2010

INTERIM REPORT

Walker Greenbank PLC

Luxury interior
furnishings group

Luxury interior furnishings group

Walker Greenbank PLC is a luxury interiors furnishings group whose brands include Harlequin, Sanderson, Morris & Co. and Zoffany. Our brands are targeted at the mid to upper end of the premium market. They have worldwide distribution including prestigious showrooms at Chelsea Harbour, London and the D&D building, Manhattan, New York. Half of the brand's turnover is sourced in-house from the Group's own specialist manufacturing facilities.

FRONT COVER:
A PAINTER'S GARDEN COLLECTION, SANDERSON, DESIGN: SUMMER TREE

INSIDE FRONT COVER:
WALLPAPER: FLORINE FROM AMILIE COLLECTION, HARLEQUIN
CUSHIONS: AMILIE COLLECTION, HARLEQUIN

Highlights

- Half year revenue up 15.6% at £33.67 million (H1 2009/10: £29.14 million)
- Mid-market brands of Harlequin and Sanderson performing strongly, with Sanderson half year sales up 17% in its 150th anniversary year
- Manufacturing benefiting from growing demand for printed fabric and wallpaper, with half year sales up 27%
- Operating profit before exceptional gain up 96.5% at £2.06 million (H1 2009/10: £1.05 million)
- Profit before tax up 306% at £2.31 million (H1 2009/10: £0.57 million)
- Earnings per share up 253% to 2.72p (H1 2009/10: 0.77p)
- Interim dividend of 0.15 pence per share, marking the first interim payment for thirteen years

"Our excellent first half results reflect the strength of our brand sales and manufacturing in an improved marketplace. We are now selling more product than ever before, comfortably exceeding pre-recession levels. Our continued strong investment in new product launches gives us excellent growth opportunities in domestic and international markets.

The momentum in our first half sales has continued, and we have traded well in the first ten weeks of the second half. We enter the autumn selling period with confidence of delivering a strong full year performance."

Terry Stannard, Walker Greenbank's Chairman

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Chairman's Statement

LANARK
COLLECTION,
ZOFFANY

Overview

I am delighted to report that the six months to 31 July 2010 represent a period of excellent progress at Walker Greenbank. Revenue and profits have increased substantially on the same period last year, our balance sheet continues to strengthen and our cash generation is such that we will be paying an interim dividend for the first time in thirteen years.

Revenue in the first half was up 15.6% at £33.7 million compared with the first half last year, propelled by the continued success of our mid-market brands, Sanderson and Harlequin. Operating profits, before an exceptional gain of £500,000, grew 96.5% at £2.06 million (H1 2009/10: £1.05 million). The trend of increasing profitability in our wallpaper and fabric printing factories helped underpin this profit growth.

Revenue at Sanderson was up an impressive 17.0% compared with the first half last year, revenues for Harlequin were up 13.6% and Zoffany revenues were up 6.1%. Encouragingly, the growing popularity of colour and design has helped our mid-market brands to grow sales of printed fabric by more than 20%.

Our products are supplying an improving marketplace and the quality and quantity of our new launches have met with an encouraging response. In addition to launching new designs, we have continued to invest in manufacturing, including equipment to enable a range of exciting new textured wallpaper finishes and to increase fabric digital printing capacity.

Financials

Revenue increased 15.6% to £33.7 million, from £29.1 million in the same period last year. The operating profit for the half year was £2.56 million (H1 2009/10: £1.01 million) which included an insurance settlement of £500,000 from a loss of profits claim. Profit before tax was £2.31 million (H1 2009/10: £568,000). The profit after tax rose to £1.54 million (H1 2009/10: £422,000).

Earnings per share increased substantially to 2.72p (2009: 0.77p).

IONE COLLECTION,
SANDERSON
DESIGN: LACECAP

The Group's net indebtedness at the half year was £3.42 million (31 July 2009: £6.73 million). This represents a reduction in gearing to 17% (31 July 2009: 31%). The cash inflow from operating activities in the six month period was £0.89 million (2009: £117,000), reflecting the improved operating profits but increased investment in product. The Group's banking facilities were renewed in March 2010 for a further three year term expiring in July 2013. Headroom was £9.51 million at the half year (31 July 2009: £6.11 million).

Dividend

At the full year we achieved our objective of returning to the dividend list after an absence of nine years. The strength of our cash flow and our modest level of debt mean that we can now return to paying interim dividends. The Directors have therefore decided to pay an interim dividend of 0.15 pence per share (H1 2009/10: nil), which will be payable on 19 November 2010 to shareholders on the register on 22 October 2010.

People

On behalf of the Board I would like to thank all our employees for their continuing enthusiasm and support in helping to deliver these excellent results.

Outlook

Our excellent first half results reflect the strength of our brand sales and manufacturing in an improved marketplace. We are now selling more product than ever before, comfortably exceeding pre-recession levels. Our continued strong investment in new product launches gives us excellent growth opportunities in domestic and international markets.

Growing demand for printed fabric and wallpaper is benefiting our manufacturing, where we have added additional capacity and new printing techniques.

The momentum in our first half sales has continued, and we have traded well in the first ten weeks of the second half. We enter the autumn selling period with confidence of delivering a strong full year performance.

Terry Stannard
Non-Executive Chairman
12 October 2010

Chief Executive's Review

BAKARI
COLLECTION,
HARLEQUIN

Introduction

It is pleasing to report that the improving trend in revenue seen in the second half of last year has continued with increased momentum in the first half of the current financial year. The market in which we operate has undoubtedly improved over the same period last year. The increasing investment in the brands product range made in the second half last year, which we have continued in the current year, has helped us exploit the improving market with the result that first half revenues and profits were up strongly.

Sales of all of our brands increased in the first half and in all of our key geographic segments as can be seen from the additional segmental revenue analysis provided in note 2 of this results statement. Manufacturing also performed strongly, at both our wallpaper factory in Loughborough and at our fabric printing factory in Lancaster, benefiting additionally from customer restocking.

Brand revenues in the important UK retail market increased by 13.7% driven by the strength of our mid-market brands Sanderson and Harlequin. In mainland Europe revenues are up 2.1% equating to a 4.5% increase in local currency. Despite tough trading conditions our US retail business grew 13.2%, equating to 11.6% in local currency. Revenues in the Rest of the World continued to grow strongly, up 23.0%, driven by the Far East and Australasia. Our contracts division has grown 9.5% having shown consistent growth since March this year.

Licensing opportunities continue to develop for our brands with income increasing by 11.4% in the first half.

The Brands

Total brand revenues increased significantly, up 13.3% at £23.5 million in the first half, and operating profits before exceptional items improved 9.4% to £2.35 million. The first half includes a significant amount of investment in product and marketing including promotional activity for Sanderson's 150th anniversary.

Harlequin
Harlequin cemented its position as the UK's leading mid-market contemporary brand by achieving half year revenues of £10.2 million, up 13.6% on the first half last year. Growth in its contract and export markets has been particularly strong with the result that overall revenues in the second quarter are running ahead of pre-recession levels of two years ago. All three main product categories – woven fabric, printed fabric and wallpaper – have grown but revenues have been particularly driven by printed fabric, up 23.4% on last year.

Sanderson, incorporating the Morris & Co brand
Sanderson has been celebrating the important milestone of its 150th anniversary this year. Our promotional activities to acknowledge the anniversary have contributed to impressive revenue growth of Sanderson and Morris & Co at the half year of 17.0%, its best performance under our ownership. Earlier in the year, we launched a retrospective Sanderson collection named Vintage Fabrics and Wallpapers, which reinterprets iconic Sanderson designs from the 1890s to the 1980s. We also held a successful exhibition in London, Very Sanderson – 150 years of English Decoration, which attracted considerable interest from the design community, and also collaborated on a book, Sanderson: the Essence of English Decoration.

These, and other activities, have raised the profile of the Sanderson brand, which is widely acknowledged as the world's most recognised interior decoration brand. Morris & Co is itself celebrating its 150th anniversary next year and we intend to leverage this anniversary to enhance the brand's revenue.

Zoffany
Zoffany is positioned at the upper end of the premium market. This sector has been more price sensitive in the current market conditions however this has benefited our mid-market brands, Sanderson and Harlequin. Having seen revenues consistently decline throughout the whole of last year it is encouraging to report that Zoffany returned to growth in the first half, and has been gaining momentum since March. Revenues were up 8.9% in the UK and 6.2% in export driven by European sales.

Overseas

Throughout the recession the US has suffered more significantly than any of our other markets. Following large double digit revenue declines throughout the whole of last year it is encouraging that revenues returned to growth in March and continued to gather momentum in the second quarter resulting in a 10.1% increase over the same period last year (8.5% in local currency). Having returned to growth we will continue to cautiously invest in marketing, patterning and sampling support.

Our French business had growth of 8.6% in the first half. Following the reorganisation of our Italian business in the second half of last year we are encouraged by the improving revenues and penetration our distributor is achieving.

Manufacturing

Our manufacturing business has benefited, firstly, from the initiatives we took last year to reduce the cost base, secondly, from an improving market place in customer demand for wallpaper and printed fabrics, and finally from customers rebuilding their stock levels following the reductions experienced last year. Total revenues including internal sales to our brands were up strongly in the first half increasing 27% to £13.4 million. This combined with improving factory efficiencies has lead to a significantly improved trading performance with operating profits of £1.13 million compared with an operating loss before exceptional items in the first half last year of £(84,000).

IONE COLLECTION, SANDERSON

Anstey

Revenues at Anstey, our wallpaper printing business, were up 29% at the half year to £6.00 million. Sales in the UK are up 48% and sales to our export markets are up 38%. This has been driven by third party growth of 46% supported by internal brand growth of 15%. Growth in third party revenues has benefited from customer restocking and the emergence of new customers commissioning wallpaper at our factory for the first time.

Anstey invested in a scatter machine in the first half. This gives us the capability to add glass beads and other particles to wallpaper, offering our customers a wider range of exciting new textured effects. The machine will be commissioned in the second half and Harlequin has already developed a new collection to be launched in the spring of next year.

Standfast

Revenues at Standfast, our fabric printing factory, were up 26% at the half year to £7.36 million. Third party revenues grew 25% with our own internal brands growing 27%. This growth has been driven by a recent revival in interest in printed fabrics. Harlequin and Sanderson are benefiting from the success of printed fabric collections launched in the past 12 months which are proving to be the most successful for a number of years. Standfast has also benefited from third party customer restocking and new customers printing with the factory for the first time.

Standfast has ordered its third digital printer to meet the increasing demand for digital printing, which allows customers the flexibility of high value, short print runs and large scale designs.

VOLUME V COLLECTION,
MORRIS & CO

Summary

Despite the inevitable setback caused by the global recession, we have continued significant investment in our four world renowned brands. The improving market, combined with this investment, has enabled our brand revenues to reach levels which exceed those prior to the recession. We believe we are gaining market share and are currently experiencing record levels of overall brand revenue. This, together with winning new, third party customers, has helped our factories to return to significant profitability. We will continue investment in our brands and also in our factories in order to develop and offer our customers a widening range of printing techniques.

We remain confident of the quality and resilience of our business and of our ability to grow our brands and further advance our position in the marketplace.

John Sach
Group Chief Executive
12 October 2010

Unaudited Consolidated Income Statement

For the six months ended 31 July 2010

	Note	**6 months to 31 July 2010 £000**	6 months to 31 July 2009 £000	Audited 12 months to 31 Jan 2010 £000
Revenue	2	**33,673**	29,139	60,378
Profit from operations before exceptional items		**2,061**	1,049	2,522
Exceptional items:				
– redundancy expenses	3	**–**	(246)	(332)
– net proceeds from insurance recovery	3	**–**	210	225
– loss of profit claim	3	**500**	–	–
Profit from operations	4	**2,561**	1,013	2,415
Net defined benefit pension charge	5	**(153)**	(300)	(600)
Net borrowing costs		**(103)**	(145)	(263)
Net finance costs		**(256)**	(445)	(863)
Profit before taxation		**2,305**	568	1,552
Total tax charge	6	**(769)**	(146)	(379)
Profit for the period		**1,536**	422	1,173
Earnings per share – Basic and diluted	7	**2.72p**	0.77p	2.10p

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2010

	6 months to 31 July 2010 £000	6 months to 31 July 2009 £000	Audited Year to 31 Jan 2010 £000
Profit for the period	**1,536**	422	1,173
Other comprehensive income:			
Actuarial gains on scheme assets	**–**	–	2,665
Changes in actuarial mortality assumptions	**–**	–	495
Actuarial losses on scheme liabilities	**–**	–	(7,694)
Currency translation differences	**(39)**	196	175
Cash flow hedges	**(104)**	905	987
Movement in deferred tax asset relating to pension scheme liability – (refer note 6)	**(229)**	–	1,059
Other comprehensive (expense)/income for the period, net of tax	**(372)**	1,101	(2,313)
Total comprehensive income/(expense) for the period attributable to the owners of the parent	**1,164**	1,523	(1,140)

Unaudited Consolidated Balance Sheet

As at 31 July 2010

	Note	**As at 31 July 2010 £000**	As at 31 July 2009 £000	Audited As at 31 Jan 2010 £000
Non-current assets				
Intangible assets		**5,808**	5,821	5,687
Property, plant and equipment		**8,518**	8,382	8,160
Deferred income tax assets		**4,812**	5,018	5,806
Trade and other receivables		**–**	6	–
		19,138	19,227	19,653
Current assets				
Inventories		**13,574**	13,180	13,238
Trade and other receivables	8	**13,669**	11,893	10,309
Cash and cash equivalents		**3,393**	2,039	2,333
Derivative financial instruments		**71**	93	175
		30,707	27,205	26,055
Total assets		**49,845**	46,432	45,708
Current liabilities				
Borrowings	9	**(400)**	(5,966)	(2,867)
Trade and other payables		**(15,866)**	(12,426)	(13,548)
		(16,266)	(18,392)	(16,415)
Net current assets		**14,441**	8,813	9,640
Non-current liabilities				
Borrowings	9	**(6,411)**	(2,800)	(2,580)
Retirement benefit obligation	11	**(7,382)**	(3,810)	(7,943)
		(13,793)	(6,610)	(10,523)
Total liabilities		**(30,059)**	(25,002)	(26,938)
Net assets		**19,786**	21,430	18,770
Equity				
Share capital		**590**	590	590
Share premium account		**457**	457	457
Foreign currency translation reserve		**(204)**	(144)	(165)
Accumulated losses		**(21,635)**	(20,073)	(22,794)
Other reserves		**40,578**	40,600	40,682
Total equity		**19,786**	21,430	18,770

Unaudited Consolidated Cash Flow Statement

For the six months ended 31 July 2010

	Note	**6 months to 31 July 2010 £000**	6 months to 31 July 2009 £000	Audited Year to 31 Jan 2010 £000
Cash flows from operating activities				
Cash generated from operations	10	**1,054**	276	4,592
Interest paid		**(103)**	(153)	(239)
Income tax received		**–**	–	50
Debt issue costs paid		**(60)**	–	–
Income tax paid		**(4)**	(6)	(65)
		887	117	4,338
Cash flows from investing activities				
Purchase of intangible fixed assets		**(218)**	(161)	(272)
Purchase of property, plant and equipment		**(946)**	(459)	(795)
		(1,164)	(620)	(1,067)
Cash flows from financing activities				
Purchase of treasury shares		**–**	–	(128)
Net drawdown/(repayment) of borrowings	9	**1,352**	1,498	(1,845)
		1,352	1,498	(1,973)
Net increase in cash, cash equivalents and bank overdrafts		**1,075**	995	1,298
Cash, cash equivalents and bank overdrafts at beginning of period		**2,333**	1,050	1,050
Exchange (losses) on cash and bank overdrafts		**(15)**	(6)	(15)
Cash, cash equivalents and bank overdrafts at the end of the period		**3,393**	2,039	2,333

Unaudited Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Accumulated losses £000	Other reserves: Capital reserve £000	Other reserves: Merger reserve £000	Other reserves: Hedge reserve £000	Translation reserve £000	Total £000
Balance at 1 February 2010	590	457	(22,794)	43,457	(2,950)	175	(165)	18,770
Profit for the period	–	–	1,536	–	–	–	–	1,536
Other comprehensive income:	–	–	–	–	–	–	(39)	(39)
Deferred tax relating to pension scheme liability – (refer note 6)	–	–	(229)	–	–	–	–	(229)
Cash flow hedging reserve – released to Income Statement	–	–	–	–	–	(84)	–	(84)
Cash flow hedging reserve – recognised in equity during the period	–	–	–	–	–	(20)	–	(20)
Net comprehensive income/(expense)	**–**	**–**	**1,307**	**–**	**–**	**(104)**	**(39)**	**1,164**
Transactions with owners:								
Dividends in respect of year ended 31 January 2010	**–**	**–**	**(283)**	**–**	**–**	**–**	**–**	**(283)**
Reserve for long-term incentive charge	**–**	**–**	**135**	**–**	**–**	**–**	**–**	**135**
Balance at 31 July 2010	**590**	**457**	**(21,635)**	**43,457**	**(2,950)**	**71**	**(204)**	**19,786**

	Share capital £000	Share premium account £000	Accumulated losses £000	Other reserves: Capital reserve £000	Other reserves: Merger reserve £000	Other reserves: Hedge reserve £000	Translation reserve £000	Total £000
Balance at 1 February 2009	590	457	(20,491)	43,457	(2,950)	(812)	(340)	19,911
Profit for the period	–	–	422	–	–	–	–	422
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	–	196	196
Cash flow hedging reserve – released to Income Statement	–	–	–	–	–	458	–	458
Cash flow hedging reserve – recognised in equity during the period	–	–	–	–	–	447	–	447
Net comprehensive income/(expense)	–	–	422	–	–	905	196	1,523
Transactions with owners:								
Reserve for long-term incentive charge	–	–	(4)	–	–	–	–	(4)
Balance at 31 July 2009	590	457	(20,073)	43,457	(2,950)	93	(144)	21,430

Unaudited Consolidated Statement of Changes in Equity continued

				Other reserves				
	Share capital £000	Share premium account £000	Accumulated losses £000	Capital reserve £000	Merger reserve £000	Hedge reserve £000	Translation reserve £000	Total £000
Balance at 1 February 2009	590	457	(20,491)	43,457	(2,950)	(812)	(340)	19,911
Profit for the year	–	–	1,173	–	–	–	–	1,173
Other comprehensive income:								
Actuarial gains on scheme assets	–	–	2,665	–	–	–	–	2,665
Changes in actuarial mortality assumptions	–	–	495	–	–	–	–	495
Other actuarial losses on scheme liabilities	–	–	(7,694)	–	–	–	–	(7,694)
Deferred tax relating to pension scheme liability	–	–	1,059	–	–	–	–	1,059
Currency translation differences	–	–	–	–	–	–	175	175
Cash flow hedging reserve – released to Income Statement	–	–	–	–	–	812	–	812
Cash flow hedging reserve – recognised in equity during the year	–	–	–	–	–	175	–	175
Total comprehensive income/(expense)	–	–	(2,302)	–	–	987	175	(1,140)
Transactions with owners:								
Reserve for long-term incentive plan	–	–	127	–	–	–	–	127
Purchase of treasury shares	–	–	(128)	–	–	–	–	(128)
Balance at 31 January 2010	**590**	**457**	**(22,794)**	**43,457**	**(2,950)**	**175**	**(165)**	**18,770**

Unaudited Notes to the Accounts

1. Basis of preparation of interim statements

The interim financial statements have been prepared in accordance with the accounting policies that the Group expects to apply in its annual financial statements for the year ending 31 January 2011. The Group's accounting policies are based on International Financial Reporting Standards ('IFRS') adopted for use by the European Union ('EU') and interpretive guidance from the International Financial Reporting Interpretations Committee ('IFRIC'). These standards and interpretations are subject to ongoing review and endorsement by the EU or possible amendment by further interpretive guidance from IFRIC and are therefore still subject to change.

The Group has chosen not to adopt IAS 34 'Interim Financial Reporting' in preparing these interim financial statements for the period to 31 July 2010 as it is not mandatory for AIM listed companies.

The Group's accounting policies for the year ended 31 January 2010 are set out in the annual report for that year. Since the Group's previous annual financial report for the year ended 31 January 2010 a number of authoritative pronouncements issued by the International Accounting Standards Board and IFRIC along with new or revised accounting standards are now effective for financial years ending 31 January 2011; none of these have any material impact on either the current or prior period financial statements. Additional authoritative pronouncements have been issued and will become effective in later years; these have not been early adopted by the Group.

Further details of authoritative pronouncements effective for financial years ending 31 January 2011 and additional authoritative pronouncements that have been issued and will become effective in later years will be set out in the financial statements of the Group for the year ending 31 January 2011.

The interim financial statements do not represent statutory accounts for the purposes of S434 of the Companies Act 2006. The financial information for the year ended 31 January 2010 is based on the statutory accounts for the financial year ended 31 January 2010, on which the auditors issued an unqualified opinion and did not contain a statement under section 498 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 2010 have not been audited, but have been reviewed by the auditors. The auditors' review report is included following the interim financial statements.

The Board approved the interim financial information on 12 October 2010.

2. Segmental analysis

Walker Greenbank 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. There have been no changes to the reportable segments of the Group since the year end, which are as follows:

- Brands – comprising the design, marketing, sales and distribution, and licensing activities of Harlequin, Sanderson, Zoffany and Morris & Co brands operated from the UK in the retail and contract sectors of the market.

2. Segmental analysis continued

- Manufacturing – comprising the wallcovering and printed fabric manufacturing businesses operated by Anstey and Standfast respectively.
- Overseas – comprising the marketing, sales and distribution operations of the Group's foreign based subsidiaries in Europe and United States.

This is the basis on which the Group presents its operating results to the Board of Directors of the parent company, which is considered to be the Chief Operating Decision Maker (CODM) for the purposes of IFRS8. 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'.

a. Principal measures of profit and loss – income statement segmental information

6 months to 31 July 2010	Brands £000	Manufacturing £000	Overseas £000	Eliminations and unallocated £000	Total £000
Revenue – External	**22,815**	**7,310**	**3,548**	**–**	**33,673**
Revenue – Internal	**699**	**6,051**	**–**	**(6,750)**	**–**
Total Revenue	**23,514**	**13,361**	**3,548**	**(6,750)**	**33,673**
Operating profit/(loss) before exceptional items	**2,354**	**1,129**	**(214)**	**(1,208)**	**2,061**
Exceptional items (refer note 3):					
– loss of profit claim	**500**	**–**	**–**	**–**	**500**
Profit/(loss) from operations	**2,854**	**1,129**	**(214)**	**(1,208)**	**2,561**
Net borrowing costs	**–**	**–**	**–**	**(103)**	**(103)**
Net pension charge	**–**	**–**	**–**	**(153)**	**(153)**
Profit/(loss) before tax	**2,854**	**1,129**	**(214)**	**(1,464)**	**2,305**
Tax charge	**–**	**–**	**–**	**(769)**	**(769)**
Profit/(loss) for the period	**2,854**	**1,129**	**(214)**	**(2,233)**	**1,536**

2. Segmental analysis continued

6 months to 31 July 2009	Brands £000	Manufacturing £000	Overseas £000	Eliminations and unallocated £000	Total £000
Revenue – External	20,041	5,494	3,604	–	29,139
Revenue – Internal	720	5,011	–	(5,731)	–
Total Revenue	20,761	10,505	3,604	(5,731)	29,139
Operating profit/(loss) before exceptional items	2,151	(84)	124	(1,142)	1,049
Exceptional items (refer note 3):					
– redundancy expenses	(64)	(182)	–	–	(246)
– net proceeds from insurance recovery	210	–	–	–	210
Profit/(loss) from operations	2,297	(266)	124	(1,142)	1,013
Net borrowing costs	–	–	–	(145)	(145)
Net pension charge	–	–	–	(300)	(300)
Profit/(loss) before tax	2,297	(266)	124	(1,587)	568
Tax charge	–	–	–	(146)	(146)
Profit/(loss) for the period	2,297	(266)	124	(1,733)	422

2. Segmental analysis continued

12 months to 31 January 2010	Brands £000	Manufacturing £000	Overseas £000	Eliminations and unallocated £000	Audited Total £000
Revenue – External	41,757	11,936	6,685	–	60,378
Revenue – Internal	1,397	10,168	–	(11,565)	–
Total Revenue	43,154	22,104	6,685	(11,565)	60,378
Operating profit/(loss) before exceptional items	4,616	633	5	(2,732)	2,522
Exceptional items (refer note 3):					
– redundancy expenses	(78)	(182)	(72)	–	(332)
– net proceeds from insurance recovery	225	–	–	–	225
Profit/(loss) from operations	4,763	451	(67)	(2,732)	2,415
Net borrowing costs	–	–	–	(263)	(263)
Net pension charge	–	–	–	(600)	(600)
Profit/(loss) before tax	4,763	451	(67)	(3,595)	1,552
Tax charge	–	–	–	(379)	(379)
Profit/(loss) for the year	4,763	451	(67)	(3,974)	1,173

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 by strategic objective of the Group although profitability measures on this basis are not reported. These are the external retail sales in each major geographical area, the contract sector revenues throughout the world including those in the Group's overseas subsidiaries, licence revenue and external manufacturing revenues.

Revenue by strategic objective	**6 months to 31 July 2010 £000**	6 months to 31 July 2009 £000	Audited 12 months to 31 January 2010 £000
United Kingdom retail	**13,544**	11,914	24,723
Continental Europe retail	**4,819**	4,719	9,030
North America retail	**2,804**	2,478	4,664
Rest of the World retail	**2,024**	1,646	3,657
Contract (includes all global revenues)	**2,584**	2,360	5,265
Licence	**588**	528	1,103
Manufacturing	**7,310**	5,494	11,936
	33,673	29,139	60,378

Revenue of the Brands reportable segments – revenue from retail operations in all territories where the sale is sourced from the United Kingdom Brands operations, including internal sales to overseas subsidiaries, together with contract and license revenue:

	6 months to 31 July 2010 £000	6 months to 31 July 2009 £000	Audited 12 months to 31 January 2010 £000
Harlequin	**10,173**	8,954	19,236
Sanderson incorporating Morris & Co	**8,732**	7,462	15,243
Zoffany	**4,609**	4,345	8,675
	23,514	20,761	43,154

2. Segmental analysis continued

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

	6 months to 31 July 2010 £000	6 months to 31 July 2009 £000	Audited 12 months to 31 January 2010 £000
Standfast	**7,363**	5,851	12,511
Anstey	**5,998**	4,654	9,593
	13,361	10,505	22,104

Revenue of the Overseas reportable segments – revenue of the Group's overseas subsidiaries from retail operations which also includes contract and licence revenue:

	6 months to 31 July 2010 £000	6 months to 31 July 2009 £000	Audited 12 months to 31 January 2010 £000
United States of America	**2,964**	2,692	5,095
France	**584**	538	1,017
Italy	**–**	374	573
	3,548	3,604	6,685

3. Exceptional

Items that are both material and whose nature is sufficient to warrant separate disclosure and identification are disclosed within the financial statements and classified within their relevant income statement category. In the current period, a full and final payment has been received for a 'loss of profit claim' which arose from the disruption to collection launches in 2009 as a consequence of the loss of marketing products held at third party's premises which were destroyed in a fire in January 2009. In the previous year 'Redundancy expenses' were incurred to reduce the cost base of the Group during the economic downturn, and 'Net proceeds from insurance recovery' related to the marketing products destroyed in the fire noted above.

4. Analysis of operating profit by function of expense

	6 months to 31 July 2010 £000	6 months to 31 July 2009 £000	Audited 12 months to 31 January 2010 £000
Revenue	**33,673**	29,139	60,378
Cost of sales	**(13,560)**	(11,747)	(24,359)
Gross profit	**20,113**	17,392	36,019
Net operating expenses	**(17,552)**	(16,379)	(33,604)
Operating profit	**2,561**	1,013	2,415

5. Net defined benefit pension costs

	6 months to 31 July 2010 £000	6 months to 31 July 2009 £000	Audited 12 months to 31 January 2010 £000
Expected return on plan assets	**1,233**	1,160	2,306
Interest on obligation	**(1,309)**	(1,315)	(2,617)
Scheme expenses	**(151)**	(145)	(289)
Enhanced transfer costs	**(46)**	–	–
Removal of assets in Senior Management Scheme	**(1,085)**	–	–
Removal of obligations in Senior Management Scheme	**1,205**	–	–
Net defined benefit pension costs	**(153)**	(300)	(600)

The Group no longer has any remaining obligations in respect of The Walker Greenbank Senior Management Pension Scheme as the two remaining deferred members accepted enhanced transfer values during the period. A net settlement gain of £74,000 is included within net defined benefit costs.

6. Taxation

		6 months to 31 July 2010 £000	6 months to 31 July 2009 £000	Audited 12 months to 31 January 2010 £000
UK Corporation tax at 28% (2009: 28%)	– current year	**–**	–	–
Overseas taxation	– current year	**(4)**	(6)	(18)
	– prior year	**–**	–	50
Deferred tax	– current year	**(645)**	(140)	(422)
	– prior year	**–**	–	11
	– change in rates in future years	**(120)**	–	–
Tax (charge)/credit on profit on ordinary activities		**(769)**	(146)	(379)

Other than overseas taxation, there was no current tax arising in the year to 31 January 2010, as taxable profits arising in the year were offset against available losses from prior years. Because of the previous recognition of deferred tax assets relating to losses of prior years, the Group's taxable profits earned in the six months to 31 July 2010, and in future periods, will result in deferred tax charges being recognised as losses are utilised and as temporary differences originate and reverse. The tax at the half year has been based on a forecast full year effective tax rate.

A deferred tax charge of £645,000 (2009: £140,000) arose in the period to 31 July 2010 on the profits for the period. A further charge of £120,000 arose due to the reduction in the corporation tax rate to 27% from 1 April 2011 which was substantively enacted on 20 July 2010.

A deferred tax charge of £157,000 has been recognised for movements in the deferred tax relating to the pension liability. An additional charge of £72,000 arose due to the reduction in future corporation tax rates noted above. The movements in deferred tax relating to the pension liability have been recognised in the Statement of Comprehensive Income in accordance with the Group's accounting policy.

7. Earnings per share

The basic and diluted earnings per share for the half year are based on a profit after taxation of £1,536,000 (2009: £422,000) and 56,544,000 ordinary shares (2009: 54,859,000), being the weighted average number of the shares in issue during the period, excluding those held in the Employee Share Trust and in treasury, which are treated as cancelled.

The basic and diluted earnings per share for the year ended 31 January 2010 were based on a profit for the year amounting to £1,173,000 and the weighted average of 55,977,000 ordinary shares in issue during the year.

	Earnings £000	Weighted Average number of shares (000's)	Per share amount pence
Basic and diluted EPS:			
Earnings attributable to ordinary equity shareholders for the periods to:			
– 6 months to 31 July 2010	1,536	56,544	2.72
– 6 months to 31 July 2009	422	54,859	0.77
– 12 months to 31 January 2010	1,173	55,977	2.10

8. Trade and other receivables

	6 months to 31 July 2010 £000	6 months to 31 July 2009 £000	Audited 12 months to 31 January 2010 £000
Net trade receivables	**10,049**	8,666	7,816
Marketing materials	**1,485**	1,254	1,137
Other receivables and prepayments	**2,135**	1,973	1,356
Trade and other receivables	**13,669**	11,893	10,309

9. Analysis of net debt

	1 February 2010 £000	Cash flow £000	Working capital facilities (see note below) £000	Current portion of term loan facilities £000	Other non-cash changes £000	Exchange movement £000	**31 July 2010 £000**
Cash at bank and in hand	2,333	1,075	–	–	–	(15)	**3,393**
Borrowings due within 1 year	(2,867)	200	2,479	(200)	(12)	–	**(400)**
Borrowings due after 1 year	(2,580)	(1,552)	(2,479)	200	–	–	**(6,411)**
	(5,447)	(1,352)	–	–	(12)	–	**(6,811)**
Net debt	(3,114)	(277)	–	–	(12)	(15)	**(3,418)**

The total facilities from Barclays Bank Plc comprises: a variable rate Term Loan secured on the Group's freehold property which is being repaid on a ten year profile, and Receivables and Inventory Financing Agreements which provide three year variable rate loans secured on the eligible trade receivables and eligible inventories at any point in time (the working capital facilities). The working capital facilities may be drawn down in either sterling or euro. In March 2010, the Group agreed terms to renew the Receivables and Inventory facilities from Barclays Bank PLC and accordingly these have reverted to being classified as non-current borrowings.

10. Cash generated from operations

	6 months to 31 July 2010 £000	6 months to 31 July 2009 £000	Audited 12 months to 31 January 2010 £000
Operating profit	**2,561**	1,013	2,415
Depreciation	**680**	782	1,324
Amortisation	**155**	217	462
(Credit)/charge for long-term incentive plan	**135**	(4)	127
Loss/(profit) on disposal of property, plant and equipment	**–**	–	–
Unrealised foreign exchange (gains)/losses included in operating profit	**(20)**	227	221
Defined benefit pension cash contributions	**(714)**	(651)	(1,352)
Changes in working capital			
Decrease/(increase) in inventories	**(336)**	707	649
Decrease/(increase) in trade and other receivables	**(2,534)**	665	2,062
(Decrease)/increase in trade and other payables	**1,127**	(2,680)	(1,316)
Cash generated from operations	**1,054**	276	4,592

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 2006. A funding valuation as at April 2009 has been undertaken and was in consultation phase with the Trustees at the balance sheet date. An updated valuation for IAS 19 financial reporting purposes was completed for the previous annual financial statements to 31 January 2010.

11. Retirement benefit obligations continued

The assumptions applied for valuation of the defined benefit schemes are fully disclosed in the annual financial statements for the year ended 31 January 2010 and continue to be applied in the half year to 31 July 2010. 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 2011, and are based on previous actuarial estimates. The net retirement benefit obligation recognised at 31 July 2010 is based on the actuarial valuation under IAS 19 at 31 January 2010 updated for movements in net defined benefit pension charge and contributions paid during the half year period and the effective closure of the Walker Greenbank Senior Management Scheme. The deferred tax effect of movements in the net retirement benefit obligation has also been recognised in the half year. A full valuation for IAS 19 financial reporting purposes will be completed for the next annual financial statements for the year ending 31 January 2011, at which time any actuarial gains and losses arising throughout the year will be recognised.

12. Dividends

The Directors paid on 6 August 2010, a final dividend of 0.5p per share, a total of £283,000 (2009: Nil) for the financial year ended 31 January 2010.

The Directors have declared an interim dividend of 0.15p per share, a total of £85,000 (2009: Nil) for the financial year ending 31 January 2011, to be paid to shareholders on the register on 22 October 2010.

Independent Review Report to Walker Greenbank PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2010, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the basis of preparation set out in note 1.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

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

Independent review report to Walker Greenbank PLC continued

(a) The maintenance and integrity of the Walker Greenbank PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2010 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
12 October 2010
St Albans

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