Walker Greenbank PLC

Interim Report for the six months ended 31 July 2011

Heritage & Luxury

Walker Greenbank PLC is an international luxury interior furnishings group that designs, manufactures and markets wallcoverings, fabrics and complementary products.

The Group's brands, Harlequin, Sanderson, Morris & Co. and Zoffany offer a unique mix of heritage and contemporary design.

Overview

Accounts

Front Cover image:
Image Courtesy of Financial Times, How to Spend it Magazine: Crafted and Photographed by Damian Foxe, Style Director. Background and dress made of Early Tulips wallpaper from the Vintage Collection by Sanderson.

Inside front:
Archive Wallpapers by Morris & Co.

Highlights

£37.4m

Half year revenue up 11%

£2.35m

Profit from operations up 14% before exceptional items

£2.04m

Profit before tax up 13%

2.61p

Earnings per share up 26% before exceptional items

Half year revenue up 11% to £37.4 million (2010: £33.7 million), with all brands performing well

Strong revenue growth in export markets including Russia, Japan and China

Profit from operations (before exceptional gain in 2010) up 14% to £2.35 million (2010: £2.06 million)

Profit before tax of £2.04 million (2010: £2.31 million), up 13% before exceptional gain in 2010

Earnings per share of 2.61p (2010: 2.72p), up 26% before exceptional gain in 2010

Interim dividend increased to 0.20p (2010: 0.15p)

"With an expanding international customer base and strong product offering we have delivered excellent first half results and increased our interim dividend to 0.20p per share. Whilst there is uncertainty in the global economic environment, we continue to trade ahead of last year and are achieving strong growth in export markets. We enter the autumn selling period with confidence of achieving another strong full year performance."

Terry Stannard, Walker Greenbank's Chairman

Quality & Creativity

Chairman's Statement

Terry Stannard Non-executive Chairman

Overview

I am delighted to report that the half year to 31 July 2011 represents another period of excellent progress at Walker Greenbank. Our continued investment – especially in product, manufacturing and international expansion – has been rewarded by significant growth in revenue and operating profit.

International sales have been particularly encouraging, with impressive growth in markets including Russia, Japan, and China, which represent new and exciting opportunities for the Company. We are still at an early stage in expanding in some of these markets but it is clear that the unique heritage of our Sanderson and Morris & Co. brands in particular offer great potential. All our brands, which are currently sold in more than 75 countries worldwide, have growing international sales.

Morris & Co. has attracted particular attention this year as we are celebrating its 150th anniversary. Our retrospective collections launched earlier this year, which revisit some of William Morris's most celebrated designs, together with other initiatives associated with the anniversary, have resulted in Morris & Co. sales up 29.7% in the half year.

Harlequin's highly contemporary Momentum collection, which was launched in the first half, has rapidly become the best selling collection ever launched by the brand. One of the key attractions of Momentum is the special textured effect wallpapers printed on the scatter machine installed last year at our wallpaper factory in Loughborough.

Our UK manufacturing base is a key asset that differentiates us from our industry peers, many of whom are also our manufacturing customers. We have continued to invest in our factories, for example by increasing the digital printing capacity at our fabric printing factory in Lancaster. Also, we are currently commissioning our first digital printer at our wallpaper factory, which will allow us to print large scale bespoke designs. Total manufacturing revenues were up 11% in the half year, with third party revenues up 24%.

Our focus is on maximising sales through new product launches, international expansion, licensing and 'stretching' our mid-market brands into new areas. For example, we recently announced a collaboration with Clarissa Hulse, the highly respected UK textile designer, who has developed a distinctive new collection for Harlequin, broadening the appeal of the brand.

Anoushka Collection by Harlequin

We have also extended our licensing activities so that our designs can appear throughout the home, from wallpapers and fabrics through tableware, lampshades, floorcoverings, bathroom towels and other home accessories.

Financials

Revenue increased 11.1% to £37.4 million, from £33.7 million. The operating profit for the half year was up 14.0% at £2.35 million (H1 2010/11: £2.06 million, before an exceptional gain of £0.50 million from a loss of profits claim). Profit before tax was £2.04 million (H1 2010/11: £2.31 million). The profit after tax fell to £1.47 million (H1 2010/11: £1.54 million which included the benefit of the loss of profits claim of £0.5 million).

Earnings per share decreased to 2.61p (H1 2010/11: 2.72p) but was up 26.1% on adjusted earnings per share before exceptional items (2010: 2.07p).

The Group's net indebtedness at the half year was £4.76 million (31 July 2010: £3.42 million). The cash outflow from operating activities in the six month period was £1.37 million (2010: Inflow £1.05 million), as working capital increased due to investment in product within the Brands and growth in revenues. There has also been substantial investment in Manufacturing.

Dividend

The Company's financial profile has been transformed in the past few years and we are now able to invest in the business at the same time as delivering a progressive dividend policy. At the half year last year we paid an interim dividend for the first time in 13 years. Today, we are announcing an increase in the interim dividend to 0.20p per share, underlining the financial strength of the Company. The dividend will be payable on 11 November 2011 to shareholders on the register on 14 October 2011.

People

On behalf of the Board I would like to thank all our employees for their continuing enthusiasm and support.

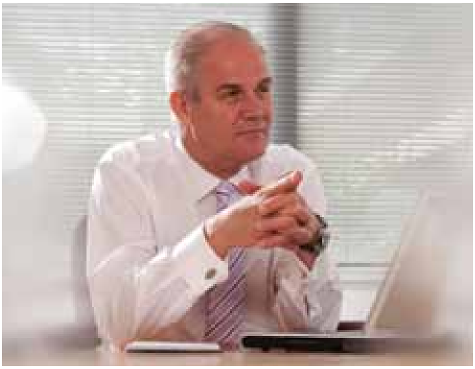
Outlook

With an expanding international customer base and strong product offering we have delivered excellent first half results and increased our interim dividend to 0.20p per share. Whilst there is uncertainty in the global economic environment, we continue to trade ahead of last year with strong growth in export markets. We enter the autumn selling period with confidence of achieving another strong full year performance.

Terry Stannard
Non-executive Chairman
3 October 2011

Strength & Opportunity

Chief Executive's Review



John Sach Group Chief Executive

Introduction

It is very encouraging to report that the Group continues to increase revenues and is successfully delivering its strategy for growth. Our commitment to investment in the brands' product ranges and in manufacturing capability has ensured that the Group continues to make successful progress in generally difficult market conditions.

Revenues from all four of our brands increased in the first half of the year compared with the same period last year. It is particularly pleasing to note that the sales momentum seen last year continued into the first quarter of this year and then gathered pace during the second quarter.

Manufacturing has had a strong first half with external customers placing more of their collections with our factories than previously. New customers, especially from overseas, have also been placing orders at our factories. We believe we are winning market share because of the comprehensive range of printing techniques we offer, our focus on quality, customer service and our continued investment in our factories.

The overall increase in revenues of 11.1% resulted in an increase of 14.0% in operating profits.

Brand retail revenues in the UK rose by 5.6% driven by strong performance from all our brands. European retail revenues grew 14.2%, with the growth from Scandinavia and Eastern Europe stronger than that of Central Europe. The US market remains difficult and in reportable currency retail revenues declined by 3.8%; however in local currency 3.6% growth was achieved. Revenues in the Rest of the World continued to grow strongly, up 20.6%, driven by the Far East. Our contracts division has grown 4.0% with significant orders from the Middle East.

Licensing income increased by 15.3% in the first half and we continue to explore new opportunities to license our brands.

The Brands

The Brands segment includes trading from our four internationally recognised brands of Harlequin, Sanderson, Morris & Co. and Zoffany. This segment includes worldwide revenues except for our overseas subsidiaries in the US and France which are reported in the Overseas segment.

Frangipani by Zoffany

The Group's continued investment in extensive product development and commitment to customer service within its four premium interior furnishing brands has helped to grow the Brands revenues by 8.7% to £25.6 million in the first half. Wallpaper and printed fabric sales have grown 12% and 4% respectively all of which are sourced from our own manufacturing resource. Sales of woven fabrics, which are sourced externally, have grown 9%. The Brands operating profits before exceptional items increased by 15% to £2.71 million.

Harlequin

Harlequin reinforced its position as the UK's leading mid-market brand by achieving half year revenues of £11.1 million, up 10% on the first half last year. The significant investment in the very contemporary Momentum collection has stretched the Harlequin brand to a higher price point in the market and helped fuel significant second quarter growth. Export sales have grown 14%, helped by a particularly strong performance in Scandinavia and significant contract sales in the Middle East.

Harlequin continues to further develop its licensing income stream, increasing revenues by more than 50%. We recently announced the launch of an extensive Harlequin lighting collection under a licensing agreement with Elstead Lighting, a UK company with worldwide distribution. This stylish collection, which is expected to be widely available from the beginning of next year, is another step in building Harlequin into a lifestyle brand.

Harlequin recently launched the innovative Kalianthi Collection of fabrics and wallpapers through a collaboration with Clarissa Hulse, one of the UK's most respected textile designers, further stretching the appeal of the Harlequin brand. The Demeter Stripe wallpaper from this collection recently won Best Wallpaper in Homes & Gardens Fabric Awards 2011. The judges commented that "Clarissa Hulse's unique design is an extremely exciting departure".

Sanderson, incorporating the Morris & Co brand

Overall revenues of £9.5 million are up 9% over the same period last year. This has been driven by strong second quarter sales, helped by a substantial product launch of Morris & Co. in celebration of its 150th anniversary. The collection has received universal acclaim from around the world leading to export sales growth of 17%. Export sales are generally ahead in all markets but with particularly strong growth in the Far East and Russia up 25% and 51% respectively.

Sanderson is widely acknowledged as the world's most recognised interior decoration brand, which has helped us to exploit its licensing income stream where revenues were up 13% at £0.57 million.

Zoffany

Overall revenue has grown 7% to £4.9 million.
The growth has been led by a strong performance in export markets where revenue grew 22%. There were substantial contract revenues in the Middle East, with significant sales to the Jumeirah Creekside hotel in United Arab Emirates and the MOI hotel in Saudi Arabia. Sales in the Far East and Eastern Europe are also significantly ahead of last year. Zoffany is positioned at the upper end of the premium market and has suffered from challenging UK and Western Europe market conditions where sales remain flat on last year.

Original artworks held in the Archive

Overseas
Our Overseas segment includes our two wholly-owned subsidiaries in New York and Paris.

The US market continues to be particularly challenging and sales have remained flat in the first half in local currency. We have made changes in our showroom partners in the significant markets of Los Angeles and Atlanta, but these changes will take time to improve sales. Despite continued tough trading conditions we remain confident about the medium-term potential of the North American market for the Group.

Following investment in our Paris showroom and greater management focus, it is very encouraging to report a sales increase of 29% over the same period last year.

Manufacturing
Manufacturing has performed strongly in the first half with overall revenues up 11% over the same period last year, leading to an increase in profits of 16% to £1.31 million.

Our investment in extending our manufacturing capabilities, a new scatter machine at Anstey, our wallpaper factory, and our third digital printer at Standfast, our fabric printing factory, has helped drive growth in third party revenues of 24%. Encouragingly both factories have been successful in winning new customers particularly in overseas markets, where revenue increased by 73%.

Anstey
Revenue at Anstey increased 13% to £6.8 million with external revenues up 27%. Sales in the UK increased 24% and export revenues grew 53% with a number of new customers commissioning wallpaper at our factory for the first time.

The investment in the scatter machine gives us the capability of adding glass beads and other particles to wallpaper, offering our customers a wider range of exciting new textured effects. Harlequin's recently launched Momentum collection has incorporated this technique extremely successfully. External customers are now utilising the scatter machine's effects in their collections. We have recently commissioned our first digital printer which further extends our manufacturing capability.

From the Morris & Co. archives

Standfast

Revenues at Standfast were up 10.1% overall, with revenues from third party customers up 22%. Strong export growth of 90% was achieved as overseas customers utilised the expanded digital printing capability that Standfast has been developing over the past few years. Revenues from third party UK customers grew 14% as established customers extended their ranges.

Substantial investment has continued at Standfast where we have upgraded our second flat bed printer from 12 to 24 colours. This significantly expands the printing capability for its customers.

Summary

Even though market conditions are generally difficult we have made excellent progress in the first half. We were particularly pleased by the momentum of growth in the second quarter. We remain confident of the quality and strength of our business, and of our strategy to take advantage of the growth opportunities available to us.

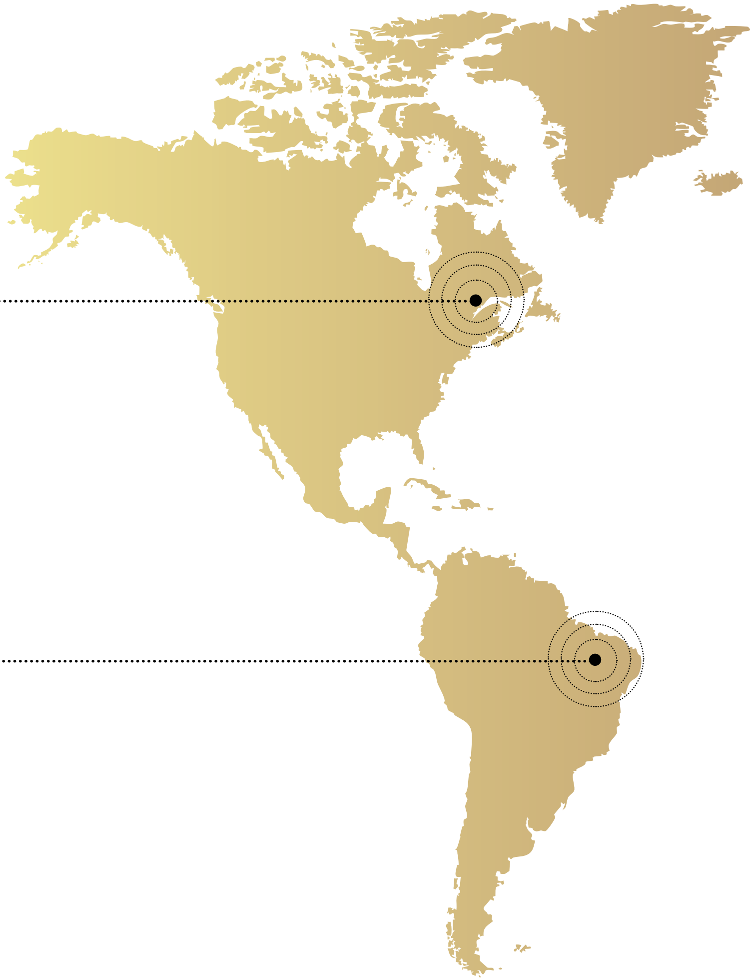
John Sach
Group Chief Executive
3 October 2011

From the Morris & Co. archives

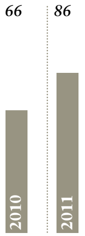
The Archives

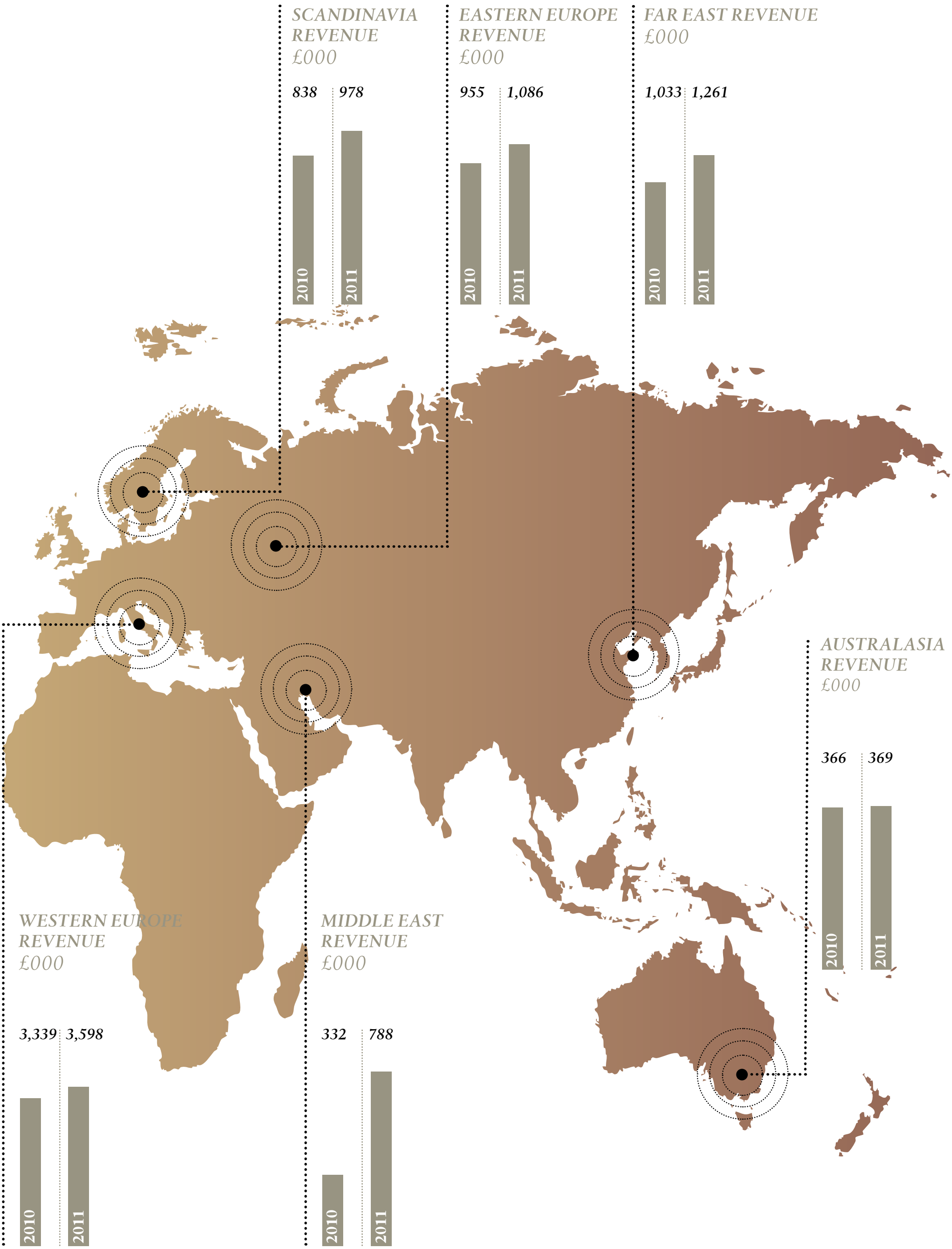
Expansion & Potential

USA REVENUE
£000



SOUTH AMERICA REVENUE
£000




SCANDINAVIA REVENUE £000
838
978
2010
2011
EASTERN EUROPE REVENUE £000
955
1,086
2010
2011
FAR EAST REVENUE £000
1,033
1,261
2010
2011
AUSTRALASIA REVENUE £000
366
369
2010
2011
WESTERN EUROPE REVENUE £000
3,339
3,598
2010
2011
MIDDLE EAST REVENUE £000
332
788
2010
2011

Unaudited Consolidated Income Statement
For the six months ended 31 July 2011

	Note	**6 months to 31 July 2011 £000**	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
Revenue	2	**37,397**	33,673	68,778
Profit from operations before exceptional items		**2,350**	2,061	4,472
Exceptional items:				
– loss of profit claim	3	**–**	500	500
Profit from operations	4	**2,350**	2,561	4,972
Net defined benefit pension charge	5	**(175)**	(153)	(364)
Net borrowing costs		**(137)**	(103)	(146)
Net finance costs		**(312)**	(256)	(510)
Profit before taxation		**2,038**	2,305	4,462
Total tax charge	6	**(569)**	(769)	(1,434)
Profit for the period		**1,469**	1,536	3,028
Earnings per share – Basic and diluted	7	**2.61p**	2.72p	5.36p
Earnings per share – Basic and diluted – before exceptional items	7	**2.61p**	2.07p	4.71p

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 31 July 2011

	6 months to 31 July 2011 £000	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
Profit for the period	**1,469**	1,536	3,028
Other comprehensive income:			
Actuarial gains on scheme assets	**–**	–	1,718
Actuarial losses on scheme liabilities	**–**	–	(1,559)
Currency translation differences	**54**	(39)	4
Cash flow hedges	**37**	(104)	(112)
Movement in deferred tax asset relating to pension scheme liability (refer note 6)	**(211)**	(229)	(403)
Other comprehensive (expense) for the period, net of tax	**(120)**	(372)	(352)
Total comprehensive income for the period attributable to the owners of the parent	**1,349**	1,164	2,676

Unaudited Consolidated Balance Sheet
As at 31 July 2011

	Note	**As at 31 July 2011 £000**	As at 31 July 2010 £000	Audited As at 31 January 2011 £000
Non-current assets				
Intangible assets		**6,022**	5,808	5,973
Property, plant and equipment		**9,272**	8,518	8,768
Deferred income tax assets		**3,206**	4,812	3,982
		18,500	19,138	18,723
Current assets				
Inventories		**16,517**	13,574	15,630
Trade and other receivables	8	**16,177**	13,669	14,383
Cash and cash equivalents		**2,335**	3,393	1,927
Derivative financial instruments		**148**	71	63
		35,177	30,707	32,003
Total assets		**53,677**	49,845	50,726
Current liabilities				
Borrowings	9	**(400)**	(400)	(400)
Trade and other payables		**(17,754)**	(15,866)	(18,847)
		(18,154)	(16,266)	(19,247)
Net current assets		**17,023**	14,441	12,756
Non-current liabilities				
Borrowings	9	**(6,694)**	(6,411)	(3,344)
Retirement benefit obligation	11	**(6,193)**	(7,382)	(6,742)
		(12,887)	(13,793)	(10,086)
Total liabilities		**(31,041)**	(30,059)	(29,333)
Net assets		**22,636**	19,786	21,393
Equity				
Share capital		**590**	590	590
Share premium account		**457**	457	457
Foreign currency translation reserve		**(107)**	(204)	(161)
Accumulated losses		**(18,911)**	(21,635)	(20,063)
Other reserves		**40,607**	40,578	40,570
Total equity		**22,636**	19,786	21,393

Unaudited Consolidated Cash Flow Statement
For the six months ended 31 July 2011

	Note	**6 months to 31 July 2011 £000**	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
Cash flows from operating activities				
Cash (outflow)/inflow generated from operations	10	**(1,371)**	1,054	4,456
Interest paid		**(125)**	(103)	(209)
Interest received		**–**	–	88
Debt issue costs paid		**–**	(60)	(62)
Income tax paid		**(4)**	(4)	(13)
		(1,500)	887	4,260
Cash flows from investing activities				
Purchase of intangible fixed assets		**(197)**	(218)	(503)
Purchase of property, plant and equipment		**(1,231)**	(946)	(1,950)
Proceeds on sale of property, plant and equipment		**–**	–	1
		(1,428)	(1,164)	(2,452)
Cash flows from financing activities				
Purchase of treasury shares		**–**	–	(178)
Net drawdown/(repayment) of borrowings	9	**3,338**	1,352	(1,666)
Dividends paid to Company's shareholders		**–**	–	(368)
		3,338	1,352	(2,212)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**410**	1,075	(404)
Cash, cash equivalents and bank overdrafts at beginning of period		**1,927**	2,333	2,333
Exchange (losses) on cash and bank overdrafts		**(2)**	(15)	(2)
Cash, cash equivalents and bank overdrafts at the end of the period		**2,335**	3,393	1,927

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	Other reserves: Translation reserve £000	Total £000
Balance at 1 February 2011	590	457	(20,063)	43,457	(2,950)	63	(161)	21,393
Profit for the period	–	–	1,469	–	–	–	–	1,469
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	–	54	54
Deferred tax relating to pension scheme liability (refer note 6)	–	–	(211)	–	–	–	–	(211)
Cash flow hedging reserve – released to Income Statement	–	–	–	–	–	(3)	–	(3)
Cash flow hedging reserve – recognised in equity during the period	–	–	–	–	–	40	–	40
Net comprehensive income	**–**	**–**	**1,258**	**–**	**–**	**37**	**54**	**1,349**
Transactions with owners:								
Dividends in respect of year ended 31 January 2012	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reserve for long-term incentive charge	–	**–**	**(106)**	**–**	**–**	**–**	**–**	**(106)**
Balance at 31 July 2011	**590**	**457**	**(18,911)**	**43,457**	**(2,950)**	**100**	**(107)**	**22,636**

Unaudited Consolidated Statement of Changes in Equity continued

	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:								
Currency translation differences	–	–	–	–	–	–	(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 2011	–	–	(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

Unaudited Consolidated Statement of Changes in Equity continued

	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	Other reserves: 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 year	–	–	3,028	–	–	–	–	3,028
Other comprehensive income:								
Actuarial gains on scheme assets	–	–	1,718	–	–	–	–	1,718
Other actuarial losses on scheme liabilities	–	–	(1,559)	–	–	–	–	(1,559)
Deferred tax relating to pension scheme liability	–	–	(403)	–	–	–	–	(403)
Currency translation differences	–	–	–	–	–	–	4	4
Cash flow hedging reserve – released to Income Statement	–	–	–	–	–	(175)	–	(175)
Cash flow hedging reserve – recognised in equity during the year	–	–	–	–	–	63	–	63
Total comprehensive income/(expense)	–	–	2,784	–	–	(112)	4	2,676
Transactions with owners:								
Dividends	–	–	(368)	–	–	–	–	(368)
Reserve for long-term incentive plan	–	–	493	–	–	–	–	493
Purchase of treasury shares	–	–	(178)	–	–	–	–	(178)
Balance at 31 January 2011	590	457	(20,063)	43,457	(2,950)	63	(161)	21,393

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 2012. 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 2011 as it is not mandatory for AIM listed companies.

The Group's accounting policies for the year ended 31 January 2011 are set out in the annual report for that year. Since the Group's previous annual financial report for the year ended 31 January 2011 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 2012; 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 adopted early by the Group.

Further details of authoritative pronouncements effective for financial years ending 31 January 2012 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 2012.

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 2011 is based on the statutory accounts for the financial year ended 31 January 2011, 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 2011 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 3 October 2011.

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, distribution, and licencing activities of Harlequin, Sanderson, Zoffany and Morris & Co. brands operated from the UK in the retail and contract sectors of the market.
- 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 the United States.

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 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'.

Unaudited Notes to the Accounts continued

2a. Principal measures of profit and loss – Income Statement segmental information

6 months to 31 July 2011	**Brands £000**	**Manufacturing £000**	**Overseas £000**	**Eliminations and unallocated £000**	**Total £000**
Revenue – External	**24,798**	**9,081**	**3,518**	**–**	**37,397**
Revenue – Internal	**765**	**5,809**	**–**	**(6,574)**	**–**
Total Revenue	**25,563**	**14,890**	**3,518**	**(6,574)**	**37,397**
Operating profit/(loss) before exceptional items	**2,709**	**1,312**	**(297)**	**(1,374)**	**2,350**
Exceptional items (refer note 3):					
– loss of profit claim	**–**	**–**	**–**	**–**	**–**
Profit/(loss) from operations	**2,709**	**1,312**	**(297)**	**(1,374)**	**2,350**
Net borrowing costs	**–**	**–**	**–**	**(137)**	**(137)**
Net pension charge	**–**	**–**	**–**	**(175)**	**(175)**
Profit/(loss) before tax	**2,709**	**1,312**	**(297)**	**(1,686)**	**2,038**
Tax charge	**(4)**	**–**	**–**	**(565)**	**(569)**
Profit/(loss) for the period	**2,705**	**1,312**	**(297)**	**(2,251)**	**1,469**

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

2a. Principal measures of profit and loss – Income Statement segmental information (continued)

Year to 31 January 2011	Brands £000	Manufacturing £000	Overseas £000	Eliminations and unallocated £000	Total £000
Revenue – External	46,918	15,253	6,607	–	68,778
Revenue – Internal	1,303	13,529	–	(14,832)	–
Total Revenue	48,221	28,782	6,607	(14,832)	68,778
Operating profit/(loss) before exceptional items	5,282	2,519	(557)	(2,772)	4,472
Exceptional items (refer note 3):					
– loss of profit claim	500	–	–	–	500
Profit/(loss) from operations	5,782	2,519	(557)	(2,772)	4,972
Net borrowing costs	–	–	–	(146)	(146)
Net pension charge	–	–	–	(364)	(364)
Profit/(loss) before tax	5,782	2,519	(557)	(3,282)	4,462
Tax charge	–	–	–	(1,434)	(1,434)
Profit/(loss) for the year	5,782	2,519	(557)	(4,716)	3,028

2b. 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 2011 £000**	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
External retail sales			
United Kingdom	**14,307**	13,544	27,957
Continental Europe	**5,504**	4,819	9,320
North America	**2,698**	2,804	5,218
Rest of the World	**2,441**	2,024	4,430
Total external retail sales	**24,950**	23,191	46,925
Contract (includes all global revenues)	**2,688**	2,584	5,165
Licence	**678**	588	1,435
Manufacturing	**9,081**	7,310	15,253
	37,397	33,673	68,778

Unaudited Notes to the Accounts continued

2b. Additional segmental revenue information (continued)
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:

Brand revenue analysis	6 months to 31 July 2011 £000	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
Harlequin	**11,144**	10,173	20,919
Sanderson incorporating Morris & Co.	**9,495**	8,732	17,935
Zoffany	**4,924**	4,609	9,367
	25,563	23,514	48,221

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

Manufacturing revenue analysis	6 months to 31 July 2011 £000	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
Standfast	**8,103**	7,363	15,751
Anstey	**6,787**	5,998	13,031
	14,890	13,361	28,782

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

Overseas revenue analysis	6 months to 31 July 2011 £000	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
United States of America	**2,765**	2,964	5,475
France	**753**	584	1,132
	3,518	3,548	6,607

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 previous year, 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.

4. Analysis of operating profit by function of expense

	6 months to 31 July 2011 £000	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
Revenue	**37,397**	33,673	68,778
Cost of sales	**(15,668)**	(13,560)	(27,384)
Gross profit	**21,729**	20,113	41,394
Net operating expenses	**(19,158)**	(17,417)	(35,725)
Long-term incentive plan charge for period	**(221)**	(135)	(697)
Operating profit	**2,350**	2,561	4,972

The charge to the long-term incentive plan of £221,000 (2010: £135,000) although not considered an exceptional cost has been separately identified within this note to aid comparison and analysis.

5. Net defined benefit pension costs

	6 months to 31 July 2011 £000	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
Expected return on plan assets	**1,331**	1,233	2,434
Interest on obligation	**(1,289)**	(1,309)	(2,542)
Scheme expenses	**(217)**	(151)	(322)
Settlement gain	**–**	–	66
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	**(175)**	(153)	(364)

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 previous year. A net settlement gain of £66,000 is included within net defined benefit costs of the year ended 31 January 2011.

Unaudited Notes to the Accounts continued

6. Taxation

		6 months to 31 July 2011 £000	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
UK Corporation tax at 26% (2010: 28%)	– current year	**–**	–	–
Overseas taxation	– current year	**(4)**	(4)	(13)
	– prior year	**–**	–	–
Deferred tax	– current year	**(485)**	(645)	(1,339)
	– prior year	**–**	–	(2)
	– change in rates in future years	**(80)**	(120)	(80)
Tax (charge) on profit on ordinary activities		**(569)**	(769)	(1,434)

Other than overseas taxation, there was no current tax arising in the year to 31 January 2011, 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 2011, 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 £485,000 (2010: £645,000) arose in the period to 31 July 2011 on the profits for the period. A further charge of £80,000 (2010: £120,000) arose due to the reduction in the corporation tax rate to 26% from 1 April 2011 which was substantively enacted on 1 April 2011. A further reduction to 25% was substantially enacted on 5 July 2011 and applies to all deferred tax assets unwinding after 1 April 2012. In addition it was announced that the rate will reduce by 1% per annum to attain a rate of 23% by 1 April 2014.

A deferred tax charge of £143,000 (2010: £157,000) has been recognised for movements in the deferred tax relating to the pension liability. An additional charge of £68,000 (2010: £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 £1,469,000 (2010: £1,536,000) and 56,353,000 ordinary shares (2010: 56,544,000), 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.

On 24 May 2011 758,904 shares vested under the Company's Long-Term Incentive Plan and these were issued from the Walker Greenbank PLC Employee Benefit Trust ('EBT').

The basic and diluted earnings per share for the year ended 31 January 2011 were based on a profit for the year amounting to £3,028,000 and the weighted average of 56,491,000 ordinary shares in issue during the year.

	6 months to 31 July 2011	6 months to 31 July 2010	Year to 31 January 2011
Basic and diluted EPS:			
Weighted average number of shares	**56,363**	56,544	56,491
Earnings after tax	**1,469**	1,536	3,028
Earnings per share – basic and diluted	**2.61p**	2.72p	5.36p
Earnings per share adjusted for exceptional items:			
Adjustment to earnings for exceptional items	**–**	(500)	(500)
Adjustments to earnings for taxation at 27% on exceptional items	**–**	135	135
Adjusted earnings after tax	**1,469**	1,171	2,663
Earnings per share – basic and diluted – adjusted for exceptional items	**2.61p**	2.07p	4.71p

8. Trade and other receivables

	6 months to 31 July 2011	6 months to 31 July 2010	Audited As at 31 January 2011
Net trade receivables	**11,818**	10,049	9,560
Marketing materials	**1,911**	1,485	2,894
Other receivables and prepayments	**2,448**	2,135	1,929
Trade and other receivables	**16,177**	13,669	14,383

Unaudited Notes to the Accounts continued

9. Analysis of net debt

	1 February 2011 £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 2011 £000**
Cash at bank and in hand	1,927	410	–	–	–	(2)	**2,335**
Borrowings due within 1 year	(400)	400	–	(400)	–	–	**(400)**
Borrowings due after 1 year	(3,344)	(3,738)	–	400	(12)	–	**(6,694)**
	(3,744)	(3,338)	–	–	(12)	–	**(7,094)**
Net debt	(1,817)	(2,928)	–	–	(12)	(2)	**(4,759)**

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.

10. Cash generated from operations

	6 months to 31 July 2011 £000	6 months to 31 July 2010 £000	Audited Year to 31 January 2011 £000
Operating profit	**2,350**	2,561	4,972
Depreciation	**727**	680	1,419
Amortisation	**148**	155	319
(Credit)/charge for long-term incentive plan	**(106)**	135	493
Unrealised foreign exchange (gains)/losses included in operating profit	**56**	(20)	9
Defined benefit pension cash contributions	**(724)**	(714)	(1,406)
Changes in working capital			
(Increase) in inventories	**(887)**	(336)	(2,392)
(Increase) in trade and other receivables	**(1,842)**	(2,534)	(3,962)
(Decrease)/Increase in trade and other payables	**(1,093)**	1,127	5,004
Cash (outflow)/inflow generated from operations	**(1,371)**	1,054	4,456

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 2009. An updated funding valuation for IAS 19 financial reporting purposes was completed for the previous annual financial statements to 31 January 2011.

The assumptions applied for valuation of the defined benefit schemes are fully disclosed in the annual financial statements for the year ended 31 January 2011 and continue to be applied in the half year to 31 July 2011. 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 2012, and are based on previous actuarial estimates. The net retirement benefit obligation recognised at 31 July 2011 is based on the actuarial valuation under IAS 19 at 31 January 2011 updated for movements in net defined benefit pension charge and contributions paid during the half year period. 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 2012, at which time any actuarial gains and losses arising throughout the year will be recognised.

12. Dividends
The Directors paid on 6 August 2011, a final dividend of 0.80p per share, a total of £456,000 (2010: £283,000) for the financial year ended 31 January 2011.

The Directors have declared an interim dividend of 0.20p per share, a total of £114,000 (2010: £85,000) for the financial year ending 31 January 2012, to be paid to shareholders on the register on 14 October 2011.

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 2011, 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.

(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 2011 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
3 October 2011
St Albans

Notes

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