including potential further waves of the pandemic) on the economy, consumer behaviour and ultimately on the Company's performance, the Company also modelled increasingly stressed scenarios compared to MBC (which assumed 10% ("Mid Case") and 20% ("Low Case") sales reductions, respectively, from MBC, along with increasingly conservative assumptions in these scenarios regarding cash collections from debtors). This scenario modelling showed that the Company retained headroom against its banking facilities but that there could be breaches of its leverage/interest cover covenants under stressed scenarios. Therefore, agreement was sought and reached with the Company's bank for covenants to be waived for a period. Specifically, the bank agreed to waive the interest cover covenant (ratio of operating profit to interest) for the tests arising in October 2020, January 2021, April 2021 and July 2021 and the leverage covenant condition (ratio of total net debt to EBITDA) for October 2020, January 2021 and April 2021 provided the Company maintains headroom against its banking facilities of at least £5m between November 2020 and July 2021. Please see the disclosures in the accounts for the year ended 31 January 2020 for more details and Note 10 to these statements for a summary of our banking facilities.

In light of trading since June 2020, the Original MBC trading scenario for the year ending 31 January 2021 has been updated ("Updated MBC") with a latest bottom up scenario which shows sales reducing by approximately 20% compared to the sales achieved in the year ended 31 January 2020. The Updated MBC for the year ending 31 January 2021 and for the year ending 31 January 2022 has been sensitised for 10% (Updated Mid Case) and 20% (Updated Low Case) reductions in sales, consistent with the scenario modelling conducted in June 2020. This scenario modelling indicates that, even at the lowest point (October 2021) in the Updated Low Case, the Company retains bank facility headroom of some £8m, comfortably in excess of the afore-mentioned £5m liquidity covenant and well within its banking facilities once the liquidity covenant expires in July 2021. In addition, the scenario modelling in all these cases indicates that the leverage and interest cover covenants, once reinstated, should be met, except for a possible breach under the Updated Low Case of the 31 October 2021 interest cover covenant test. Management is confident, however, that in the event of the Updated Low Case materialising (i.e. a 20% reduction in sales for the next 13 months from Updated MBC), there are specific cost reduction actions that would be taken in time to avoid such a covenant breach.

In addition to the above scenarios, the Updated MBC has been further sensitised to assess the level of sales reductions that would be needed to cause a breach of the £5m liquidity covenant (which exists to 31 July 2021) or the Group's committed banking facilities in the period thereafter to 31 October 2021. These sensitivities indicate that revenues for the next 13 months would need to drop by in excess of 30% or 40% respectively, compared to Updated MBC. Given the Group's experience over the past 6 months, which has seen revenues recover strongly over the latest 3 months after a sharp decline in the initial 3 months after the pandemic hit, these possibilities are considered remote. Even if they did materialise, management would act decisively, as it did earlier in the year, to conserve cash (for example by reducing discretionary spending and capital expenditure) to avoid a breach of either the liquidity covenant or overall banking facilities.

Notes to the unaudited interim financial statements (continued)

1. Basis of preparation of interim financial statements (continued)

Given the unprecedented nature of the Covid-19 events, it is impossible to predict future trading and cashflows with certainty. However, the Group's performance over the past 6 months has been better than originally expected and, combined with the actions taken to protect the Group's cash position, show the Group's resilience. The actual scenarios which materialise in the period ahead will undoubtedly be different to the scenarios modelled. In the event that the actual scenario is worse than modelled by the Updated Low Case, it is implausible that management would not act decisively to try to protect the business, particularly its cash position, as it has done in the past 6 months. Having taken into account all of the afore-mentioned comments, actions and factors in relation to going concern and the potential impact of Covid-19, the Directors consider 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 interim statements.

Other critical accounting estimates include retirement benefit pension obligations, impairment of non-financial assets, deferred tax recognition, business combinations, Covid-19 and long term incentive plan payment awards.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and capital risk. The interim financial statements do not include all risk management information and disclosures required in the annual report and accounts; they should be read in conjunction with the Group's Annual Report and Accounts as at 31 January 2020. In particular, information on the principal risks can be found on page 30 - 32 of the Group's 2020 annual report which comprise of trading environment; competition; foreign exchange; pension funding; recruitment and retention of key employees; reputation; acquisition; major incident such as a fire or flood; IT; and risks resulting from the impact of Brexit and Covid-19. There have been no changes in either the principal risks or 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 expenses. 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 2020, with the exception of changes in estimates that are required in determining the provision for income taxes.

The Board approved the interim financial statements on 14 October 2020.

2. Segmental analysis

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

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

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

Notes to the unaudited interim financial statements (continued)

2. Segmental analysis (continued)

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

6 months to 31 July 2020	**Brands**	**Manufacturing**	**Eliminations and unallocated**	**Total**
	£000	**£000**	**£000**	**£000**
UK revenue	**15,445**	**4,137**	-	**19,582**
International revenue	**15,597**	**2,330**	-	**17,927**
Licence revenue	**1,333**	**-**	-	**1,333**
Revenue - external	**32,375**	**6,467**	-	**38,842**
Revenue - internal	**-**	**4,071**	**(4,071)**	**-**
Total revenue	**32,375**	**10,538**	**(4,071)**	**38,842**
Profit / (loss) from operations	**2,343**	**(437)**	**(2,664)**	**(758)**
Net Finance costs	**-**	**-**	**(149)**	**(149)**
Profit / (loss) before tax	**2,343**	**(437)**	**(2,813)**	**(907)**
Tax income / (expense)	**-**	**-**	**123**	**123**
Profit / (loss) for the period	**2,343**	**(437)**	**(2,690)**	**(784)**

Business interruption reimbursements to cover loss of profits of £nil (2019: £50,000) are included within 'Eliminations and unallocated'. Tax charges have not been allocated to a segment.

6 months to 31 July 2019	Brands	Manufacturing	Eliminations and unallocated	Total
	£000	£000	£000	£000
UK revenue	22,215	6,609	-	28,824
International revenue	20,893	2,977	-	23,870
Licence revenue	3,238	-	-	3,238
Revenue - external	46,346	9,586	-	55,932
Revenue - internal	-	7,557	(7,557)	-
Total revenue	46,346	17,143	(7,557)	55,932
Profit / (loss) from operations*	5,615	1,038	(2,943)	3,710
Net Finance costs	-	-	(208)	(208)
Profit / (loss) before tax	5,615	1,038	(3,151)	3,502
Tax expense	-	-	(892)	(892)
Profit / (loss) for the period	5,615	1,038	(4,043)	2,610

* see note 15 for explanation of adjustment for the six months ended 31 July 2019.

Notes to the unaudited interim financial statements (continued)

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 analyses presented is revenue by export market for Brands.

Brands international revenue by export market	6 months to 31 July 2020 £000	6 months to 31 July 2019 £000
North America*	**5,450**	8,102
Northern Europe*	**5,655**	6,517
Rest of the World*	**4,492**	6,274
	15,597	20,893

*The geographical segments for the six months ended 31 July 2019 have been redefined in line with the Group's strategy.

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 2020 £000	6 months to 31 July 2019 £000
Harlequin, incorporating Anthology and Scion	**8,258**	12,725
Sanderson, incorporating Morris & Co.	**10,133**	12,120
Zoffany	**3,523**	4,854
Clarke & Clarke, incorporating Studio G	**8,859**	13,158
Other brands	**269**	251
Licensing	**1,333**	3,238
	32,375	46,346

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

Manufacturing revenue analysis	6 months to 31 July 2020 £000	6 months to 31 July 2019 £000
Standfast	**5,961**	7,763
Anstey	**4,577**	9,380
	10,538	17,143

Notes to the unaudited interim financial statements (continued)

3. Analysis of revenue by category

	6 months to 31 July 2020 £000	6 months to 31 July 2019 £000
Sale of goods	**37,509**	52,694
Licence royalty income	**1,333**	3,238
Total revenue	**38,842**	55,932

4. Seasonality and cyclicality
There is no material seasonality or cyclicality impacting the interim financial statements.

5. Net other income
Net other income comprises consideration received from the sale of marketing materials and additional services of £2,374,000 (2019: £2,644,000), and business interruption reimbursements to cover loss of profits of £nil (2019: £50,000). In addition, there was non-underlying net other income of £nil (2019: £144,000) as per note 7.

6. Net defined benefit pension charge

	6 months to 31 July 2020 £000	6 months to 31 July 2019 £000
Expected return on pension scheme assets	**662**	832
Interest on pension scheme liabilities	**(703)**	(944)
Scheme expenses met by the Group	**(255)**	(247)
Net defined benefit pension charge	**(296)**	(359)

The Group paid contributions of £215,000 (2019: £671,000) and scheme administration costs of £255,000 (2019: £247,000) to the Group's two defined benefit schemes, further details of which can be found in the 2020 Annual Report.

Notes to the unaudited interim financial statements (continued)

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 are as follows:

		6 months to 31 July 2020 £000	6 months to 31 July 2019 £000
(i) Acquisition related:			
Amortisation of acquired intangible assets		**(508)**	(508)
(ii) Restructuring and reorganisation costs	(a)	**(362)**	(694)
(iii) Anstey fire:			
Incremental costs and property, plant and equipment repairs		**-**	-
Insurance reimbursements		**-**	144
	(b)	**-**	144
Total non-underlying items included in profit before tax		**(870)**	(1,058)
Tax on non-underlying items		**51**	190
Total impact of non-underlying items on profit after tax		**(819)**	(868)

(a) Restructuring and reorganisation costs relate to the reorganisation of the Group and comprise of the rationalisation of certain operational and support functions. These comprise of employee severance costs of £362,000. In the prior period there were employee severance costs of £284,000 associated with the Clarke & Clarke Haslingden site exit together with a further £410,000 in respect of professional fees and dual running costs associated with the reorganisation process.
(b) Anstey fire-related net other income of £nil (2019: £144,000) comprise of proceeds arising from the reimbursement of repair costs in respect of plant and equipment and related costs 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'.

Notes to the unaudited interim financial statements (continued)

8. Tax expense

	6 months to 31 July 2020 £000	6 months to 31 July 2019 £000
Current tax:		

- UK, current tax	**(118)**	**(777)**
- UK, adjustments in respect of prior years	**-**	**(222)**
- overseas, current tax	**-**	**(20)**
Corporation tax	**(118)**	**(1,019)**
Deferred tax:		
- current year	**291**	**96**
- adjustments in respect of prior years	**(50)**	**31**
Deferred tax	**241**	**127**
Total tax income / (expense) for the period	**123**	**(892)**

The deferred tax balance at 31 July 2020 included within these interim financial statements has been calculated at a rate of 19%, as this is the rate at which the balances are expected to unwind.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 January 2020 was calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

A net deferred tax credit of £241,000 (2019: credit of £127,000) arose in the period to 31 July 2020 on the profits for the period and adjustments in respect of prior years.

Notes to the unaudited interim financial statements (continued)

9. Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the period, 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.

		6 months to 31 July 2020			6 months to 31 July 2019	
	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*	**(784)**	**70,984**	**(1.10)**	2,610	70,984	3.68
Effect of dilutive securities:						
Shares under LTIP		**545**			-	
Diluted earnings per share*	**(784)**	**71,529**	**(1.10)**	2,610	70,984	3.68
Adjusted basic and diluted earnings per share:						
Add back LTIP accounting charge	106			13		
Add back Net defined benefit pension charge	296			359		
Non-underlying items (note 7)	870			1,058		
Tax effects of non-underlying items and other addbacks	(106)			(105)		
Adjusted basic earnings per share	**382**	**70,984**	**0.54**	3,935	70,984	5.54
Adjusted diluted earnings per share	**382**	**71,529**	**0.53**	3,935	70,984	5.54

* see note 15 for explanation of adjustment for the six months ended 31 July 2019.

Walker Greenbank's issued ordinary share capital with voting rights consists of 70,983,505 (2019: 70,983,505) ordinary shares of 1p each of which no (2019: nil) ordinary shares are held in treasury and no (2019: 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.

Notes to unaudited the interim financial statements (continued)

10. Analysis of net funds / (debt)

	1 February 2020 £000	Cash flow £000	Other non-cash changes £000	31 July 2020 £000
Cash and cash equivalents	3,055	1,396	98	**4,549**
Bank overdraft	(1,719)	1,818	(99)	**-**
Cash and cash equivalents and bank overdraft	1,336	3,214	(1)	**4,549**
Finance lease liabilities	(8,413)	1,371	(124)	**(7,166)**
Net debt	**(7,077)**	**4,585**	**(125)**	**(2,617)**

In October 2019, the Group renewed its committed £12,500,000 multi-currency revolving credit facility with Barclays Bank PLC for a further five year period. The agreement also includes a £5,000,000 uncommitted accordion facility option to further increase available credit which provides substantial headroom for future growth. The bank arrangement fee of £106,250 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.

Following the Covid-19 pandemic, the Group enhanced liquidity on a precautionary basis by obtaining a temporary overdraft facility of £2,500,000 to April 2021, to complement the headroom in the existing £12,500,000 revolving committed credit facility.

The total Barclays Bank PLC facilities are capped at £20,000,000 (2019: £22,500,000); the net utilisation of the facilities at 31 July 2020 was £nil (31 January 2020: £1,719,000) as we have a set-off facility which enables us to cash pool and set-off balances. 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.

In light of Covid-19, Management has modelled possible downside scenarios to its base case trading forecast. Having taken into account these models, together with the uncertainty around the ramifications of the Covid-19 pandemic on the reported covenants, formal agreement has been reached with Barclays Bank PLC to waive the interest cover covenant condition for the tests arising in October 2020, January 2021, April 2021 and July 2021 and to waive the leverage covenant condition for October 2020, January 2021 and April 2021. This has been replaced by a liquidity covenant requirement that available headroom in the facility needs to remain above £5,000,000 between 1 November 2020 and 31 July 2021.

Notes to the unaudited interim financial statements (continued)

11. Cash generated from operations

	6 months to 31 July 2020 £000	6 months to 31 July 2019 £000
(Loss) / profit before tax*	**(907)**	3,502
Defined benefit pension charge	**296**	359
Net finance costs	**149**	208
Depreciation and impairment of property, plant and equipment (including right-of-use assets)	**2,838**	2,769
Amortisation	**872**	859
Insurance reimbursements	**-**	(144)
LTIP charge recognised in equity*	**101**	13
LTIP vesting	**-**	-
Unrealised foreign exchange gains included in operating profit	**(150)**	(219)
Defined benefit pension cash contributions	**(470)**	(918)
Cash generated from operating activities pre-insurance proceeds	**2,729**	6,429
Insurance proceeds relating to operating activities	**-**	144
Cash generated from operating activities post-insurance proceeds	**2,729**	6,573
Changes in working capital		
Decrease / (increase) in inventories	**5,073**	(787)

Decrease / (increase) in trade and other receivables	**3,510**	(2,474)
(Decrease) / increase in trade and other payables	**(6,255)**	243
Cash generated from operations	**5,057**	3,555

* see note 15 for explanation of adjustment for the six months ended 31 July 2019.

Notes to the unaudited interim financial statements (continued)

12. Retirement benefit obligations

The Group sponsors 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 2018. An updated funding valuation for IAS 19 financial reporting purposes was completed as at 31 July 2020.

The assumptions applied for valuation of the defined benefit schemes are fully disclosed in the annual financial statements for the year ended 31 January 2020 and continue to be applied in the half year ended 31 July 2020 with the exception of the discount rate assumption which has been updated to 1.3% from 1.7% at the end of January 2020 due to lower bond yields. 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 2021 and are based on previous actuarial estimates. The net retirement benefit obligation recognised at 31 July 2020 is based on the actuarial valuation under IAS 19 'Employee Benefits' at 31 July 2020 with actuarial losses for the period being recognised together with the deferred tax effect of movements in the net retirement benefit obligation which 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 2021, 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.

13. Dividends

Covid-19 continues to have a major impact on people, businesses and economies worldwide. Against this back drop the Board has decided that it would not be appropriate to pay an interim dividend for the six months ended 31 July 2020. During the prior year an interim dividend of 0.52 pence per share, totalling £369,000 was paid for the year ended 31 January 2020.

14. Related party transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. Other transactions which fall to be treated as related party transactions are those relating to the remuneration of key management personnel, which are not disclosed in the interim financial statements, and which will be disclosed in the Group's next annual report; and transactions between the Group and the Group's defined benefit pension plan, which are disclosed in note 6.

15. Explanation of adjustment for the six months to 31 July 2019

The LTIP charge for the six months to 31 July 2019 has been adjusted from a £nil charge to a £13,000 charge to correct the accounting for the prior year, with totals and subtotals amended for this change. Amounts impacted have been identified throughout the financial statements through the use of an asterisk on the financial statement line and a footnote reference to this note. This was due to an error in the LTIP calculation for LTIP 10 and 11. The statutory profit has been reduced by £13,000, reducing basic and diluted EPS from 3.70p to 3.68p. The overall retained earnings position at 31 July 2019 has not been impacted.

Notes to the unaudited interim financial statements (continued)

Responsibility Statement

The Directors confirm that, to the best of their knowledge, these interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes as fair review of the information required by Disclosure Guidance and Transparency Rules 4.2.7 and 4.2.8, namely:

- An indication of the important events that have occurred during the first half year and their impact on the interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- Material related party transactions in the first half year and any material changes in the related party transactions described in the last annual report.

By order of the Board

Lisa Montague Chief Executive Officer	Michael Williamson Chief Financial Officer

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