Walker Greenbank PLC Annual Report and Accounts 2020

WALKER GREENBANK PLC

ANNUAL REPORT AND ACCOUNTS 2020

Contents

STRATEGIC REPORT
02 Highlights 2020
04 Chairman's Statement
06 Chief Executive's Strategic and Operating Review
14 Corporate Social Responsibility
15 Strategic Pillars
26 Chief Financial Officer's Review
29 Key Performance Indicators
30 Principal Risks
33 Section 172 Statement

GOVERNANCE
36 Board of Directors
38 Group Leadership Team
39 Corporate Governance
42 Report of the Directors
45 Statement of Directors' Responsibilities
46 Directors' Remuneration Report
50 Audit Committee Report

FINANCIAL STATEMENTS
53 Independent Auditors' Report to the Members of Walker Greenbank PLC
58 Consolidated Income Statement
59 Consolidated Statement of Comprehensive Income
60 Consolidated Balance Sheet
61 Consolidated Cash Flow Statement
62 Consolidated Statement of Changes in Equity
63 Notes to the Consolidated Financial Statements
102 Company Statement of Comprehensive Income
103 Company Balance Sheet
104 Company Statement of Changes in Equity
105 Notes to the Financial Statements
118 Five Year Record
IBC Shareholder Information

HIGHLIGHTS 2020

Walker Greenbank PLC (AIM: WGB), the luxury interior furnishings group, is pleased to announce its financial results for the 12-month period ended 31 January 2020.

Financial

- Revenue of £111.5m (2019: £113.3m), reflecting growth in core licensing income, the Morris & Co. and Clarke & Clarke brands and digital fabric printing, offset by a difficult marketplace in the UK
  - Core licensing income was up 13.9% in both reportable and constant currency excluding the recognition of fixed minimum guaranteed licensing income under IFRS 15 and income from apparel contracts
  - Northern Europe sales growth up 2.1% in constant currency, 0.8% in reportable currency, reflecting strong Morris & Co. sales in Scandinavia
- Total Manufacturing sales including Group sales up 7.9% in reportable currency
  - Third-party manufacturing sales were up 6.1%, driven by a strong performance from overseas manufacturing sales, being up 18.9%
  - Standfast & Barracks' third-party digital fabric printing sales up 14.0%
- Adjusted profit before tax £7.4m, in line with management expectations (2019: £9.5m)
- Renewed five-year bank facilities to 2024 comprising £12.5m revolving credit facility and uncommitted £5m accordion. In light of the Covid-19 outbreak, an additional £2.5m overdraft facility has been agreed with lenders to enhance liquidity on a precautionary basis and to further extend headroom
  - Also as a result of the impact of Covid-19, formal agreement has been reached with Barclays Bank PLC to waive the interest cover covenant condition for the tests arising through to July 2021 and to waive the leverage covenant condition through to April 2021; these have been replaced by a liquidity covenant requiring that available headroom within the £12.5m facility remains above £5m

Operational

- Strong senior executive leadership team built during the year; reshaping of Board completed with the appointment of Michael Williamson as Chief Financial Officer
- Significant progress made against the Company's strategy set out in 2019
- Morris & Co. brand continues to perform strongly, reflecting sustained consumer interest in the Arts & Crafts movement
- Kravet Inc. appointed in July 2019 to represent the Clarke & Clarke and Studio G brands in the US with encouraging performance to date
- Standfast & Barracks awarded the Queen's Award for International Trade 2020
- Efficiency and cost-saving initiatives completed with £2m of annualised cost savings; approximately £1m delivered in the second half of the financial year

Response to Covid-19

- Immediate action taken to safeguard staff and mitigate impact on the business
- Fabric and wallpaper printing factories together with showrooms in the UK, New York and Paris were temporarily closed and staff furloughed. All sites are now open, with a phased return of staff as demand builds ahead of the autumn selling season
- Sales continued throughout from the Company's warehouses in Milton Keynes and New Jersey
- Re-timetabled launch of new products including Zoffany's Palladio wallpaper collection, which will take place in September 2020
- Measures taken to preserve cash including decision not to propose a final dividend, suspension of non-essential capital expenditure plus very tight controls over operating costs

£111.5m

Group revenue
2019: £113.3m (-1.6%)

£7.4m

Group adjusted underlying PBT*
2019: £9.5m (-22.5%)

7.0%

Group adjusted underlying operating margin (%)
2019: 8.6% (-16 bps)

£8.1m

Cash inflow from operating activities
2019: £11.65m (-28.8%)

9.26p

Adjusted underlying EPS
2019: 10.80p (-14.3%)

0.52p

Dividend per share
2019: 3.24p (-84.0%)

* Adjusted underlying profit before tax excludes accounting charges relating to share-based incentives, defined benefit charge and non-underlying items.

A COMPANY WITH EXCELLENT CORE STRENGTHS

Introduction
These annual results are my first as Chairman of Walker Greenbank and follow my appointment to the role in April last year.

Walker Greenbank is a company with excellent core strengths. In addition to a strong portfolio of market-leading brands, an extensive design archive and high quality manufacturing facilities, the Company benefits from exceptional creative talent and operational capabilities.

These core competencies form a solid platform from which to build the Company's sales and drive profitability. Much was achieved during 2019 to reset the Company for future growth through changes in senior management and a re-evaluation of strategy.

Lisa Montague was appointed Chief Executive Officer in April 2019 and, more recently, in February 2020, Michael Williamson was appointed Chief Financial Officer. These important appointments completed the reshaping of the Group's Board of Directors, who are committed to working in the interests of all stakeholders to develop the Company further.

A strategy review initiated last year was an important step in shaping the future direction of the business. Its key conclusions were aimed at sharpening the Company's strategic focus on five areas:
- Driving the individual brands
- Focusing on core products of wallpaper, fabric and paint
- Partnering with core customers
- Investing in people
- Growing key geographies – UK, Northern Europe and US

Whilst much progress was made in 2019 in creating a platform for growth, 2020 so far has been dominated by the Covid-19 pandemic which has impacted all of our lives both personally, in business and in the wider economy, affecting every facet of life. The restrictions on the movement of people and on trading activity introduced by most governments to contain the spread of the disease have had an immediate and severe effect on economic activity.

Our top priority at the Company remains the health and wellbeing of our colleagues, our customers, and the many suppliers who work alongside us from around the world.

From the outset of the pandemic, we have been closely following government initiatives that support businesses and the public. We have been following the guidance regarding self-isolation, social distancing and personal hygiene in order to keep everyone safe and well.

The majority of the Company's employees were furloughed in April 2020 under the Government's Coronavirus Job Retention Scheme and similar grant-based programmes overseas. Those furloughed, the Board, management team and others working from home, all accepted a temporary salary reduction of 20%, further reducing the Group's cash burn. We are proud to have continued to serve customers in all key territories throughout the pandemic from our warehouses in Milton Keynes and in the US. Both of our factories have now reopened and our office-based staff are also progressively returning to work. Our superb warehouse teams have adapted to completely new ways of working to ensure they abide by social distancing and other safety procedures.

I would like to pay tribute on behalf of the Board to every one of our employees for their hard work and determination in these exceptionally difficult times. So many have gone beyond the ordinary call of duty.

Financial results
A generally difficult marketplace in the financial year ended 31 January 2020 resulted in the Group delivering a performance below that of the prior year, but in line with Board expectations, with adjusted underlying profit from operations of £7.4 million (financial year ended 31 January 2019 ('FY19'): £9.5 million). Within these results, our Morris & Co. and Clarke & Clarke brands, core licensing and digital fabric printing all performed ahead of last year.

Board changes
During the year there was a significant reshaping of the Board. On 1 February 2019, I was appointed as Chairman Designate, with my role as Non-executive Chairman effective from 10 April 2019. On the same day, Lisa Montague became Chief Executive Officer, having been appointed as an Executive Director on 11 March 2019. Christopher Rogers, who had been Interim Executive Chairman since 10 October 2018, returned to his role as Non-executive Director on Lisa Montague's appointment.

On 18 December 2019, Mike Gant stood down as Chief Financial Officer after almost six years with the Company. On behalf of the Board, I would like to thank Mike for his significant contribution to the Company and wish him every success in the future. Michael Williamson joined the Company and Board in the role of Interim Chief Financial Officer on 18 December 2019 and was appointed Chief Financial Officer on 26 February 2020.

The reshaping of the Board is now complete.

Dividend
The Covid-19 health emergency is having a major impact on businesses worldwide. The outlook for the global economy, and the effects that this will have on the Company, remain unclear. As previously announced, the Board has, therefore, decided that it would be prudent not to recommend the payment of a final dividend for the year ending 31 January 2020 to ensure that financial resources are retained within the Company. The Board remains committed to future dividend payments to the Company's shareholders as soon as conditions allow.

People
The success of any business is built on its people and on behalf of the Board I would like to thank all of our colleagues for their continued hard work and dedication both during the year ended 31 January 2020 and in the exceptional circumstances that have characterised the start of this financial year.

Current trading and outlook
Covid-19 has significantly impacted the start of the Company's current financial year. Whilst our factories were temporarily closed, our warehouses in Milton Keynes and New Jersey have remained open and we have continued to fulfil customer orders throughout the year to date. With the phased reopening of our factories, and lockdowns being progressively released in our target markets, there are signs of further improvement in trade, albeit at a level below last year.

In the first five months of our financial year, product sales have been approximately 35% below the same time last year. Online and international product sales channels have performed better than our UK average. Product sales in the past four weeks have been approximately 31% below the same time last year but ahead of management expectations. This reflects a steadily improving trend since the start of April.

The Company will provide a further update on its trading performance at the Annual General Meeting which is expected to take place on 29 July 2020. Given the uncertainty generated by the Covid-19 pandemic and the longer lasting economic consequences, we are not in a position at this stage to provide specific guidance for the financial year ending 31 January 2021.

Dianne Thompson
Non-executive Chairman
29 June 2020

CHIEF EXECUTIVE'S STRATEGIC AND OPERATING REVIEW

A STRATEGY TO DRIVE THE BRANDS

Lisa Montague
Chief Executive Officer

Today's full-year results are my first as Chief Executive Officer following my appointment to the role on the day of the full-year results in April last year. I would like to discuss the progress made on strategy during the past year and also review the Company's operational performance. First, I would like to say a few words about Covid-19, particularly the effect it has had on our business and people, and why I believe that the Company is positioned to emerge strongly when the impact of the pandemic recedes.

As previously announced, the Board and executive management team moved swiftly to protect the business and its employees in light of Covid-19, including the temporary closure of the fabric and wallpaper factories in the UK and showrooms in the UK, USA and France. Measures were taken to preserve cash and, wherever possible, the Group has accessed government support mechanisms, both in the UK and overseas. The majority of employees were furloughed in April 2020 under the Government's Coronavirus Job Retention Scheme and similar grant-based programmes overseas. Following UK Government guidance on safely resuming operations, both of our factories have reopened and our office-based staff are also progressively returning to work.

I would like to say a huge thank you to the Company's employees, who have all shown dedication and resilience; and to customers, who we have continued to serve in all key territories from our UK and US warehouses and for whom we intend to offer an enhanced service as their businesses re-start and establish a new, post-coronavirus equilibrium.

The Company has the opportunity to emerge strongly from the pandemic because we are making sure that we can resume operations swiftly, but in line with demand. We have been careful to enhance our liquidity on a precautionary basis by obtaining a temporary overdraft facility of £2.5 million to complement the headroom in our existing £12.5 million revolving credit facility.

One of my key priorities on joining Walker Greenbank was to conduct a strategic review on behalf of the Board to ensure that the Company has the correct strategy to return the Group to growth and then to exploit fully the potential of our valuable brands. We announced the main findings from the review in October last year in our half-year results announcement and I will also summarise them here.

Driving the brands: The Group has a strong and broad portfolio of powerful brands, each with clear market positioning. Our intention is to focus precisely on the individuality of each brand, giving each its own market, channel, product and communications strategy; thereby strengthening their appeal to drive demand in their respective marketplaces.

Focusing on core products: Walker Greenbank has two strong manufacturing arms that benefit the brands' business. Our short and medium-term strategy is to focus on our core products of wallpaper, fabric and paint and to build our finished-goods offer with our licensing partners.

Partnering with core customers: The strategic focus on the individuality of each brand, and our tailored service, will help cement relationships with key customers, while enhanced communication will drive demand for both heritage and contemporary brands from consumers, to drive the sale back through our interior design partners, retail channels and hospitality partners. We will continue to deepen our relationships with existing licensing partners and seek new opportunities.

Investing in people: People, and creativity, are at the heart of our business. In our industry, Walker Greenbank is the favoured destination for emerging new designers and we will benefit from doing even more to bring in new design and other talent, nurture it and create a high performance culture. The commitment, flexibility and agility demonstrated during the pandemic gives us confidence in achieving the step change to a more responsive organisation with a strong, aligned team.

Growing key geographies: Our brands have significant international market potential, reflected in their being sold in more than 85 countries worldwide. To ensure focus, we are concentrating our efforts on building market share in three key geographies: the UK, Northern Europe and the US. Our approach is tailored to each individual region.

We have built a strong leadership team during the year with three important new roles: Mauricio Solodujin as Global Commercial Director; Nigel Hunt as Group Marketing & Digital Director; and Ben Naylor as Group Operations Director. Together with Michael Williamson, our recently appointed Chief Financial Officer, and myself as Chief Executive Officer, we now have a strong and committed team of key executives to drive growth and operational efficiency within the business, aligned to our strategic vision.

Lee Clarke left the business in August 2019, following the Group's acquisition of Clarke & Clarke, and Steve Forder left in January 2020. Mark Kennedy, who has been with the Clarke & Clarke business for 10 years, has been appointed Clarke & Clarke's General Manager, reporting to Mauricio Solodujin.

In the US, Beth Holman joined in October 2019 as President of WG Inc operations in North America to deliver our ambitious goals in the American and Canadian markets.

CHIEF EXECUTIVE'S STRATEGIC AND OPERATING REVIEW CONTINUED

During the past few months, in order to focus on the individual brand assets, we have de-emphasised Style Library, which was formerly used as an umbrella brand. This change in emphasis has contributed to the brands' social media followers increasing by more than 20% in the past six months, November 2019 to May 2020, from 262,000 to 316,000.

We are continually exploring how we can further elevate each brand's DNA. Some examples of successful initiatives include a pop-up for the Sanderson brand in the Design Centre Chelsea Harbour and an innovative launch event for Clarke & Clarke's new collection, Wilderie, designed in collaboration with Emma J Shipley. Clarke & Clarke's first collection with Emma J Shipley, Animalia, performed strongly. Clarke & Clarke also launched Tess Daly's first home collection under licence with a high-level event at White City House, and received strong initial demand in March 2020 prior to the Covid-19 lockdown.

During the first half of the last financial year, we identified a number of straightforward initiatives to improve our customer service. These included an exclusive Morris & Co. compilation for Brewers and a Morris & Co. pop-up with John Lewis. We also identified the need to be closer to key customers, which is starting to show benefits. During the year, we grew sales to all of our top 10 customers.

At the same time, we are focusing on cost savings and improving the efficiency, agility and productivity of the business where possible. Initiatives include: innovation in marketing, reduction in number of launches, and reviewing staffing levels; all to rightsize activity to achieve our ambitious goals.

On average during the past few years, around 55 new collections have been launched each year. We intended to reduce that to about 37 collections this year and, in light of the pandemic, this will be even fewer, at around 21.

Our first step in changing the patterning process to be more efficient has led to the inaugural Digital Design Book launched to customers at the beginning of this month as a presentation of the Sanderson National Trust collection, offering new tools and demonstrating our move towards digitalisation to aid and inspire our customers.

As a manufacturing company, it is imperative that we take our Environmental, Social and Governance particularly seriously. At our Standfast & Barracks site we have established a team of Mental Health First Aiders to ensure we are considering both the physical and mental wellbeing of our teams, which has been positively welcomed at the site. Last year we began working with Planet First, the provider of Planet Mark sustainability certification. Our target is to reduce the carbon footprint of the business by at least 5% in the next year, with a longer-term target of 10-15%.

Scion Esala collection

Morris & Co. Melsetter collection

A recent example of initiatives to date is in our collaboration between the Sanderson brand and the National Trust, which was announced in January this year and is using Better Cotton Initiative ('BCI') sustainable cotton for its printed fabrics.

Cost reduction initiatives last year resulted in savings of approximately £1 million, from measures including the combination of Clarke & Clarke's support functions into those of the Group. We expect ongoing annualised savings of £2 million from these initiatives. Following the completion of the back office relocation and warehouse integration, Clarke & Clarke's sales and marketing functions have moved a short distance from Haslingden to Westhoughton in Lancashire.

Operational review
Overall, trading during the year reflected a generally difficult marketplace offset by continued strong performances from the Morris & Co. and Clarke & Clarke brands, core licensing and digital fabric printing.

The strength of our brands, even in a difficult marketplace, is underlined by the quality of partners with whom we signed licensing deals. Since the beginning of this financial year our Sanderson brand has launched a collaboration with the National Trust; our Clarke & Clarke brand with Tess Daly; and our Scion brand has signed a new agreement with Next plc, with collections being launched online first and a feature capsule expected to launch in store in September 2020.

Total sales for the year ended 31 January 2020 decreased 1.6% to £111.5 million (FY19: £113.3 million) with adjusted underlying profit from operations decreasing by 22.1% to £7.4 million (FY19: £9.5 million). An improved gross margin for the year of 61.1% (2019: 59.6%) was a result of product sales mix as well as procurement efficiencies delivered in the year.

CHIEF EXECUTIVE'S STRATEGIC AND OPERATING REVIEW CONTINUED

(i) The Brands

	Year ended 31 January		Change	
	2020	2019	Reported	Constant currency
Total Brand sales	**£90.2m**	£93.3m	(3.3%)	(3.6%)
Comprising:				
Licensing	**£5.5m**	£6.5m*	(15.4%)	(14.9%)
UK Brand product sales	**£44.9m**	£46.3m	(3.0%)	(3.0%)
International Brand product sales	**£39.8m**	£40.5m	(1.7%)	(2.6%)
– North America	***£14.4m***	*£14.9m*	*(3.4%)*	*(7.1%)*
– Northern Europe	***£13.0m***	*£12.9m*	*0.8%*	*2.1%*
– Rest of the World	***£12.4m***	*£12.7m*	*(2.4%)*	*(1.8%)*

* Includes one-off H&M apparel collaboration in 2019 of £2.7m

Sanderson Caspian collection

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

Total Brand sales were down 3.3% in reportable currency during the year to £90.2 million. In the UK, our largest market, sales were down 3.0% to £44.9 million as a result of the weak UK consumer environment.

International Brand sales were down 1.7% in reportable currency, down 2.6% in constant currency, to £39.8 million. Sales in North America, the Group's second largest market, were down 3.4% in reportable currency, down 7.1% in constant currency, compared with the same period last year, to £14.4 million. In July 2019, Kravet Inc., the premier US home furnishings resource available exclusively to trade, was appointed to represent the Clarke & Clarke and Studio G brands in the US and performance has been encouraging. The agreement was extended in November 2019 to include Canada.

Brand sales in Northern Europe at £13.0 million were up 0.8% in reportable currency, up 2.1% in constant currency, compared with the same period last year, reflecting in particular strong sales of Morris & Co. in Scandinavia. Sales in the Rest of the World of £12.3 million were down 2.4% in reportable currency, down 1.8% in constant currency, driven by market conditions.

Harlequin incorporating Scion and Anthology
Harlequin remains the UK's leading contemporary brand; however, its worldwide sales reduced 9.1% to £25.3 million in reportable currency compared with the same period last year. Sales in the UK decreased by 13.9%. In North America, sales were down 3.6% in constant currency; sales in Northern Europe fell 9.3% in constant currency.

Harlequin signed an exciting collaboration with Thomas Sanderson, the in-home curtain maker, which featured strongly in television adverts. This nationwide visibility for Harlequin supported the brand's ambition to be the house of colour, with plans in development to re-establish Harlequin's broad reach and reputation as the UK destination for stand-out, modern design.

Scion is an upbeat brand conveying fresh ideas for modern living. In addition to wallpaper and fabric, Scion is a valuable brand for licensing, where the contemporary and graphic nature of the designs have stretched very successfully to a wide range of products, from bedding and bathroom products to window furnishings, gifting, tableware and stationery. In March this year, Scion announced a homewares collection with the major retailer Next plc, underscoring the strength of the brand's licensing potential.

Anthology, aimed at the Contract market with its creative finishes, subtle textures and sophisticated complexity, remains popular with interior designers and hotel groups worldwide.

Arthur Sanderson & Sons incorporating the Morris & Co. brand
Worldwide sales were up 4.3% at £24.1 million in reportable currency compared with the same period last year. Sales in the UK increased by 1.6%, sales in North America were up 4.9% in constant currency and sales in Northern Europe increased by 12.7% in constant currency.

The Morris & Co. brand enjoyed a very positive sales performance, up 22.3% during the year, reflecting sustained consumer interest in the Arts & Crafts movement, particularly in Scandinavia and the UK, as commented by the Financial Times feature on heritage interiors. As an autumn launch this year, we have an exciting collaboration with Ben Pentreath, the highly regarded designer, who has created his own edit from our rich archive with a new colour palette to appeal to his audience.

As one of the oldest surviving English soft furnishing brands, with its Royal Warrant, Sanderson is famous today for a signature style that is informed by heritage and designed for modern living.

We are excited by Sanderson's collaboration with the National Trust, which was announced in January this year and has seen the launch of a unique collection of fabrics that celebrate the countryside, coastline and nature conservation during an anniversary year in which the National Trust celebrates its 125th year and Sanderson its 160th. Sanderson has a series of initiatives planned for the year, which began with a pop-up in spring at the Design Centre

CHIEF EXECUTIVE'S STRATEGIC AND OPERATING REVIEW CONTINUED

Chelsea Harbour and will continue now through the autumn season, given that footfall was low at the end of March 2020 due to Covid-19. We believe that, with the renewed interest in all things decorative resulting from lockdown, Sanderson has significant potential. The Woodland Chorus print, from the successful Woodland Walk collection, was the single most popular Instagram post from the Group ever.

Zoffany

Zoffany, positioned at the upper end of the premium market, is a fusion of luxury and art and is the lead brand for the Group in North America. Total worldwide sales fell by 12.6% in a difficult market to £9.5 million in reportable currency. Sales in the UK decreased by 8.9%, sales in North America were down 23.4% in constant currency and sales in Northern Europe were down 11.5% in constant currency. Palladio is an artistic collaboration concept that originated in the 1950s, refreshed with a special design from Royal College designer Sam Wilde. Palladio was due to launch in April in Milan, has been featured in the press and will be promoted strongly later in the year to promote Zoffany's strong connection to the arts.

Clarke & Clarke

Clarke & Clarke's two brands, Clarke & Clarke and Studio G, are positioned at the more affordable end of our premium target markets. During the year, this business was boosted by the growth of homewares ranges, which are a relatively new category for the brands. Total sales were up 4.1% at £25.3 million compared with the same period last year. Sales in the UK increased by 6.4%, sales in North America were down 4.7% in constant currency and sales in Northern Europe were up 2.2% in constant currency.

Clarke & Clarke is a collaborative brand. In addition to its work with designer Emma J Shipley, in February this year it announced a collaboration with Tess Daly, the television personality, who launched her first collection of bedlinens and other homewares. Initial sales by Next plc in March 2020, prior to lockdown, exceeded our launch forecasts and since then the collection has featured strongly online at John Lewis and House of Fraser.

Licensing

In our full-year trading update, we referred for the first time to 'core licensing income', which excludes the recognition of fixed minimum guaranteed licensing income under IFRS 15 and income from seasonal apparel collaborations. The use of the term 'core licensing income' seeks to improve transparency by giving shareholders an insight into underlying performance. It excludes apparel collaborations as, whilst potentially very lucrative, they tend to be one-off in nature and short lived. IFRS 15 requires that fixed, guaranteed minimum payments, due usually over several years, are all accounted for in the year that a deal is signed, so they also are excluded from core licensing income owing to their non-cash element and the lumpy aspect that they bring to the Company's licensing stream.

Licensing income is without doubt a very dynamic and high margin revenue stream for the Company with further potential for growth.

Wilderie by Emma J Shipley for Clarke & Clarke

Core licensing income, excluding the recognition of fixed minimum guaranteed licensing income under IFRS 15 and income from apparel contracts, was up 13.9% in reportable currency and in constant currency, to £3.2 million, largely as a result of a strong performance from our core bedding, blinds and Japanese licensees. During the year, approximately 30% of licensing income was generated in overseas markets. Reported licensing income was down 15.4% in reportable currency (down 14.9% in constant currency), to £5.5 million compared to £6.5 million in 2019, the year in which the Morris & Co. brand had a significant, one-off agreement with fashion retailer H&M.

Core licensing income includes bedding with Bedeck, window-coverings with Blinds2Go and a number of important strategic partners across the homewares sector in Japan, including bedding with Nishikawa, textiles with Kawashima and wall-coverings with Sangetsu.

Manufacturing

Total manufacturing sales, including revenues from internal sales to the Group's Brands, grew 7.9% to £35.5 million compared with the same period last year. Third-party sales were up 6.1% to £21.3 million during the year, primarily due to strong export sales which offset slower growth in orders from UK customers driven by economic uncertainty. During the year, both factories continued to grow exports as a result of their digital printing capabilities, helped also by exchange rates. Third-party export sales grew by 18.9% year-on-year.

Owning the production capabilities at Standfast & Barracks and Anstey has enabled the Group's Brands to secure supply and printing during the Covid-19 pandemic. Our unique integrated vertical supply chain is an important pillar in our strategy.

Standfast & Barracks ('Standfast')

Standfast, our fabric printing factory, is widely regarded, internationally, as the destination for creative, innovative and high quality fabric printing. It has achieved a major landmark in returning to profitability after three years of operating losses following the flood at the factory in December 2015. Standfast, in common with Anstey, attracts international orders and there has been significant sales growth from countries including the USA.

Standfast continues to exploit its extensive archive and original artwork, with a talented design studio that reinterprets antique, heritage and classic design into prints relevant for today.

Standfast saw an increase in sales during the year of 16.5% to £17.1 million. Third-party sales in the UK grew 8.4%; third-party export sales grew strongly by 31.0%; whilst sales to our own Group Brands increased by 18.3%. Standfast's mix of digital print, which generates a higher margin, as a proportion of total sales value, decreased to 52% by value compared with 58% in FY19 despite an increase in total sales, as sales to Group Brands have tended to rely on more conventional printing. The transition is underway in Sanderson and Morris & Co. to reproduce best-selling prints in digital, as long as it preserves the integrity of the designs.

In April this financial year, Standfast was awarded the prestigious Queen's Award for Enterprise 2020 in the International Trade category, recognising the factory's impressive overseas sales growth in the past three years.

Anstey Wallpaper Company ('Anstey')

Anstey, our wallpaper printing and paint-tinting business, is an unrivalled factory in its range of wallpaper printing techniques on one site. We continue to invest in new technology to extend the potential of the factory and to build on its unique capabilities. During the year, we commissioned a third digital printer. Digital printing sales grew by 35.2% compared with last year and, as a proportion of factory output, digital grew from 9.3% to 12.4%. Third-party customers reference the unique ability of Anstey to work consistently across the range of techniques and to blend them.

Sales at Anstey grew 1.0% to £18.5 million. Third-party sales in the UK were down 5.3%, third-party export sales were up 5.6% and internal wallcovering sales to our own Group Brands increased by 5.9%. Export sales to the USA and Europe have benefited from an increase in the number of overseas customers, and the recognition of Anstey's premium print technologies, world-class excellence in manufacturing, customer service, quality and innovation.

Summary

My confidence in the Company's brands and my belief in the Company's people have grown significantly during my first year as Chief Executive Officer. Covid-19 has brought challenges and our workforce has responded with fortitude and resilience, for which I am immensely grateful. Having established the Company's strategy in autumn last year, Covid-19 has meant we have been even more focused on taking action and ensuring the business is fit for the future. We have continued to form new collaborations and to launch new initiatives so that the Company is positioned to emerge strongly to combat the impact of Covid-19 as the pandemic recedes.

Lisa Montague
Chief Executive Officer
29 June 2020

CORPORATE SOCIAL RESPONSIBILITY

Our responsibility to our people, our environment and our society in which we operate is at the core of our activities, vision and values. This is reflected in how we work across the Group.

Health and safety is our first priority. It is a simple statement that our teams should have the complete confidence that the way we operate will have their safety at the core of our approach. To ensure this we have strong local Health and Safety teams with the use of external consultants to carry out independent audits across all our sites. This applies equally to our offices, factories and warehouses. One site leading this is Anstey Wallpaper. We have not had any reportable injuries at that site for over two years. Our level of minor injuries has also been significantly below the average for comparable industries. For example, the site has moved from reporting near misses to positive observations as a means of encouraging greater levels of feedback.

At our Standfast & Barracks site we have established a team of Mental Health First Aiders to ensure we are considering both the physical and mental wellbeing of our teams. This has been welcomed at the site with representation across the site, activities carried out to raise the profile and the initiation of a broader wellbeing programme.

We continue to engage with our teams through employee engagement surveys, newsletters and broader communications strategy.

As a measure of how we are continuing to deliver on our commitments to improve the broader environment, as well as our immediate and local environments, we are delighted to have been awarded the Planet Mark Certificate. To gain this we developed an understanding of the whole, measuring:

- Highlights of the year
- Total carbon footprint
- Year-on-year carbon footprint comparison

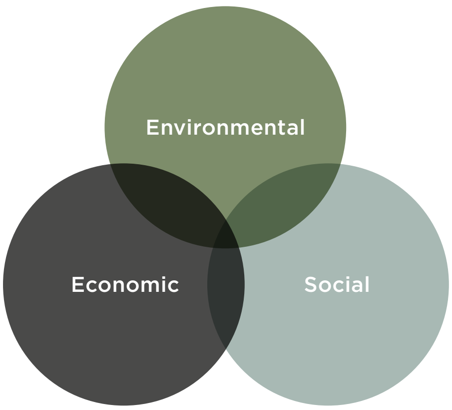
We use these measures to establish our short and longer-term targets for reduction in carbon emissions:

- Carbon reduction target: 5%
- Total target reduction: 462.3 tCO_2e
- Target reduction per employee: 0.7 tCO_2e

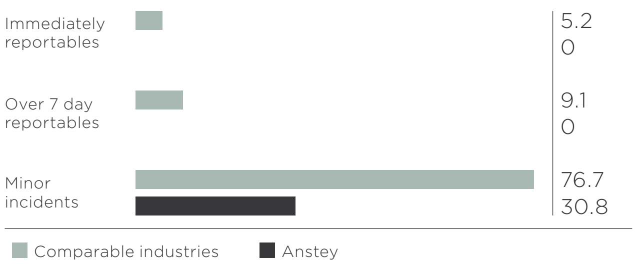
A significant step towards these goals is our switch to all renewable electricity. The next steps for us are to cascade our objectives throughout our organisation, engage further with all our stakeholders and communicate clearly our progress to being carbon neutral.

We are continuously reviewing our packaging requirements to ensure, where possible, those will be recyclable and from sustainable sources. We have also commenced the use of Better Cotton Initiative sourced fabric for use at our Standfast & Barracks site. The Better Cotton Standard System applies the same approach to sustainable cotton production, covering the three pillars of environmental, social and economic. We are sourcing fabric that meets the Oeko-tex standard 100 for fabrics. If a textile article carries the STANDARD 100 label, the fabric has been tested for harmful substances and therefore is harmless in ecological terms. Paper base for our wallpaper manufacturing is supplied by organisations which source pulp from sustainable forests, maintained by the two largest global certified forest product certification systems. Anstey continues this chain of responsible sourcing through our own matching forest product chain of custody and we are certified by the same bodies.

We are proud to be British manufacturers. Not only does this mean we control far more of our supply chain directly, taking responsibility for our environmental and economic impact, we are also having a direct positive social impact on our local communities by providing employment in our two factories, as well as our warehouses and office locations. Where we operate, we engage with our local community, whether through opening our factories for local schools, working with local design students or donating our fabric to charitable organisations and activities. The Standfast & Barracks factory donated over 4,000 metres of fabric for scrubs and face coverings to the health-care sector during the Covid-19 pandemic.



NUMBER OF INJURIES



STRATEGIC PILLARS

The Company's strategy going forward will:

- Drive the brands (not Style Library)
- Focus on wallpaper, fabric and paint
- Partner with core customers
- Invest in people
- Grow key geographies – UK, Northern Europe and USA
- Improve efficiency and productivity

To deliver this turnaround effectively we will set milestones that reflect industry lead-times, design and product cycles.

Strengthening the foundations for long-term value creation

BRANDS

AMPLIFY THE POWER OF EACH BRAND

CORE PRODUCTS

FOCUS ON FABRIC AND WALLPAPER; EXPAND PAINT

KEY CUSTOMERS

SERVICE THE INDUSTRY

GEOGRAPHIES

FOCUS ON UK, USA AND NORTHERN EUROPE

PEOPLE
Recruit, retain and nurture talent for the future

EFFICIENCY, AGILITY, INNOVATION
Reduce SKUs; focused launches; design ROI

SUPPLY CHAIN
Improve processes; reduce cost and waste

FINANCIAL STRATEGY
Tightly manage inventory and cash while continuing to reduce overheads

DRIVE THE POWER

BRANDS

- Market-leading portfolio of British brands
- Extensive historic archive of design gives us authority, provenance and authenticity
- Unique design expertise, specialised in colour and scale
- Strong international appeal
- Design solutions for consumers of all ages
- UK's leading high-end wallcoverings and printed fabric manufacturers
- Innovative production techniques including digital

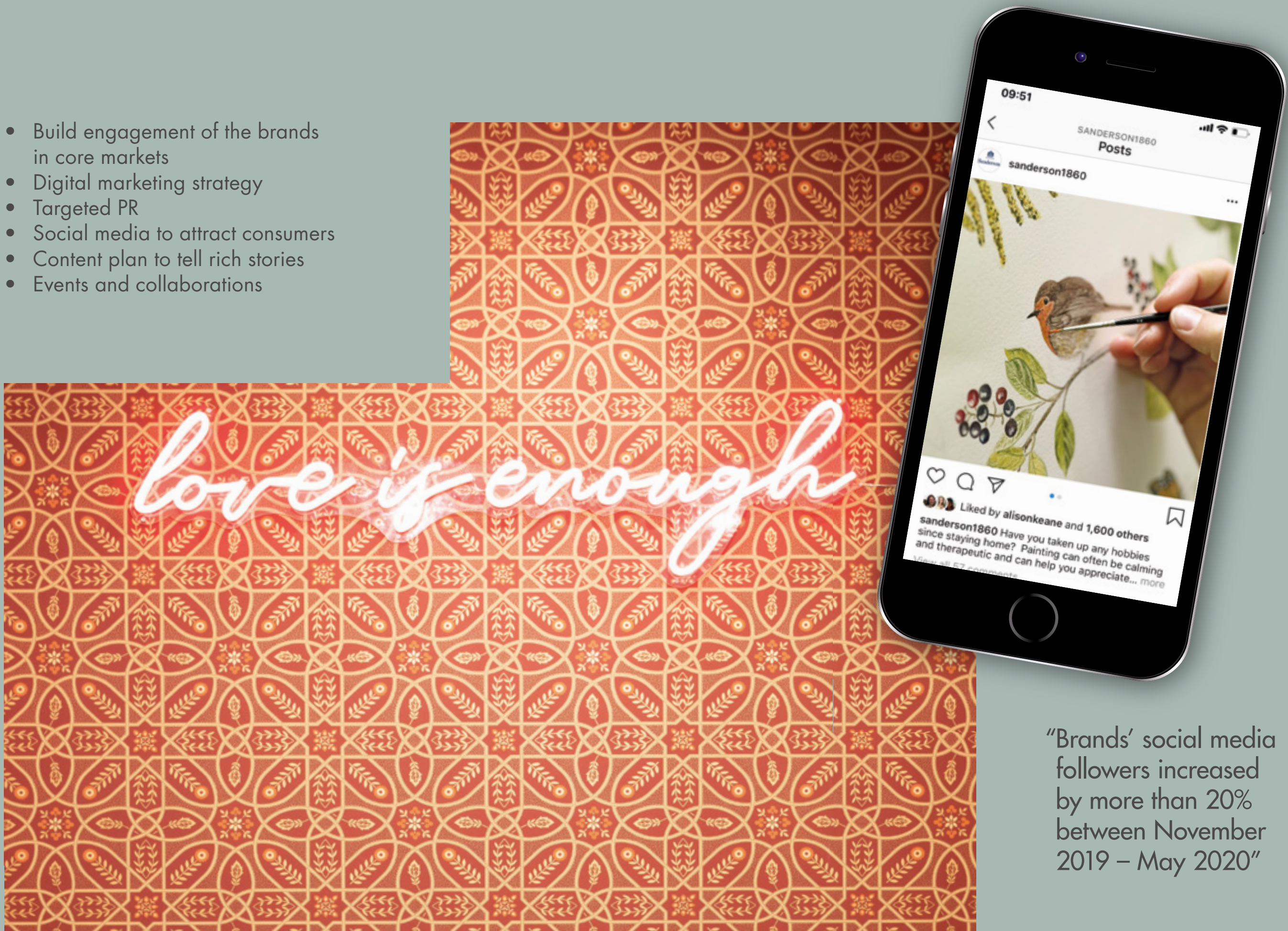
LUXURY AND HERITAGE

PREMIUM

DRIVE BRAND

ENGAGEMENT

- Build engagement of the brands in core markets
- Digital marketing strategy
- Targeted PR
- Social media to attract consumers
- Content plan to tell rich stories
- Events and collaborations



"Brands' social media followers increased by more than 20% between November 2019 – May 2020"

ZOFFANY

A LUXURIOUS BLEND OF ART AND DESIGN, ZOFFANY IS ONE OF THE MOST RESPECTED NAMES IN PREMIUM INTERIORS.

Introducing an undeniable opulence, Zoffany captivates and inspires with its decadent fabrics, wallcoverings, paint and furniture pieces. Produced using the finest materials and richly coloured pigments, Zoffany's new and archive designs are celebrated worldwide for their artistry, integrity and authenticity.

HARLEQUIN

Innovative design and empowering colour combinations capture the ethos of Harlequin.

CATWALK-INSPIRED DESIGNS IN IRRESISTIBLE COLOURS BRING GLAMOUR TO INTERNATIONAL INTERIORS.

Influenced by fashion and the luxury of boutique hotels, Harlequin brings innovative textures and stunning colours to its range of fabrics and prints. Chosen for interiors the world over, the brand's successful design team are renowned for their forward-thinking approach to creating a destination style.

BY APPOINTMENT TO HM QUEEN ELIZABETH II SUPPLIERS OF WALLPAPERS PAINTS & FABRICS ARTHUR SANDERSON AND SONS ENGLAND

Sanderson

With Englishness at its heart, hand-drawn patterns share a love of the great outdoors.

SANDERSON CELEBRATES ITS 160TH ANNIVERSARY.

With beautifully hand-drawn designs showcasing the wonder of the English countryside, Sanderson is famed for its signature style. Complete with a long-standing Royal Warrant, classic patterns, accurately coloured, share a timeless easy elegance.

THE ORIGINAL
MORRIS & Co

NEVER BEFORE HAS THE AESTHETIC AND IDEOLOGY OF WILLIAM MORRIS BEEN SO POPULAR.

As custodians of the original company founded by William Morris in 1861, Morris & Co. embodies the ethos and decorative style of this important cultural icon. The incredible Morris & Co. archive provides a wonderful source of inspiration to our teams, ensuring that Morris's legacy lives on with expertly crafted products and reimagined designs.

The enduring legacy of iconic design, exceptional and familiar.

scion

Unmistakably Scion. Zesty colours team with cheerful, contemporary design.

BRING A SMILE TO THE EVERYDAY WITH SCION, A FRESH, UPBEAT BRAND THAT'S PERFECT FOR CONTEMPORARY LIVING.

Packed with Scandi-inspired influences, sketchbook looks and flashes of zesty colour, Scion is a joy to be around. Join Mr Fox and his friends as they share Scion's cheerful personality and upbeat style across a range of fabrics, wallpapers and home accessories.

CLARKE & CLARKE

DISTRIBUTING FABRICS AND WALLCOVERINGS TO OVER 85 COUNTRIES.

With its extensive portfolio of products appealing to customers and interior designers alike, Clarke & Clarke's business has continued to grow since its inception 20 years ago. Boasting a global reach underpinned by impeccable service, the company's original creative vision remains.

S&B

Est. 1924

STANDFAST & BARRACKS

FABRIC PRINTING COMPANY

WINNERS OF THE QUEEN'S AWARD FOR ENTERPRISE, STANDFAST & BARRACKS IS WIDELY ACKNOWLEDGED AS A LEADER IN ITS FIELD.

For more than 95 years, Standfast & Barracks has proudly produced beautiful prints for many of the world's finest design-led home furnishing and apparel brands. Continued investment in digital printing and innovative techniques ensure the company's success, which was recognised this April with the Queen's Award for International Trade – the highest official UK awards for British businesses.

ANSTEY
WALLPAPER COMPANY

BASED IN LOUGHBOROUGH, ENGLAND.

Anstey is one of the world's foremost printers of wallcoverings, providing unrivalled versatility and capability throughout its 100-year history. Innovative techniques and a unique combination of printing methods are at the heart of the company's business, which produces for Walker Greenbank as well as many third-party customers in the UK and around the world.

CHIEF FINANCIAL OFFICER'S REVIEW

NET FUNDS OF

£1.3 MILLION

EXCLUDING IMPACT OF IFRS 16 LEASES

Michael Williamson
Chief Financial Officer

Income statement
The Chairman's Statement and Chief Executive's Strategic and Operating Review provide an analysis of the key factors impacting our revenue and profit. In addition to the information on our Brands and Manufacturing divisions included in these reports, the Group has included in note 4 to the accounts further information on our reporting segments.

Operating profit fell by 18.3% to £4.8 million (2019: £5.8 million) due to difficult market conditions in our UK market as explained in the Chief Executive's Strategic and Operating Review. Underlying earnings before interest, taxes, depreciation and amortisation increased 3.1% to £13.1 million (2019: £12.7 million).

Newly adopted accounting standards
The Group has adopted IFRS 16 'Leases' from 1 February 2019. This has resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 16, the Group has adopted the new rules on a modified retrospective basis and, therefore, not restated comparatives for the financial year. Note 1 to the financial statements describes the impact of the Group adopting IFRS 16. The Balance Sheet at 31 January 2020 recognises new 'right-of-use assets' of £8.4 million and new lease liabilities totalling £8.4 million. In the Income Statement operating lease costs (save for low-value and short-term leases) have been replaced by a depreciation charge on each right-of-use asset and an interest charge that reduces over the lease term. Total expenses (depreciation for 'right-of-use' assets and interest on lease liabilities) are higher in the earlier years of a typical lease and lower in the later years, in comparison with former accounting for operating leases. The main impact on the Statement of Cash Flows is higher cash flows from operating activities, since cash payments for the principal part of the lease liability are classified in the net cash flow from financing activities.

Underlying profit before tax
Statutory profit before tax of £4.4 million (2019: £5.6 million*) includes non-underlying charges of £2.0 million (2019: £3.3 million) as set out below.

	Year ended 31 January	
	2020 £000	2019 £000
Statutory profit before tax*	**4,378**	5,571
Amortisation of acquired intangible assets	**(1,016)**	(1,016)
Restructuring and reorganisation costs	**(1,059)**	(1,723)
Anstey fire-related costs	**(54)**	(85)
Anstey fire insurance reimbursements	**144**	650
Anstey net other income	**90**	565
Guaranteed Minimum Pension ('GMP') equalisation	**–**	(1,086)
Total non-underlying charge included in profit before tax	**(1,985)**	(3,260)
Underlying profit before tax*	**6,363**	8,831
LTIP accounting charge*	**395**	76
Net defined benefit pension charge	**593**	573
Adjusted underlying profit before tax excluding LTIP and defined benefit pension charge	**7,351**	9,480

* The LTIP charge for the year ended 31 January 2019 has been adjusted from a £661,000 credit to a £76,000 charge to correct the accounting for the prior year.

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 £1.0 million.

Restructuring and reorganisation costs of £1.0 million reflect the rationalisation of certain operational and support functions. These costs mainly comprise professional fees, employee severance, property termination and asset write down costs associated with the reorganisation process.

Anstey net other income comprises proceeds of £144,000 from the reimbursement of plant and equipment repair and related costs following a machine fire in 2017.

Long-Term Incentive Plan ('LTIP')
There was a new award of shares during the financial year under the LTIP with a quarter of the award based on vesting conditions that are market based and with a further quarter based on each of the absolute adjusted EPS, revenue and free cash flow respectively. There was a charge of £0.4 million (2019: £0.1 million) in the Income Statement relating to LTIP awards. The relatively low charge in the year is driven by a reduction to the Company's share price and a reduction in the vesting assumption for future awards.

Net defined benefit pension
The Group operates two defined benefit schemes in the UK for its employees. These comprise the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme, which are both closed to new members and to future service accrual from 30 June 2002 and 1 July 2005 respectively.

The charge during the year was £0.6 million (2019: £0.6 million). In the prior year there is an additional non-underlying charge of £1.1 million as a result of equalising Guaranteed Minimum Pensions ('GMP') in the Group's pension schemes following a ruling in the High Court, which has been recognised as a past-service charge.

Pension deficit
The pension deficit decreased during the year, driven by strong asset performance. The impact of these factors is shown as follows:

	2020 £000
Deficit at beginning of the year	**(9,663)**
Scheme expenses	**(370)**
Interest cost	**(1,870)**
Expected return on plan assets	**1,647**
Contributions	**1,870**
Return on scheme assets	**11,561**
Experience adjustments on benefit obligation	**(359)**
Actuarial loss from the change in financial assumptions	**(8,996)**
Actuarial loss from the change in demographic assumptions	**521**
Gross deficit at the end of the year	**(5,659)**

In 2019 when the pension deficit was significantly higher, the Company agreed a Recovery Plan to pay contributions of between £1.7 million and £1.9 million per year to eliminate the funding shortfall by October 2026.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Current taxation
There was a corporation tax charge of £1.3 million (2019: £1.7 million) which has been driven by the decrease in underlying profit.

Deferred taxation
There was a deferred tax credit of £0.7 million (2019: credit £0.5 million) driven by the reversal of the deferred tax recognised in respect of the Clarke & Clarke acquisition and the pension deficit. The Group also continues to recognise the deferred tax asset arising from the LTIP.

Earnings per share
Basic reported EPS for the year was 5.24p (2019: 6.15p*). The Group also reports an adjusted EPS which removes the impact of the LTIP accounting charge, net defined benefit pension charge and other non-underlying items, as these can fluctuate due to external factors outside of the control of the Group. A better understanding of the underlying performance of the business is given after adjusting for these items. The adjusted basic EPS for the year was 9.26p (2019: 10.80p).

Operating cash flow and net funds
The Group generated net cash inflow from operating activities during the year of £8.2 million (2019: £11.5 million).

Working capital outflow of £1.6 million is driven by an increase in accrued accelerated licensing income and additional pattern book stock ahead of new collection launches.

Capital expenditure was £2.4 million (2019: £3.0 million) and includes the purchase of a digital printer at our wallpaper printing factory in line with the Group's strategy to continue to invest in innovative printing techniques and development costs relating to the design of new collections for the Brands.

The depreciation, impairment and amortisation charge during the period was £7.4 million (2019: £4.5 million) with the increase driven by the impact of IFRS 16.

The Group made additional payments to the pension schemes of £1.9 million (2019: £1.6 million) to reduce the deficit, part of the ongoing planned reduction, along with £0.4 million (2019: £0.4 million) of pension fund scheme expenses.

Overall tax paid during the year was £0.8 million (2019: £0.8 million). The effective tax rate ('ETR') has fallen to 15.0% from 19.1%, driven by deferred tax adjustments relating to prior years.

The Group had net funds, excluding the impact of IFRS 16 'Leases', as at 31 January 2020 of £1.3 million (2019: £0.4 million). Average debt during the year varies due to the timing and seasonality of revenues and investment in products. The average monthly net debt decreased by £4.4 million to £3.8 million (2019: £8.2 million) as a result of the Group utilising less of its bank facilities.

The Group utilises facilities provided by Barclays Bank PLC. In October 2019, the Group renewed its £12.5 million multi-currency revolving committed credit facility with Barclays Bank PLC for a further five-year period. The agreement also includes a £5 million uncommitted accordion facility option to further increase available credit which provides substantial headroom for future growth. Under these facilities there was borrowing headroom of £13.8 million (2019: £17.9 million) against committed facilities at 31 January 2020. Following the Covid-19 pandemic, the Group obtained a temporary overdraft facility of £2.5 million to April 2021, to complement the headroom in our existing £12.5 million revolving credit facility. Agreement was reached with Barclays Bank PLC during June 2020 to waive the interest cover covenant condition for the tests arising through to July 2021 and to waive the leverage covenant condition through to April 2021. The leverage covenant condition has been replaced by a liquidity covenant requiring that available headroom within the £12.5 million facility remains above £5 million through to April 2021. All of the Group's bank facilities remain secured by first fixed and floating charges over the Group's assets.

Dividends
During the year, the Group paid a final dividend for the year ended 31 January 2019 of 2.55p per share and an interim dividend of 0.52p per share.

In light of the Covid-19 pandemic, to further preserve cash, the Board does not intend to propose payment of a final dividend for the year ended 31 January 2020.

Going concern
The Directors consider that, having considered forecasts prepared by the management team which have been stress tested, the Group and Company have adequate resources to continue trading for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Foreign currency risk
All foreign currencies are bought and sold centrally on behalf of the Group. Regular reviews take place of the foreign currency cash flows, unmatched exposures are covered using forward contracts and working capital exposures are hedged using currency swaps where deemed appropriate. The Group does not trade in financial instruments and hedges are used for highly probable future cash flows and to hedge working capital exposures.

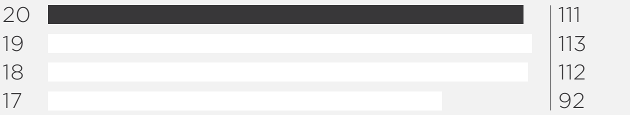
Credit risk
Generally the Group no longer seeks credit insurance as this is not a commercial solution to reducing credit risk. The Board reviews the internal credit limits of all major customers and reviews the credit risk regularly. The ageing profile of trade debtors shows that payments from customers are close to terms; however, there have been specific expenses during the year. The current economic environment still presents a level of risk and in addition to specific provisioning against individual receivables, a provision has been required of £0.4 million (2019: £0.5 million), which is a collective assessment of the risk against non-specific receivables.

Michael Williamson

Michael Williamson
Chief Financial Officer
29 June 2020

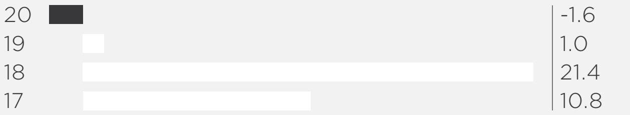
KEY PERFORMANCE INDICATORS

REVENUE (£M)



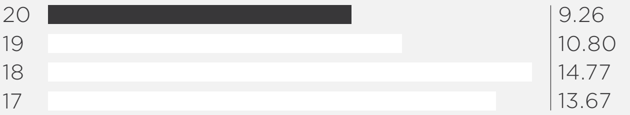
Total current year revenue.

REVENUE GROWTH (%)



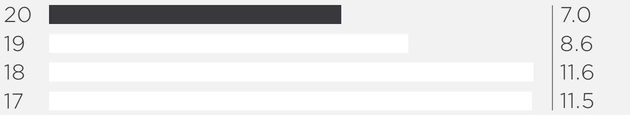
Growth is the total current year revenue as a percentage of the previous year's revenue.

ADJUSTED EARNINGS PER SHARE (PENCE)



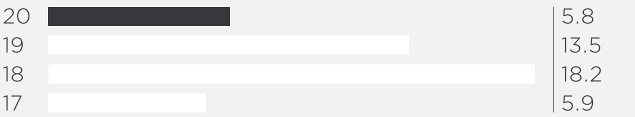
Underlying earnings adjusted for accounting charges relating to the share-based incentives, defined benefit charge and non-underlying items, less tax at the effective rate, divided by the weighted average number of shares in issue during the year.

ADJUSTED OPERATING MARGIN (BEFORE LTIP) (%)



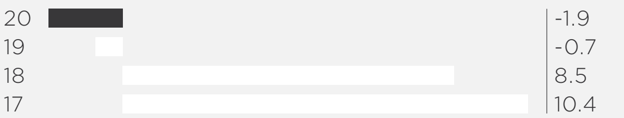
Underlying operating profit adjusted for the accounting charge relating to the share-based incentive plan, expressed as a percentage of revenue.

AVERAGE GEARING (%)



Average net debt for the year divided by total equity, excluding the impact of IFRS 16.

YEAR END GEARING (%)



Year end net (debt)/funds divided by total equity, excluding the impact of IFRS 16.

PRINCIPAL RISKS

The Group has put in place an ongoing process to identify, monitor and manage the risks faced by the Group. Risks are ranked according to their potential financial impact and probability. The Board regularly reviews the risks faced by the Group and the controls in place to mitigate any potential adverse impacts.

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

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

In addition, there are a number of more specific risks which are more relevant to Walker Greenbank and the industry in which we operate. These risks are principal risks and uncertainties facing the Group that are material to our strategy. The Board recognises that the nature and scope of risks can change; the list is not intended to be exhaustive, and regular review and monitoring form part of the Board's agenda.

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

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

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

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

Brexit
There is continuing uncertainty concerning post-Brexit negotiations on a trade deal and future cooperation with the EU. Potential impacts on the Group include our ability to hire employees from the EU, increased trade tariffs on imported goods, possible border delays, currency volatility and dis-harmonisation of UK and EU regulatory standards in a range of areas. The Group's exposure is somewhat mitigated through a number of contingency measures including rebalancing supply lines to minimise border crossings, flexible buy models and ongoing communication with suppliers to increase stock holding. Overall we believe that the business is sufficiently resilient to withstand these uncertainties whilst minimising disruption.

VIABILITY STATEMENT

The Group meets its day-to-day working capital requirements through its £12.5 million committed revolving credit facility to October 2024, a temporary £2.5 million overdraft facility taken in light of Covid-19 to April 21 together with an uncommitted £5 million accordion. The Group's forecasts, taking into account the Board's future expectations of the Group's performance, indicate that there is sufficient headroom within these bank facilities. Management forecasts have been stress tested and, in light of 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 through to July 2021 and to waive the leverage covenant condition through to April 2021. The Directors' assessment has been made with reference to the resilience of the Group and its strong financial position, the Group's current strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as described in the Strategic Report. An assessment period of three years has been chosen as it is consistent with the Board's strategic review of the Group's strategy at which the prospects of each business are discussed; assumptions are made regarding entering into new markets and geographies, about future growth rates of the existing businesses and potential acquisitions and about the acceptable performance of existing businesses. Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Covid-19

The current evolving Covid-19 outbreak is a fast-moving virus which presents major challenges for people and economies across the globe. There is significant uncertainty over the extent of the impact and longevity of the outbreak.

Our top priority remains the health and wellbeing of our colleagues, our customers, and the many suppliers who work alongside us from around the world. From the outset of the pandemic, we have been closely following government initiatives that support businesses and the public. We have been following all guidance regarding self-isolation, social distancing and personal hygiene in order to keep everyone safe and well. The majority of the Group's employees were furloughed in April under the Government's Coronavirus Job Retention Scheme and similar grant-based programmes overseas. Both of our factories have now reopened and our office-based staff are also progressively returning to work. Our superb warehouse teams have adapted to completely new ways of working to ensure they abide by all social distancing and other safety procedures.

Measures were taken to preserve cash, including suspension of the final dividend and of capital expenditure plus very tight controls over operating costs. We have been careful to enhance our liquidity on a precautionary basis by obtaining a temporary overdraft facility of £2.5 million to complement the headroom in our existing £12.5 million revolving credit facility.

This report was approved by the Board of Directors on 29 June 2020 and signed on its behalf by

Lisa Montague
Chief Executive Officer

MARKETPLACE	CHANGE	CONTROLS TO MITIGATE
Trading environment Specific macroeconomic and geopolitical factors can influence our business and ability to trade across borders. Governments in key markets influence cross-border control, which could make it more difficult for us to source, buy and move products into and out of the territories we operate in. The Group operates in major international markets which have experienced headwinds and there are ongoing changes in the European Union. The Covid-19 outbreak has increased uncertainty around the economic outlook. Given that our products may be viewed as discretionary, there is a risk that these are impacted by consumer confidence. Change in consumer trends in interior decoration.	Increased	We have a knowledgeable Tax and Customs team who engage with authorities and regulators in key markets, to keep abreast of local changes or developments globally and recommend changes or adaptations to our business operations to mitigate the impact. The Group continues to focus on strong cost control including cost re-engineering to try to ensure that it remains well positioned to deal with an uncertain environment. Focus on product diversification through licensing opportunities and new product categories including ready-made curtains, bedding and furniture all help to strengthen our product offering. The Group offers a well-balanced, diverse product range to meet the demands of different customers. Clarke & Clarke, which is at the affordable end of the market, accelerates the Group's market penetration strategy. The Group continues to monitor the impact of the Covid-19 outbreak and will respond accordingly to any material disruption to our product supply, sales markets or staff. There are a number of uncertainties relating to the impact of the ongoing negotiations regarding the UK's exit from the European Union. The Group continues to monitor the implications arising from the exit process. The reduction in the value of sterling and ongoing currency fluctuations as a result of Brexit will lead to higher input costs. The Group is broad based and the design teams constantly monitor trends within and outside our marketplace.
Competition The Group operates in markets that are highly competitive.	Unchanged	The Group has sought to differentiate itself through high-quality luxury products and continues to develop new product categories and extension of market positions. We have continued to invest in our British manufacturing sites through innovative printing techniques and including in-house paint tinting and distribution. There is focus on product extension through global recognition of the Group's heritage brands and the contemporary design excellence, broadening the product range, including selling finished products online, and exploring worldwide licensing opportunities. The Group's focus is on international expansion through the distribution and marketing of our brands in the important US and Northern Europe markets. Our acquisition of Clarke & Clarke has helped to enhance our international reach, particularly in the US. We are continuing to make progress with consumer e-commerce development.

Increased Decreased Unchanged

PRINCIPAL RISKS CONTINUED

FINANCIAL	CHANGE	CONTROLS TO MITIGATE
Foreign exchange A large proportion of the Group's activities and earnings are denominated in US dollars and euros, giving rise to foreign currency exposure.	Increased	The Group monitors revenue and earnings to minimise exposure to foreign exchange losses. Increasing exchange rate volatility may have an adverse effect on the balance sheet and/or profit and loss account. We continue to monitor the implications of emerging macroeconomic risks, including Brexit, to help prepare for any volatility in foreign exchange movements and through natural hedging in currencies where possible.
Pension funding A worsening funding position may require the Group to pay cash contributions or provide further assurance to cover future liabilities. This could worsen the Group's cash flow.	Unchanged	Both of the defined benefit schemes are closed to new members and to future accrual of benefits. The Group seeks to agree appropriate investment policies with the Trustees and closely monitors the funding position of the pension schemes with the Trustees. Both the Company and the Trustees take advice from independent qualified actuaries.

OPERATIONAL	CHANGE	CONTROLS TO MITIGATE
Recruitment and retention of key employees The Group is reliant upon a number of key employees to design, manufacture and sell its products.	Unchanged	The Group's employees are its key asset. The depth of their experience is a real benefit to the business and accordingly the Group focuses on attracting and retaining employees. The Remuneration Committee monitors the levels and structure of remuneration for Directors and senior management and seeks to ensure that they are designed to attract, retain and motivate the key personnel to run the Group successfully. In addition, the Group offers competitive remuneration packages including long-term incentive schemes designed to retain key individuals.
Reputation risk The Group prides itself on the high quality of its product range.	Unchanged	There is ongoing emphasis on high quality control throughout the various stages, right from manufacturing through to delivery of the finished product and customer satisfaction.
Acquisition risk Acquiring the wrong company or at the wrong price would impact our financial return and any benefits from the acquisition, as well as causing disruption to other business activities.	Unchanged	Management actively evaluates acquisition opportunities that fit synergistically with our brand portfolio. We have a rigorous pre-acquisition due diligence process which seeks to evaluate each opportunity. Close monitoring of the integration of any acquisition would take place to ensure planned revenue and cost synergies are realised to enable further earnings growth. Sound project discipline would be implemented in the event of an acquisition and would be resourced by dedicated and appropriately qualified personnel to ensure minimum disruption to our core business activities. The acquisition of Clarke & Clarke was completed following a thorough due diligence process and involved a significant number of professional advisers. Risks are further mitigated through the retention and appropriate incentivisation of the acquired entity's senior management. Where appropriate, the consideration is structured to include deferred and contingent elements which are dependent on financial performance for a number of years following completion of the acquisition.
Major incident or disaster such as a fire/flood	Unchanged	Business continuity and disaster recovery plans are regularly reviewed to ensure the uninterrupted operation of the Group's core business operations. Business continuity plans are in place to manage the impact of such an event and insurance cover mitigates the financial consequences. The segregation of the Group's central warehousing facility with two warehouses has helped to mitigate risk to stock. Flood defence measures have been installed at the Lancaster production site.
IT The cyber security landscape is continuously evolving, with threats becoming more sophisticated and aggressive. A significant failure of IT infrastructure or key IT systems, deliberate or accidental, could result in a loss of information, inability to operate effectively, financial or regulatory penalties, and negatively impact our reputation as a result of the impact on the availability of our products and consequently reduce sales.	Unchanged	The Group has appropriate controls in place to mitigate the risk of systems failure, including an IT disaster recovery plan, off-site back-up routines, virus protection and network security controls. Security controls and processes are assessed and updated on a regular basis. The Group employs a framework of IT controls to protect against unauthorised access to our systems and data, which includes the maintenance of firewalls and intruder detection as well as the encryption of data. The various business units have disparate platforms which helps to reduce the overall risk.

Increased Decreased Unchanged

SECTION 172 STATEMENT

ON THE DISCHARGE OF DIRECTORS' DUTIES

In compliance with the Companies Act 2006, the Board of Directors are required to act in accordance with a set of general duties. During the year ended 31 January 2020, the Board of Directors consider they have, individually and collectively, acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, having regard to a number of broader matters including:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board recognises the importance of building and maintaining relationships with its key stakeholders, and considering the external and internal impact of the Group's operations, in order to achieve long-term success.

Our Group comprises a number of business units, all of which have engagement with their own unique stakeholders as well as the other parts of the business that form the Group. The Group's governance delegation of authority framework allows local decision-making at business unit level up to defined limits and is monitored by the Board. This allows the individual business units to take account of the needs of their own stakeholders in their decision-making, whilst the Board routinely monitors and retains ultimate responsibility.

The Group Leadership Team ('GLT'), which comprises the leaders of each business unit, meets monthly, and reports and presentations are made to the Group Board by the GLT regarding strategy, performance and key decisions taken.

In its consideration of decisions and actions to be taken in approval of business projects and the Group's strategy, the Board takes care to have regard to the likely consequences on all stakeholders of the decisions and actions they take. Where possible, decisions are carefully discussed with affected groups so as to ensure they are understood and supported, when actions are implemented.

Details of the Group's key stakeholders and how we engage with them are set out below.

WHO ARE OUR STAKEHOLDERS?	WHY WE FOCUS ON THESE STAKEHOLDERS	HOW DO WE ENGAGE WITH THEM?	HOW HAS THE BOARD TAKEN ACCOUNT OF THESE INTERESTS?
Shareholders	As owners of the Group, we rely on the support of shareholders and their opinions are important to us.	The Chief Executive Officer and Chief Financial Officer have regular dialogue with institutional investors in order to develop an understanding of their views. Presentations are made bi-annually to analysts, investors and prospective investors covering the annual and interim results. The AGM is an important opportunity for private shareholders to meet the Board, with all the Directors available to listen to shareholders' views informally immediately following the meeting. The Company website has an investors section giving private investors direct access to business information and reports and presentations; there is also an enquiries mailbox facility.	Discussions with shareholders cover a wide range of topics including financial performance, strategy, outlook and governance. Shareholder feedback along with details of movements in our shareholder base are regularly reported to, and discussed by, the Board and their views are considered as part of decision-making. Our NOMAD has regular discussion and review with the Board and advises on wider market-related sentiment. Feedback received is considered by the Board where it impacts on strategy.

SECTION 172 STATEMENT
CONTINUED

WHO ARE OUR STAKEHOLDERS?	WHY WE FOCUS ON THESE STAKEHOLDERS	HOW DO WE ENGAGE WITH THEM?	HOW HAS THE BOARD TAKEN ACCOUNT OF THESE INTERESTS?
Colleagues	Our people are key to the success of the Group and we want them to be successful individually and as a team. Our investment in our people protects and strengthens our culture.	There are many ways we engage with and listen to our people, including an annual employee engagement survey, Group-wide newsletters as well as business unit/site briefings, informal meetings and consultation with employees' representatives. The Group intranet learning-hub facilitates personal development.	The results of the 2019 employee engagement survey were presented to the Board and a follow-up programme of two-way engagement by site and business unit/function was implemented by HR teams across the Group, with feedback reported regularly to the Board. A reward and recognition programme is being introduced across functional business unit groups.
Customers and clients	Good relationships with our customers are important for the success of our business.	We build strong, lasting relationships with our trade customers and spend time with them to understand their needs and views and listen to how we can improve our products and services for them.	As part of its regular monthly reporting pack, the Board has introduced customer and social media engagement feedback as well as service level fulfilment statistical information to better understand the meeting of needs of customers and improve customer experience.
Suppliers	We build strong relationships with our suppliers to develop mutually beneficial and lasting relationships.	Engagement with suppliers and business partners is primarily through regular meetings and membership of trade sector organisations.	The Board recognises that relationships with suppliers are important to the Group's long-term success. Feedback from attendance at trade events forms part of the Board presentations. Key areas of focus include product development and innovation, with focus on health and safety and sustainability, as well as regular dialogue between our management team and those of our suppliers on increasing efficiency for all parties.
Communities	We operate from a number of different sites and seek to be a good neighbour with the local communities and to build trust and understand the local issues that are important to them.	We create opportunities to recruit and develop local people and help to support the local economy and look after the environment. Local charities and fundraising are supported, often through product and time donations.	The Board recognises the importance of good community relations with both internal and external stakeholders. The impact of our operations from an environmental perspective, both locally and globally, is recognised e.g. capital expenditure projects focused on efficiency and reducing environmental emissions. Further details are contained within our Corporate Social Responsibility section.

WHO ARE OUR STAKEHOLDERS?	WHY WE FOCUS ON THESE STAKEHOLDERS	HOW DO WE ENGAGE WITH THEM?	HOW HAS THE BOARD TAKEN ACCOUNT OF THESE INTERESTS?
Government and regulators	Government and regulators want us to operate in an ethical way and in compliance with laws and regulations.	The Group has professional advisers in terms of legal, tax and regulatory compliance and all Directors have access to independent advice.	The Board is updated on legal and regulatory developments and takes these into account when considering future actions. Key areas of focus for the Board are compliance with laws and regulations, health and safety and wellbeing of employees and users of our products.

BOARD OF DIRECTORS

1

2

3

4

5

6

1 DAME DIANNE THOMPSON
NON-EXECUTIVE CHAIRMAN

Terms of appointment
Dianne joined the Board in February 2019, initially as a Non-executive Director. In April 2019, following the appointment of the new Chief Executive Officer, Dianne became the Non-executive Chairman. She is a highly experienced sales and marketing executive and is currently a non-executive director of Next Plc.

From 2000 until 2014, Dianne was chief executive of Camelot Group plc, the UK National Lottery provider. Prior to that role, she held marketing and general management positions in a number of consumer and building materials businesses including Signet Group plc, Sandvik Saws & Tools Ltd and ICI Paints.

Committee membership
Audit Committee
Remuneration Committee
Nomination Committee

2 CHRISTOPHER ROGERS
NON-EXECUTIVE DIRECTOR

Terms of appointment
Christopher joined the Board in April 2018 as a Non-executive Director and Chair of the Company's Audit Committee. In October 2018, on the departure of the CEO, Christopher became Interim Executive Chairman and held this role until April 2019 before returning to being a Non-executive Director and Chair of the Remuneration Committee.

Other non-executive positions held include Travis Perkins plc, the builders' merchant and home improvement business, and Chair of the Audit Committee at Kerry Plc, the international taste and nutrition company, and Vivo Energy Plc, a company that distributes and markets Shell-branded fuels and lubricants to retail and commercial customers in Africa. Christopher was an executive director of Whitbread plc for 11 years from 2005, first as Group Finance Director for seven years and then as Global MD of Costa Coffee, where he grew the brand internationally to become the world's second largest coffee shop chain.

Committee membership
Audit Committee
Remuneration Committee
Nomination Committee

3 VIJAY THAKRAR
NON-EXECUTIVE DIRECTOR

Terms of appointment
Vijay joined the Board as a Non-executive Director in November 2018 and became Chairman of the Audit Committee. He is a chartered accountant and, until 2016, was a partner at Deloitte advising listed brand-based companies. He is now a non-executive director at public and private businesses including meat alternative company Quorn Foods, sustainable building products group Alumasc plc and MK Dons Football Club Sports & Education Trust.

Committee membership
Audit Committee
Remuneration Committee
Nomination Committee

4 LISA MONTAGUE
CHIEF EXECUTIVE OFFICER

Terms of appointment
Lisa joined the Group in March 2019 as an Executive Director and became Chief Executive Officer on 10 April 2019. Lisa is a highly experienced luxury goods executive, with previous roles at Madrid-based international fashion brand Loewe SA, a Spanish luxury fashion house owned by the LVMH Group, Aspinal of London Group Ltd and Mulberry Group plc. She has significant experience of leading and developing UK and international brand-based businesses with manufacturing and multi-channel distribution.

5 MICHAEL WILLIAMSON
CHIEF FINANCIAL OFFICER

Terms of appointment
Michael joined the Group in December 2019 and became Chief Financial Officer on 26 February 2020. He has a breadth of experience across a number of sectors, including both full-time and interim roles as Chief Financial Officer at quoted and private businesses. For the past three years, Michael has been working on an interim and consultancy basis for quoted businesses, private equity firms and entrepreneurs.

6 CAROLINE GEARY
COMPANY SECRETARY

Terms of appointment
Caroline joined the Group in 2000. She is a chartered secretary, and was appointed Company Secretary in 2012.

GROUP LEADERSHIP TEAM

MAURICIO SOLODUJIN
GLOBAL COMMERCIAL DIRECTOR

Mauricio joined the Group in September 2019 from LVMH, where he had worked for almost 10 years in roles including Senior Vice President of LVMH Fashion Group Americas, based in the US, and Retail & Commercial Director of Loewe, based in Spain. Mauricio's previous experience includes more than 10 years at Liberty of London, where he was Director of Operations. In the role of Walker Greenbank's Global Commercial Director, Mauricio will work across all brands, markets and channels to drive sales growth at the Company.

NIGEL HUNT
GROUP MARKETING & DIGITAL DIRECTOR

Nigel Hunt, a highly experienced marketing executive, joined the Company in November 2019 as Group Marketing & Digital Director. He previously worked at Tesco Bank, where he held the role of Brand, Marketing & Corporate Affairs Director. Prior to Tesco Bank, he worked at Barclays for 17 years in various commercial and marketing roles including Director, Global Brand & Marketing at Barclays PLC.

BEN NAYLOR
GROUP OPERATIONS DIRECTOR

Ben joined the Group in January 2020. Prior to this, Ben worked at Amtico International, the luxury floorcoverings business, for 13 years, where he built a track record in manufacturing, procurement and logistics and a focus on cost, quality and service. Prior to Amtico, he was at Uniq Prepared Foods and Unipart.

CARLA BARNETT
GROUP HUMAN RESOURCES DIRECTOR

Carla holds an MA from Warwick Business School, is CIPD qualified and joined the Group in November 2016. She brings a wealth of international experience in Human Resources across manufacturing and commercial business units in a variety of roles. Carla has previously worked at Burberry, Britvic, Scholastic Corporation, Home Group and Next.

CLAIRE VALLIS
CREATIVE DIRECTOR

Claire has been with the Group for 25 years. She brings a wealth of experience and knowledge across manufacturing and design, making her an unrivalled industry expert. She personifies the integrity and history of the Brands and uses this to inspire a creative vision for the future.

MARK KENNEDY
GENERAL MANAGER

CLARKE & CLARKE

Mark joined Clarke & Clarke in 2010 and was an integral part of the success that the brand continues to enjoy today. He brings over 17 years of industry experience with a strong sales and commercial background in both the UK as well as international markets.

GRAHAM FRANCIS
FINANCE DIRECTOR

ANSTEY WALLPAPER COMPANY

Graham has been with the Group for 27 years and brings a wealth of experience in manufacturing and business management. He is passionate about the business and giving customers what they want, and as an FCMA with a BSc(Hons) in Industrial Studies, he is also a champion of Lean Manufacturing and driving continuous improvement.

STEPHEN THOMAS
MANAGING DIRECTOR

STANDFAST & BARRACKS

Stephen has been with the Group for over 20 years and was appointed as Managing Director of the fabric printing business in June 2014. He has significant experience in the car industry, furniture and soft furnishing manufacturing in both commercial and operational roles.

CORPORATE GOVERNANCE

Introduction from the Chairman
All members of the Board recognise the importance of good governance in reducing risk and adding value to our business. Delivering growth and long-term shareholder value with effective and efficient decision-making is of high importance to the Board.

In 2018 it became a requirement for all AIM companies to adopt a recognised Corporate Governance Code and the Board adopted the QCA Code in June 2018. The QCA Code includes 10 principles that focus on the pursuit of medium to long-term value for shareholders. How the Company has applied these principles is detailed in the Corporate Governance section of the Company's website www.walkergreenbank.com.

The Company has complied with the recommendations of the QCA Code with the exception of the departures identified and explained below.

This report, together with the information contained in the Audit Committee Report, the Report of the Directors and the Directors' Remuneration Report, explains the corporate governance framework within which the Group operates.

The Board
The Company is supervised by the Board of Directors. The Board comprises Executive and Non-executive Directors. The balance of skills, experience and independence has been evaluated during the year, and, as detailed within the Chairman's Statement on page 5, both executive and non-executive positions have been refreshed. Whilst the recruitment of a new Chief Executive Officer was undertaken, Christopher Rogers became Interim Executive Chairman, and so for the period 10 October 2018 to 10 April 2019, the role of Chairman and Chief Executive were combined.

From 10 April 2019, Christopher returned to a non-executive role, Dianne Thompson became Non-executive Chairman and Lisa Montague Chief Executive Officer. The division of responsibilities between the Chairman, who is responsible for the effective leadership and smooth running of the Board, and the Chief Executive Officer who, with the other Executive Directors, is responsible for the running of the Company, is therefore clarified.

Board composition
The Board of Directors who served during the year ended 31 January 2020 and their attendance at meetings is shown in the table overleaf. Biographical details of the current Board are given on page 37. The Directors bring strong judgement and expertise to the Board's deliberations and with diversity achieves a balance of skills and experience appropriate for the requirements of the business.

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

The role of the Board
The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is responsible for the management, governance, controls, risk management, direction and performance of the Group. There is a formal schedule of matters reserved to the Board, which includes approval of major capital expenditure projects; approval of the annual and interim results; setting annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure. The schedule of matters reserved to the Board is available on the Company's website.

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

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

The Company's various sites are visited throughout the year, with Board meetings taking place at the sites giving, in particular the Non-executive Directors, access to the Group's wider operations beyond Head Office to gain a greater understanding of the Group's activities and to show the Board's support of our colleagues throughout the Group.

Directors are expected to attend all meetings of the Board, and of the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors.

During the year, new Directors joined the Board. Dianne Thompson joined as a Non-executive Director in February 2019 and became Chairman of the Board in April 2019; she also chairs the Nomination Committee. Christopher Rogers reverted to Non-executive Director in April 2019 and also chairs the Remuneration Committee. Vijay Thakrar has served on all three Committees throughout the year and chairs the Audit Committee. Lisa Montague was appointed to the Board as an Executive Director in March 2019 and became Chief Executive Officer in April 2019. Michael Williamson was appointed to the Board as Chief Financial Officer ('CFO') in December 2019, following the resignation of Mike Gant.

Board performance and evaluation
With the new appointments made to the Board during the year, there has been no formal Board evaluation process undertaken. The Board continually reflects on its performance and will initiate a formal review process in the year ahead.

Attendance at meetings of the Board and its committees

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings	12	2	3	2
Meetings attended:				
D Thompson	11/11	2/2	3/3	2/2
C Rogers	12/12	2/2	3/3	2/2
V Thakrar	12/12	2/2	3/3	2/2
L Montague	11/11	–	–	1/1
M Gant	11/11	–	–	–
M Williamson	1/1	–	–	–

The Board scheduled monthly meetings during the year and additional meetings were convened to deal with specific matters and approval of the financial results. Since the Covid-19 pandemic, more frequent Board meetings have taken place.

Board Committees
The Board has Remuneration, Audit and Nomination Committees, each of which has written terms of reference which are available on the Company's website. The Committees are composed of the Non-executive Directors; however, whilst Christopher Rogers acted as interim Executive Chairman, by reason of his knowledge and experience, and taking into consideration the short-term tenure of his executive role, the other Committee member(s) requested he remained on the Committees for the interim period. Details of the composition of each of the Committees are included on page 43 of the Directors' Report.

The Company Secretary acts as secretary to the Committees. The Board is satisfied that the Committees discharged their responsibilities appropriately.

Independent advice
All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Board reviews its AIM obligations with its Nominated Adviser annually. In addition, the Directors have direct access to the advice and services of the Company Secretary.

Independent Directors
The Board considers that each* of the Non-executive Directors brings an independent judgement to bear. Non-executive Directors are expected to dedicate a minimum of 25 days per year, plus Committee duties. The Non-executive Directors' other time commitments are reviewed regularly.

All Non-executive Directors have contracts that contain six-month notice clauses. These are available for inspection at the Company's registered office and at the Annual General Meeting ('AGM').

* Whilst Christopher Rogers performed an Executive role from 10 October 2018 to 10 April 2019, after careful review the Board considers that due to the short-term tenure of the role, this has not affected his independence of judgement.

Further details of each of the independent Directors are set out on page 37.

Nomination Committee
The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, including consideration of the skills, knowledge and experience of the Board members. The Committee also considers the re-election of Directors retiring by rotation, manages succession planning and selects potential new Board candidates. The HR Director is invited to attend meetings, when appropriate. Where necessary, external search consultants are used to ensure that a wide range of candidates is considered. Where new Board appointments are considered, the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

Remuneration Committee
The Remuneration Committee is responsible for determining the remuneration policy and the application of the policy in relation to the Executive Directors' remuneration. In framing its policy, the Remuneration Committee may seek advice from external remuneration consultants and does take into account any factors which it deems necessary, including industry standard executive remuneration, differentials between executive and employee remuneration and differentials between executives. The remuneration of the Non-executive Directors is determined by the Board, but no Director is involved in any decisions relating to their own remuneration. Further details of the work of the Committee are contained in the Directors' Remuneration Report on page 46.

Audit Committee
The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including the appropriateness of any judgements and estimates taken in preparing the financial statements; internal and external audit functions; and internal financial control. Further details of the work of the Committee are contained in the Audit Committee Report on page 50.

Directors are subject to reappointment at the Company's AGM following the year in which they are appointed. The Company's Articles of Association stipulate that one-third of the Directors, or the nearest whole number below one-third, shall retire each year and that all Directors retire for re-election at least every third year. In line with best practice, the Board has decided to adopt voluntarily the practice that all continuing Directors submit themselves for re-election annually.

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

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

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

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

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

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

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

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

There is regular dialogue with individual institutional investors, in order to develop an understanding of their views. Presentations are made to analysts, investors and prospective investors covering the annual and interim results.

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

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

REPORT OF THE DIRECTORS

The Directors submit their Annual Report together with the audited financial statements of the Company and its subsidiary undertakings ('the Group') for the year ended 31 January 2020. The Strategic Report on pages 4 to 28 is incorporated by reference and deemed to form part of this report.

Group result
The profit before taxation amounted to £4,378,000 (2019: £5,571,000*), and profit after tax £3,723,000 (2019: £4,364,000*).

Dividends
An interim dividend of 0.52p per share was paid during the year.

As announced on 16 April 2020, in light of the Covid-19 pandemic and the Company's measures to ensure that financial resources are retained within the Company, the Directors are not recommending payment of a final ordinary dividend (2019: 3.68p per share).

Going concern and Covid-19 impact
As per the Company's announcements of 25 March and 16 April 2020, the Company responded swiftly to the Covid-19 outbreak to protect the business, its employees and other stakeholders, and temporarily closed its factories and showrooms at the beginning of lockdown. The Company continued to trade, however, serving its customers from warehouses using existing inventories and supplies from overseas and, in accordance with the gradual easing of lockdown, has in recent weeks reopened all its facilities, including factories and showrooms, taking extreme care to do so in a 'Covid-secure' way in accordance with Government guidelines. The majority of the Company's employees are now back at work (including working from home where possible) and the Company's sales during April, May and June 2020 to date have exceeded management's modelling put together as part of the Company's scenario planning (please see below).

At 31 January 2020, the Group had cash and cash equivalents of c.£3 million and a committed £12.5 million revolving credit facility to October 2024 (of which c.£1.7 million had been drawn down), together with an uncommitted £5 million accordion facility, providing total headroom of some £13.8 million against committed facilities at 31 January 2020. Subsequent to the year end, the Company increased its liquidity on a precautionary basis by obtaining a temporary overdraft facility of £2.5 million to April 2021, to complement the headroom in the existing facility.

As also announced on 25 March and 16 April 2020, the Company acted promptly and decisively to conserve cash in light of uncertainties caused by the pandemic, including suspending dividends and capital expenditure, imposing very tight controls over operating expenditure and accessing government support in the UK and overseas (such as the Job Retention Scheme and tax deferrals). Strong focus has been given to cash collections from debtors while creditors have continued to be paid. As a result, on 26 June 2020, the Company had headroom of £16 million against its banking facilities, ignoring its uncommitted accordion facility (see also note 22). The Company continues to manage its cash flows very closely going forward and there are daily cash calls involving the Executive Directors and senior management.

In assessing going concern to take account of the uncertainties caused by Covid-19, management has modelled a Management Base Case ('MBC') trading scenario on a 'bottom up' basis with input from senior managers and the Executive Directors, which shows 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 progresses 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 has also modelled increasingly stressed scenarios compared to the MBC (which assume 10% ('Mid Case') and 20% ('Low Case') sales reductions, respectively, from the MBC, along with increasingly conservative assumptions in these scenarios regarding cash collections from debtors). Under the lowest point in these stress tested scenarios (which exists during December 2020), the Company retains headroom of at least c.£7.5 million against its banking facilities for the next 13 months to July 2021 (see next paragraph).

The Company has been in regular dialogue with its bankers, Barclays, as its scenario plans have developed. It has proactively and transparently shared the aforementioned scenario models with Barclays. While they show headroom of c.£7.5 million at the lowest point in the Low Case scenario for the next 13 months, they do indicate bank covenant breaches at various testing points in the next 13 months due to the impact of Covid-19 on sales and profits in the scenarios modelled. Given the Company's track record and the steps taken in response to Covid-19, the bank has been very supportive and formal agreement has been reached with Barclays to waive the breaches shown by the scenario modelling, being the interest cover covenant condition (ratio of operating profit to interest) for the tests arising in July 2020, 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. As part of this agreement with Barclays, it has been agreed that the Company will maintain headroom in its banking facilities of at least £5 million, between 1 November 2020 and 31 July 2021. As noted above, the Company's scenario modelling shows headroom of around £7.5 million at the lowest point during our key trading period, in the Low Case scenario between now and 31 July 2021.

In addition to the above scenarios, management has run a further sensitivity, in accordance with requests from its external auditors, that further sensitises the Low Case (i.e. sustained lockdown in the UK for the next 12 months leading to sales remaining at the levels seen in May 2020), which equates to 50% sales reductions from the MBC. Management has also identified a number of mitigating actions that the Company would take to stay above the £5 million headroom throughout the period of the £5 million liquidity covenant in this scenario and shared these with the auditors.

* The LTIP charge for the year ended 31 January 2019 has been adjusted from a £661,000 credit to a £76,000 charge to correct the accounting for the prior year.

Given the unprecedented nature of the Covid-19 events, it is impossible to predict future trading and cash flows with any certainty. The actual scenarios which materialise in the period ahead will undoubtedly be different to the scenarios modelled and could be worse than modelled by even management's Low Case. In that event, 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 three months, even though the actual impact of such actions cannot be predicted with certainty at this point. Having taken into account all of the aforementioned 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 financial statements.

Business review and future developments
A review of the principal activities during the year and likely developments of the business is contained in the Strategic Report, together with key performance indicators. A description of the Group's exposure and management of risks is provided in the Strategic Report.

Section 172(1) statement
A section 172(1) statement which sets out how the Directors have had regard to the matters under s172 of CA2006 is also included in the Strategic Report on pages 33 to 35.

Financial risk management
Details of the Group's financial risk management objectives and policies are contained in the Strategic Report on page 30 and in note 2 to the financial statements.

Research and development
The Group continues to invest in its products to retain and enhance its market position. Details of the Group's expenditure on collection design development costs are set out in note 14 of the financial statements.

Directors
The Board of Directors who served during the year ended 31 January 2020 and up to the date of reporting are as follows:

Name	Position	Date	Committees*
Terry Stannard	Non-executive Director	From 01.02.2019 to 10.04.2019	**R**, **N**, A
Christopher Rogers	Executive Chairman Non-executive Director	From 01.02.2019 to 10.04.2019 From 10.04.2019	**N**, R, A **R**, N, A
Dianne Thompson	Non-executive Director Non-executive Chairman	From 01.02.2019 From 10.04.2019	R, N, A R, **N**, A
Vijay Thakrar	Non-executive Director	From 01.02.2019	**A**, R, N
Lisa Montague	Executive Director Executive Director, CEO	From 11.03.2019 From 10.04.2019	
Mike Gant	Executive Director, CFO	From 01.02.2019 to 18.12.2019	
Michael Williamson	Executive Director, CFO	From 18.12.2019	

* Bold type denotes Chair.

Details of the Directors' service contracts are set out in the Directors' Remuneration Report on pages 46 to 49, together with details of their interests in ordinary shares of the Company. No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking. Biographical details of the Directors are set out on page 37.

Appointment and retirement of Directors
Subject to applicable law, from time to time the Board may appoint any person to be a Director. Under the Articles, any such Director shall hold office until the next AGM and shall then be eligible for election. The Articles require that at each AGM one-third of the Board should retire as Directors by rotation and that each Director stand for re-election at least every third year.

In our commitment to good corporate governance practice that is relevant to our business, the Board has voluntarily adopted the policy that all continuing Directors stand for re-election on an annual basis, in line with the recommendations of the UK Corporate Governance Code 2018. At the 2020 AGM all of the Directors will retire and will offer themselves for re-election.

Directors' interests in material contracts
None of the Directors had any material interest in any contract during the year which was significant to the business of the Group.

REPORT OF THE DIRECTORS
CONTINUED

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

	1p ordinary shares 31 January 2020 Number	1p ordinary shares 31 January 2019 Number
D Thompson	**15,000**	0
C Rogers	**22,500**	22,500
V Thakrar	**7,500**	7,500

There have been no changes in the interests set out above between 31 January 2020 and 29 June 2020.

Directors' and officers' liability insurance
The Group maintains liability insurance for its Directors and officers.

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

Political donations
The Group has not made any political donations (2019: £nil).

Annual General Meeting
The AGM will be held on 29 July 2020. The notice convening the meeting will be sent to shareholders by way of a separate circular. Explanatory notes on each resolution to be proposed at the meeting will accompany the circular.

Share capital
The Company's issued capital consists of 70,983,505 ordinary shares with a nominal value of 1p each, with each share carrying the right to one vote and the right to distributions from dividends or on winding up of the Company. There are no restrictions on the transfer of securities. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Directors' authority to issue and purchase shares
At the AGM in 2018, the Directors were authorised to allot ordinary shares up to a nominal value of £233,955 and were further authorised to make market purchases of up to 7,089,551 of the Company's ordinary shares. No purchases of Company shares were made during the year. Details of shares allotted during the year are shown in note 25 to the consolidated financial statements.

Substantial shareholdings
As at 7 May 2020, the Company was aware of the following substantial shareholdings in its ordinary share capital. The percentages are calculated from the 70,983,505 ordinary 1p shares allotted, called and fully paid up. Comparatives at 7 March 2019 are shown.

Octopus Investments 12.15% (2019: 11.77%), Schroder Investment Management 8.00% (2019: 8.08%), FIL Investment International 6.9% (2019: 4.54%), Ennismore Fund Management 6.36% (2019: 5.59%), Charles Stanley 4.58% (2019: 3.62%), Revera Asset Management 4.39% (2019: 4.39%), Killick Asset Management 3.54% (2019: 5.26%), Hargreaves Lansdown 3.11% (2019: 2.75%), Investec Group 3.07% (2019: 7.59%).

Independent auditors
PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditors of the Company and a resolution to reappoint them will be proposed at the forthcoming AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

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

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

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

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

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

By order of the Board

Lisa Montague
Chief Executive Officer
29 June 2020

Registered Office
Chalfont House
Oxford Road
Denham UB9 4DX

Registered number 61880

DIRECTORS' REMUNERATION REPORT

Christopher Rogers
Chairman of the Remuneration Committee

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2020.

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

Introduction from the Chairman
The aim of this report is to provide shareholders with the information to understand the Remuneration Policy as well as its linkage to the Group's financial performance and delivery of its long-term strategy. The Remuneration Committee seeks to achieve a fair reward outcome that is linked to both the Group's results and the progress achieved in delivering the strategy.

Covid-19
This report details the remuneration of the Directors for the financial year ending 31 January 2020. With the impact of the Covid-19 outbreak and the announcement of the Government-backed Job Retention Scheme, the majority of employees were furloughed in April 2020. At this time, a three-month 20% reduction in salary was introduced across most parts of the business and the Board unanimously agreed that both the Executive and Non-executive Directors would also take a three-month 20%, non-refundable, reduction in salary with effect from 1 April 2020.

The Committee operates under the Group's agreed terms of reference, and is responsible for setting the framework and policy for the remuneration of the Executive Directors and designated senior managers. It determines specific elements of their remuneration, their contractual terms and, where necessary, compensation arrangements. In making remuneration decisions, the Committee considers the Group's overall performance against its long-term goals.

The Committee is comprised of the Non-executive Directors. The Chief Executive Officer is invited to attend meetings of the Committee, where relevant, but no Director is involved in any decisions relating to their own remuneration.

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

The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice from the HR Director and external advisers, when it considers it is appropriate. Deloitte LLP was retained during the financial year to provide independent advice to the Committee.

Remuneration policy
The Group's remuneration policy is designed to ensure that the main elements of the remuneration package are linked to the Group's annual performance and delivery of its long-term strategy as well as being appropriate in quantum and capable of attracting, motivating and retaining Executive Directors and senior managers. The policy aims to reward Executive Directors and senior managers by offering them competitive remuneration packages which are prudently constructed, sufficiently stretching and linked to long-term value creation for all stakeholders.

In particular, the Committee strives to ensure that remuneration packages are:
- aligned with the Group's strategic plan;
- aligned with shareholder interests and the performance of the Company;
- competitive and sufficiently flexible to support the recruitment and needs of the business; and
- paid in a combination of cash and shares.

The performance measurement of the Executive Directors and the determination of their annual remuneration package, including performance targets, are undertaken by the Remuneration Committee.

Remuneration Committee
The members of the Remuneration Committee during the financial year are detailed below:

Dates	Chairman	Members	
From 01.02.19 to 10.04.19	Terry Stannard	Christopher Rogers*	Vijay Thakrar
From 10.04.19 to 31.01.20	Christopher Rogers	Dianne Thompson	Vijay Thakrar

* Christopher Rogers served as interim Executive Chairman from 10 October 2018 to 10 April 2019; given his knowledge and experience, and taking into consideration the short-term tenure of his executive role, the other Committee member(s) requested he remained on the Committee for the period.

The number of meetings held during the year and the attendance at each meeting is shown in the table on page 40 of the Corporate Governance Report.

Summary of components of Executive Directors' remuneration
There are four main elements of the remuneration package for Executive Directors and other senior management:
- basic annual salary and benefits;
- annual bonus payments;
- long-term incentives; and
- pension arrangements.

Basic salary and benefits in kind
Salary is normally reviewed annually in February, or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary, including Group and individual performance, market levels of, and trends in, executive remuneration and relative pay levels within the Group. For the forthcoming year ending 31 January 2021, the Executive Directors were offered the same inflationary increase as had been awarded to most employees, which they declined to accept. The base salary for the CEO therefore remains at £340,000 per annum. The base salary for the CFO has been set at £185,000.

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

Annual performance-related bonus
The Executive Directors' remuneration package normally includes a performance-related bonus with maximum bonus potential of 100% of basic salary. The majority of the annual bonus is normally payable based on the achievement of profit targets and taking into account performance against individual objectives.

Given the impact of Covid-19 on the performance of the business, the Committee has determined that the Executive Directors will not be eligible to receive an annual bonus for the year ending 31 January 2021.

Long-Term Incentive Plan ('LTIP')
The Committee is currently undertaking a review of the long-term incentive arrangements in place to ensure that they remain appropriate to support the sustainable execution of our long-term business strategy and the creation of value for shareholders.

Dilution
All equity-based awards are subject to an overall limit on the number of new shares issued of 10% within any 10-year period. The current dilution against this limit is 3.6%.

Pensions
Lisa Montague is a member of a Group Flexible Retirement Plan ('Plan') sponsored by the Group. For the purposes of determining employer contributions to that scheme, annual performance-related bonuses are not included in the pensionable pay of the Executive Directors.

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

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

The contract for the interim Executive Chairman position was a bespoke flexible combination of basic salary and bonus that operated from 10 October 2018 and ended on 10 April 2019 on the completion of key objectives.

Termination payments
Mike Gant resigned effective 18 December 2019 and detail of the compensation he received is shown below. Mike Gant to continues to remain eligible to receive vesting from his outstanding LTIP awards. Any vesting will be at the normal time, will remain subject to the achievement of performance conditions and will be pro-rated based on time in employment.

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

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

For the forthcoming year ending 31 January 2021, the Non-executive Directors were offered the same inflationary increase as had been awarded to most employees, which they unanimously declined to accept.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Directors' remuneration

The following table summarises the total gross remuneration for the reporting period of the Directors who served during the period to 31 January 2020.

Year to 31 January 2020	Salary £000	Annual bonus £000	Compensation for loss of office £000	LTIP awards £000	Benefits in kind £000	Pension contribution £000	Cash allowance in lieu of pension contribution £000	2020 Total £000
Executive Directors								
L Montague	303	53	–	–	3	17	–	376
M Williamson	37	30	–	–	1	–		68
M Gant (resigned 18.12.19)	213	51	225	–	13	–	30	532
C Rogers* (to 10.04.19)	37	30	–	–	–	–	–	67
Non-executive Directors								
D Thompson	98	–	–	–	–	–	–	98
T Stannard	10	–	–	–	–	–	–	10
C Rogers (from 10.04.19)	38	–	–	–	–	–	–	38
V Thakrar	50	–	–	–	–	–	–	50
	786	**164**	**225**		**17**	**17**	**30**	**1,239**

* For his tenure as Executive Chairman, Christopher Rogers was eligible to receive up to 100% of the base salary earned whilst performing the Executive Chairman role, based on the achievement of specific personal objectives primarily focused on Board restructure. The total bonus earned by the interim Executive Chairman for the period of his tenure from 10 October 2018 to 10 April 2019 amounted to £76,563, and was paid at the completion of his contract.

Year to 31 January 2019	Salary £000	Annual bonus £000	Compensation for loss of office £000	LTIP awards £000	Benefits in kind £000	Pension contribution £000	Cash allowance in lieu of pension contribution £000	2019 Total £000
Executive Directors								
J Sach (up to 31.10.18)	214	–	348	45	2	–	28	637
M Gant	228	23	–	44	14	–	29	338
C Rogers (from 10.10.18 to 10.04.19)	58	47	–	–	–	–	–	105
Non executive Directors								
T Stannard	65	–	–	–	–	–	–	65
C Rogers (from 30.04.18 to 09.10.18)	21	–	–	–	–	–	–	21
V Thakrar	9	–	–	–	–	–	–	9
F Goldsmith	14	–	–	–	–	–	–	14
	609	**70**	**348**	**89**	**16**	**–**	**57**	**1,189**

For the year to 31 January 2020 the maximum annual bonus that could be earned was determined based on the Group's performance against profit targets. The portion of the bonus an individual is eligible to receive is then determined based on their performance against their individual objectives. Based on profit performance against the targets set and her individual performance against objectives, the Committee determined that the CEO should be awarded an annual bonus of £52,598 in respect for the year. The annual bonus is normally paid in cash. However, in light of the impact of Covid-19 on the business, the Committee determined that, to support ongoing alignment with shareholders and in order to conserve cash, it was appropriate to grant the CEO an award of shares instead. The number of shares to be awarded will be determined based on the six-month average share price to 26 June 2020 of 56p. This price was higher than the share price on the date of award, meaning that the value of shares awarded was around 30% lower than the bonus earned based on the price on the date of award. The Committee felt this approach was appropriate to reflect the recent share price performance. These shares will vest on the announcement of the Preliminary results for FY2020/21.

Michael Williamson was appointed as Interim Group Chief Financial Officer and took up office on 18 December 2019. He was employed on a fixed-term contract for six months and would earn £125,000 paid in six equal monthly instalments. He was eligible to receive a discretionary bonus of £50,000 based upon key deliverables. This contract was terminated on 25 February 2020, when Michael took up the offer of permanent employment as Group Chief Financial Officer. Michael earned a bonus of £30,000 related to the achievement of key objectives set by the Remuneration Committee and in accordance with the terms of his fixed-term contract.

Directors' LTIP awards

	Date of grant	Share price at grant	Maximum awards at 1 February 2019	Granted in year	Exercised in year	Lapsed in year	Maximum awards at 31 January 2020
L Montague	21/11/2019	77.0p	0	662,337	0	0	662,337
M Gant	21/11/2019	77.0p	0	377,532	0	(363,409)	14,123

Mike Gant has two outstanding LTIP grants, being the 2017 and 2019 awards, which will be pro-rated against the date he ceased to be an Executive Director.

In accordance with the rules of the LTIP, which was approved by shareholders at the 2015 AGM, shares awarded will vest three years after the date of grant subject to continued service and the extent to which relevant performance conditions are achieved.

The LTIP award granted in 2016 was due to vest on 1 December 2019. The performance conditions attached to this award were based both on compound growth in adjusted earnings per share ('EPS')* and relative total shareholder return ('TSR') against a comparator group of AIM companies. The comparator group chosen was the AIM companies ranked 101 to 200 by market capitalisation as at the day preceding the respective date of grant and the relevant TSR measurement was on a sliding scale, with no vesting unless the Company reached at least median position within the comparator group. The performance of the Company over the three-year measurement period did not meet the threshold levels set, therefore all awards lapsed.

The performance conditions for the 2017 award are also a mixture of compound growth in relative TSR against a comparator group of AIM companies, and an EPS measurement. The EPS element is based on an absolute adjusted EPS* for the period ending 31 January 2020. For TSR, the comparator group chosen was the AIM companies ranked 101 to 200 by market capitalisation as at the day preceding the respective date of grant. The relevant TSR measurement is on a sliding scale, with no vesting until the Company reaches at least median position within the comparator group. The date of the grant was 20 August 2017 and therefore the performance period for TSR has not yet ended.

The performance conditions for the 2019 award are also a mixture of compound growth in relative TSR and targets set for the financial performance of the Company for the financial year ending 31 January 2022. 25% of the award is against a measurement of TSR of the Company against a comparator group of companies chosen from the retail and home goods sector, and 75% of the award is measured against targets set for the financial performance of the Company based on (i) earnings per share, (ii) revenue and (iii) free cash flow measurements, split 25% each.

The performance thresholds for each award are not disclosed as they are commercially sensitive, but represent outperformance to the market consensus current at the dates of grant.

The share price reached a high of 91.0p and a low of 56.2p during the financial year ended 31 January 2020. The share price on 1 February 2019 was 86.5p and on 31 January 2020 it was 74.5p.

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

Total shareholder return index for the five financial years ending 31 January 2020

Christopher Rogers
Chairman of the Remuneration Committee
29 June 2020

AUDIT COMMITTEE REPORT

Vijay Thakrar
Audit Committee Chairman

Membership
The Committee is comprised solely of independent Directors, being myself as Chairman and the other Non-executive Directors, Dianne Thompson and Chris Rogers. Terry Stannard was an Audit Committee member until he stepped down from the Board as a Non-executive Director on 10 April 2019. The Board is satisfied that I have significant and relevant experience to chair the Audit Committee in line with the Code.

Roles and responsibilities
The role of the Committee is to support the Board in carrying out its responsibilities for oversight and governance of the Group's financial reporting, its key internal controls/risk management systems and the relationship with the external auditors. In this context, the Audit Committee's responsibilities are to:

- Monitor the integrity of the financial statements of the Company, reviewing any significant reporting issues and judgements they contain.
- Review the clarity of disclosure and information contained in the Annual Report and Accounts.
- Challenge management on the effectiveness of the Group's internal control and risk management systems.
- Oversee the relationship with the external auditors, reviewing performance and advising the Board on their appointment, independence and remuneration.
- Monitor the statutory audit of the Annual Report and financial statements.
- Ensure appropriate arrangements are in place for individuals to raise concerns regarding breach of conduct and legal and regulatory compliance. A copy of the policy is available on the corporate intranet.

The full terms of reference for the Committee can be found on the Company's website.

Meetings
The Committee meets twice a year, in the spring and autumn, being the appropriate time to review the Annual Report and Accounts and the Interim Report respectively, and also to plan for the year ahead. At meetings the findings of the external audit are discussed and key risks are reviewed with management and the auditors, including how management are mitigating the key risks.

Each meeting is attended by the Committee's members as well as, by invitation, the Executive Directors and the external auditors. A record of the meeting attendance by Committee members is set out in the Corporate Governance Report on page 40.

At each meeting, the Audit Committee held a private meeting with the external auditors, PricewaterhouseCoopers LLP ('PwC'), without management being present, in order to receive feedback from them.

The Committee is kept up to date with changes to accounting standards and developments in financial reporting, company law and other regulatory matters through attendance at external technical presentations and updates from the external auditors and the Company Secretary.

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

Financial reporting
The Committee reviewed the Annual and Interim Reports, including the significant financial reporting issues and judgements contained therein. The Committee confirms that appropriate accounting standards have been applied and that the financial statements give a true and fair view and the disclosures made are balanced. In reaching this conclusion, the Committee gave due regard to a report prepared by the external auditors which included significant reporting and accounting matters, summarised below.

Appointment of tax advisers
In order to mitigate the threats to PwC's independence as auditors, a tendering exercise was undertaken involving a number of leading firms in the year for provision of tax compliance and advisory services to the Group. As a result, KPMG were appointed as the Group's tax advisers during early 2020 and PwC will no longer perform any tax-related work for the Group.

Key accounting estimates and judgements
The major accounting issues discussed by the Committee with the auditors and management in relation to the performance in the financial year to 31 January 2020 were as follows:

Going concern and impact of Covid-19
The Group's and Company's ability to continue as a going concern has been discussed extensively by the Audit Committee and the Board as a whole with management and PwC, with particular emphasis on the impact of Covid-19. As set out in the Directors' Report (see page 42), management has taken measures to conserve cash and modelled various stress tested trading/cash flow scenarios, which have been shared with the Group's bankers and auditors. These have been reviewed by the Audit Committee and Board, and the Board's conclusion as a whole is set out in the Directors' Report at page 43. In addition, the Audit Committee has discussed with management and PwC appropriate disclosures relating to the Group's funding position – please see notes 22 and 33.

Furthermore, the Audit Committee reviewed with PwC the appropriateness of management's accounting and disclosures in relation to the impact of Covid-19 and key judgements with regards to it being a non-adjusting post-balance sheet event.

Inventory
Due to the significant quantum of stock held there is an ongoing focus by management on inventory levels. Inventory is discussed at both Board and Audit Committee level. Management applies a consistent provisioning methodology. There is also an additional management judgement overlay based on specific factors. The continuing appropriateness of the provisioning methodology is tested by both management and the auditors.

The Committee reviewed the appropriateness of management's accounting in relation to each of these significant risks and PwC reported to the Committee on the work performed in assessing each during their audit. Details of this work are provided in PwC's Auditors' Report on pages 53 to 57. In addition, the impact of Covid-19 on the Group's inventory provisions (see note 33) was discussed.

Receivables
The Committee has had extensive discussions with management on the recoverability of the Group's debtors in light of Covid-19, including controls and procedures over cash collections. As a result, specific focus has been put by management on debtor collections and credit control, for both historic debtor balances and new amounts created since the Covid-19 pandemic affected the Group.

Non-underlying income and expenses
The Committee reviewed the appropriateness of management's split of income and expenses in the consolidated Income Statement between underlying and non-underlying and the relevant disclosures to provide sufficient transparency. Items that are both material and whose nature is sufficient to warrant separate disclosure and identification as non-underlying were discussed with the auditors. Non-underlying items typically include amounts in relation to acquisitions, unexpected external events, significant restructuring and reorganisation or material one-off accounting charges. Refer to the Chief Financial Officer's review on page 27 and note 6 to the accounts.

Adoption of new accounting standard IFRS 16
The Committee considered management's adoption of the new accounting standard IFRS 16 'Leases', which has been audited by PwC.

IFRS 16 has been adopted on a modified retrospective basis. The impact of adopting this accounting standard has been booked in the current financial year and the prior year results have not been restated. The key difference is for almost all leases to be recognised 'on balance sheet' with a lease liability and corresponding right-of-use asset. The impact of adopting IFRS 16 in the current year to profit before tax is an increase of £26,000 and an increase of £9,587,000 to both assets and liabilities.

Internal controls and risk management
Management have an ongoing process to identify, evaluate and manage the risks faced by the Group. The Committee reviews and discusses this process with management. Each business unit reports monthly on key risks identified and measures that are being taken to mitigate the risk. The Strategic Report includes further detail as to the business risks identified and actions being taken.

The Company has an established internal control framework, the key factors of which include a comprehensive monthly reporting process, regular business performance review, authorisation limits, monthly reconciliations and a comprehensive budgeting process. All significant capital expenditure is approved by the Board.

External audit
The Committee has primary responsibility for making a recommendation to the Board on the appointment, reappointment and removal of the external auditors. The Committee considers a number of areas in discharging this responsibility, including the scope of the audit and terms of engagement, the auditors' performance in executing the audit, their independence and objectivity and their remuneration.

The external auditors report to the Committee on actions taken to comply with professional and regulatory requirements, including independence, and are required to rotate the lead audit partner every five years.

AUDIT COMMITTEE REPORT CONTINUED

PwC provision of other non-audit services is restricted to tax compliance and advisory services for our operations in Ireland. To ensure auditor objectivity and independence, the Committee has adopted a policy on the engagement of external auditors for the provision of non-audit services, which include financial limits above which the Audit Committee must pre-approve. The policy is available on the website.

Any work by PwC where the fees are likely to be in excess of £10,000 above the agreed annual audit fees must be pre- approved by the Audit Committee before the work commences. Details of fees paid to PwC during the year are disclosed in note 8 of the financial statements.

At its meetings, the Committee had discussions with the external auditors on audit planning, fees, accounting policies, audit findings and internal controls. This included a review with the auditors and management on how management are addressing control recommendations made by the auditors. The effectiveness of the audit was assessed through the review of audit plans, reports and conclusions and through discussions with management and the external auditors.

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

Vijay Thakrar
Audit Committee Chairman
29 June 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC

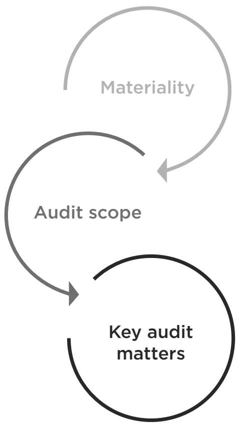
Report on the audit of the financial statements
Opinion
In our opinion:
- Walker Greenbank PLC's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2020 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the 'Annual Report'), which comprise: the Consolidated and Company Balance Sheets as at 31 January 2020, the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach
Overview



- Overall Group materiality: £557,000 (2019: £475,000), based on 0.5% of revenue.
- Overall Company materiality: £461,000 (2019: £431,000), based on 0.5% of total assets.

- Following our assessment of the risks of material misstatement of the Group financial statements we identified specific sites, divisions and balances to audit.
- We performed audits of the complete financial information of Walker Greenbank PLC, Brands divisions in the UK, Anstey manufacturing and Standfast manufacturing.
- In addition, the Group engagement team audited certain centralised functions, including those covering corporate taxation, goodwill and intangible asset impairment assessments.
- The components on which audits of the complete financial information and centralised work were performed accounted for 86% of Group revenue and 74% of adjusted underlying profit before tax.

- Inventory provision (Group)
- Going concern and Covid-19 impact (Group and company)

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC CONTINUED

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Adequacy of inventory provision *Refer to the Chief Financial Officer's review on page 26, the critical accounting estimates and judgements in note 3 to the accounts on page 76, and note 18 (Inventories).* The Group has material inventory provisions on a material level of inventory. The provision is calculated based on a number of factors including whether the inventory lines are classed as discontinued, the inventory age and the inventory sales history. There is additional management judgement overlay in relation to the inventory provision based on specific factors.	We have understood and challenged the appropriateness of management's provisioning method and reviewed the consistency of application. We performed 'look back' testing on the prior year inventory provision to establish how accurate the provision was and considered historical sales to support management's conclusions. We agreed that the Group has consistently applied the provisioning methodology and that this has been accurately calculated. We performed testing to see if inventory was sold for less than its carrying value during the year and after year end to determine if there was an issue with realisable value. This did not indicate any material understatement in the provisioning level.
Going concern and Covid-19 impact *Refer to the Report of the Directors on page 42, the basis of preparation in note 1 and the critical accounting estimates and judgements in note 3.* During the course of the latter stages of finalisation of the financial statements, the potential impact of Covid-19 became significant. As a result, management invested a significant amount of time to fully consider the implications on the Group. This work was reviewed by the Board and Audit Committee. In order to conclude that it is appropriate for the financial statements to be drawn up on a going concern basis and on the viability of the Group, management performed a detailed bottom-up analysis of the impact of Covid-19 for the Group's going concern assessment. This considered a base case scenario and stress tested scenarios, both a mid case and low case, for trading performance and liquidity including possible mitigations. In doing so, management made estimates and judgements that are critical to the outcome of these considerations. This analysis was used in conjunction with an assessment of the Group's liquidity and consideration of loan covenants, and the bank waiver obtained.	We assessed both the base case going concern model prepared by management, and the adjustments, which were used to sensitise the base case model for the mid case and low case. In addition, we considered the historical accuracy of the budgeting process to assess the reliability of the process. We discussed the underlying assumptions used in the model with management. This included consideration of trading performance since the UK lockdown. We challenged these assumptions based on our understanding of the business. In addition to the above, we requested management to run a further sensitivity for a more severe scenario that would further sensitise the low case (with an assumption of sustained lockdown in the UK for the next 12 months leading to sales remaining at the levels seen in May 2020 during that period). We also examined the mitigating actions management might take in the above scenarios and assessed whether they were achievable and within management's control, and how these actions impacted these scenarios. We reviewed the written confirmation from the lenders that financial covenants (interest cover and leverage) will be waived in the event they are breached when tested during the next 12 months, and replaced by a liquidity covenant that available headroom in the facility needs to remain above £5 million between 1 November 2020 and 31 July 2021. We reviewed management's analysis of the interest cover covenant condition, leverage cover covenant condition and where replaced with the liquidity covenant condition, based on the above scenarios, and satisfied ourselves that any forecast breaches of the covenants were appropriately waived over the period of assessment. Our conclusions relating to going concern are set out later in this report.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We have performed full scope audits of all of the significant divisions within the Group. Following our assessment of the risks of material misstatement of the Group financial statements we performed audits of the complete financial information of Walker Greenbank PLC Company, Brands, Anstey manufacturing and Standfast manufacturing. In addition, the Group engagement team audited certain centralised functions, including those covering corporate taxation, goodwill and intangible asset impairment assessments. The components on which audits of the complete financial information and centralised work were performed accounted for 86% of Group revenue and 74% of adjusted underlying profit before tax.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	*Company financial statements*
Overall materiality	£557,000 (2019: £475,000).	£461,000 (2019: £431,000).
How we determined it	0.5% of revenue.	0.5% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, revenue is the most consistent measure used by the shareholders in assessing the performance of the Group, is a generally accepted auditing benchmark and given fluctuations in profit measures (both underlying and statutory) has been adopted in the current year.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £350,000 and £500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £50,000 (Group audit) (2019: £50,000) and £50,000 (Company audit) (2019: £50,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WALKER GREENBANK PLC CONTINUED

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 January 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit
Responsibilities of the Directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

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

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

We have no exceptions to report arising from this responsibility.

David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
1 July 2020

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 JANUARY 2020

		2020			2019		
	Note	**Underlying £000**	**Non-underlying (note 6) £000**	**Total £000**	Underlying £000	Non-underlying (note 6) £000	Total £000
Revenue	4,5(a)	**111,453**	**–**	**111,453**	113,286	–	113,286
Cost of sales		**(43,324)**	**–**	**(43,324)**	(45,312)	(436)	(45,748)
Gross profit/(loss)		**68,129**	**–**	**68,129**	67,974	(436)	67,538
Net operating expenses:							
Distribution and selling expenses		**(22,921)**	**–**	**(22,921)**	(23,054)	–	(23,054)
Administration expenses*		**(43,713)**	**(2,075)**	**(45,788)**	(41,420)	(2,824)	(44,244)
Net other income	7	**5,268**	**90**	**5,358**	5,611	–	5,611
Profit/(loss) from operations*	4–8	**6,763**	**(1,985)**	**4,778**	9,111	(3,260)	5,851
Finance income		**3**	**–**	**3**	23	–	23
Finance costs		**(403)**	**–**	**(403)**	(303)	–	(303)
Finance costs – net	9	**(400)**	**–**	**(400)**	(280)	–	(280)
Profit/(loss) before tax*		**6,363**	**(1,985)**	**4,378**	8,831	(3,260)	5,571
Tax (expense)/income	12	**(929)**	**274**	**(655)**	(1,799)	592	(1,207)
Profit/(loss) for the year attributable to owners of the parent*		**5,434**	**(1,711)**	**3,723**	7,032	(2,668)	4,364
Earnings per share – Basic*	13			**5.24p**			6.15p
Earnings per share – Diluted*	13			**5.20p**			6.15p
Adjusted earnings per share – Basic	13			**9.26p**			10.80p
Adjusted earnings per share – Diluted	13			**9.19p**			10.80p

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

All of the activities of the Group are continuing operations.

The notes on pages 63 to 101 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2020

	Note	2020 £000	2019 £000
Profit for the year*		**3,723**	4,364
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension schemes	23	**2,727**	(2,696)
Corporation tax credits recognised in equity		**–**	63
(Reduction)/increase of deferred tax asset relating to pension scheme liability		**(558)**	402
Total items that will not be reclassified to profit or loss		**2,169**	(2,231)
Items that may be reclassified subsequently to profit or loss			
Currency translation (losses)/gains		**(156)**	116
Total items that may be reclassified subsequently to profit or loss		**(156)**	116
Other comprehensive income/(expense) for the year, net of tax		**2,013**	(2,115)
Total comprehensive income for the year attributable to the owners of the parent*		**5,736**	2,249

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

The notes on pages 63 to 101 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 JANUARY 2020

	Note	2020 £000	2019 £000
Non-current assets			
Intangible assets	14	**29,815**	30,816
Property, plant and equipment	15	**14,101**	15,227
Right-of-use assets	16	**8,392**	–
		52,308	46,043
Current assets			
Inventories	18	**28,456**	28,020
Trade and other receivables	19	**20,543**	18,857
Cash and cash equivalents	20	**3,055**	2,415
		52,054	49,292
Total assets		**104,362**	95,335
Current liabilities			
Trade and other payables	21	**(22,940)**	(21,839)
Lease liabilities	16	**(2,810)**	–
Borrowings	22	**(1,719)**	(1,981)
		(27,469)	(23,820)
Net current assets		**24,585**	25,472
Non-current liabilities			
Lease liabilities	16	**(5,603)**	–
Deferred income tax liabilities	17	**(802)**	(970)
Retirement benefit obligation	23	**(5,659)**	(9,663)
		(12,064)	(10,633)
Total liabilities		**(39,533)**	(34,453)
Net assets		**64,829**	60,882
Equity			
Share capital	25	**710**	710
Share premium account		**18,682**	18,682
Foreign currency translation reserve		**(565)**	(409)
Retained earnings		**5,495**	1,392
Other reserves		**40,507**	40,507
Total equity		**64,829**	60,882

The financial statements on pages 63 to 101 were approved by the Board of Directors on 29 June 2020 and signed on its behalf by

Lisa Montague
Director

Michael Williamson
Director

Registered number: 61880

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JANUARY 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Cash generated from operations	28	**9,588**	12,629
Interest paid		**(564)**	(293)
Corporation tax paid		**(798)**	(784)
Net cash generated from operating activities		**8,226**	11,552
Cash flows from investing activities			
Interest received		**17**	23
Purchase of intangible assets	14	**(736)**	(709)
Purchase of property, plant and equipment	15	**(1,752)**	(2,293)
Proceeds from disposal of property, plant and equipment		**77**	220
Net cash used in investing activities		**(2,394)**	(2,759)
Cash flows from financing activities			
Payment of lease liabilities		**(2,735)**	–
Dividends paid to Company's shareholders		**(2,179)**	(3,102)
Net cash used in financing activities		**(4,914)**	(3,102)
Net increase in cash and cash equivalents		**918**	5,691
Cash and cash equivalents and bank overdraft at beginning of year		**434**	(5,263)
Effect of exchange rate fluctuations on cash held		**(16)**	6
Cash and cash equivalents and bank overdraft at end of year	29	**1,336**	434

The notes on pages 63 to 101 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2020

	Attributable to owners of the parent						
				Other reserves			
	Share capital (note 25) £000	Share premium account £000	Retained earnings £000	Capital reserve (note 26) £000	Merger reserve £000	Foreign currency translation reserve £000	Total equity £000
Balance at 1 February 2018	**709**	**18,682**	**2,420**	**43,457**	**(2,950)**	**(525)**	**61,793**
Profit for the year*	–	–	4,364	–	–	–	4,364
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes (note 23)	–	–	(2,696)	–	–	–	(2,696)
Corporation tax credits recognised in equity	–	–	63	–	–	–	63
Deferred tax relating to pension scheme liability	–	–	402	–	–	–	402
Currency translation differences	–	–	–	–	–	116	116
Total comprehensive income*	**–**	**–**	**2,133**	**–**	**–**	**116**	**2,249**
Transactions with owners, recognised directly in equity:							
Dividends	–	–	(3,102)	–	–	–	(3,102)
Allotment of share capital	1	–	–	–	–	–	1
Long-term incentive plan charge*	–	–	76	–	–	–	76
Long-term incentive plan vesting	–	–	(135)	–	–	–	(135)
Balance at 31 January 2019	**710**	**18,682**	**1,392**	**43,457**	**(2,950)**	**(409)**	**60,882**

	Attributable to owners of the parent						
				Other reserves			
	Share capital (note 25) £000	Share premium account £000	Retained earnings £000	Capital reserve (note 26) £000	Merger reserve £000	Foreign currency translation reserve £000	Total equity £000
Balance at 1 February 2019	**710**	**18,682**	**1,392**	**43,457**	**(2,950)**	**(409)**	**60,882**
Profit for the year	–	–	3,723	–	–	–	3,723
Other comprehensive income/(expense):							
Remeasurements of defined benefit pension schemes (note 23)	–	–	2,727	–	–	–	2,727
Deferred tax relating to pension scheme liability	–	–	(558)	–	–	–	(558)
Currency translation differences	–	–	–	–	–	(156)	(156)
Total comprehensive income	**–**	**–**	**5,892**	**–**	**–**	**(156)**	**5,736**
Transactions with owners, recognised directly in equity:							
Dividends	–	–	(2,179)	–	–	–	(2,179)
Long-term incentive plan charge	–	–	390	–	–	–	390
Balance at 31 January 2020	**710**	**18,682**	**5,495**	**43,457**	**(2,950)**	**(565)**	**64,829**

* See note 34 for explanation of adjustment for the year ended 31 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies and general information

General information

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

Basis of preparation

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

The Group meets its day-to-day working capital requirements through its banking facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities as disclosed in note 22.

A key accounting judgement for the year ended 31 January 2020 is the adoption of the going concern basis of preparation. This is described further in note 3. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Non-underlying items

Items that are both material and whose nature is sufficient to warrant separate disclosure and identification are disclosed within the financial statements and classified within their relevant category in the Income Statement as non-underlying. Non-underlying items typically include amounts in relation to acquisitions, unexpected external events, significant restructuring and reorganisation or material one-off accounting charges.

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

In preparing these financial statements the Group has applied the IFRSs as adopted by the EU and the IFRS IC interpretations where the effective date is relevant to the financial year commencing on 1 February 2019 or ending 31 January 2020.

Adoption of new and revised accounting standards and interpretations

Since the Group's previous annual financial statements for the year ended 31 January 2019, the Group has applied IFRS 16 'Leases'.

The Group has not applied the following new standards for which adoption is not mandatory for the year ending 31 January 2020:

- IFRS 17 'Insurance Contracts' – effective periods beginning on or after 1 January 2022.

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. IFRS 16 introduced a single, on-balance sheet accounting model for leases. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying leased assets and lease liabilities representing its obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective transition approach, whereby the initial right-of-use asset values were equal to the present value of the remaining lease payments, discounted at the rate implicit in each lease, or the Group's incremental borrowing rate if this was not readily determinable. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 February 2019 was 2.57%.

1. Accounting policies and general information continued

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, vehicles, plant and machinery. Prior to the adoption of IFRS 16, leases of property, plant and machinery were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were previously charged to the Income Statement on a straight-line basis over the period of the lease.

Upon adoption of IFRS 16, the Group elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or amended on or after 31 January 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the date of transition, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value (<£3,000 ('low-value assets')).

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. The right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the transition date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis, and are subject to and reviewed regularly for impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments (including any initial direct costs incurred) less any lease incentives receivable and variable lease payments that depend on an index or rate. Any variable or lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. Additionally, the carrying amount of lease liabilities is remeasured if there is any relevant contractual change made to the lease such as changes to the lease term or payment profile. Interest charges are included within finance costs within the Income Statement.

Lease term

Extension and termination options are included in a number of property and vehicle leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

1. Accounting policies and general information continued

Accounting impact on the Consolidated Balance Sheet

The impact of IFRS 16 on the Consolidated Balance Sheet as at 1 February 2019 (the date of transition) is the recognition of the following items:

	1 February 2019 £000
Assets	
Non-current assets	9,785
Analysed as right-of-use assets related to:	
Properties	8,090
Motor vehicles	716
Plant and machinery	979
Current assets	
Prepayments (within trade and other receivables)	(198)
Total impact on assets	9,587
Current liabilities	
Lease liabilities (under one year)	(2,506)
Non-current liabilities	
Lease liabilities (more than one year)	(7,081)
Total impact on liabilities	(9,587)
Total impact on net assets	–

The following table provides a reconciliation from the total operating lease commitment as disclosed at 31 January 2019 to the total lease liabilities recognised in the Consolidated Balance Sheet in the financial statements immediately following transition:

	Properties £000	Plant and machinery £000	Motor vehicles £000	Total £000
Operating lease commitments at 31 January 2019*	8,356	1,012	709	10,077
Add: payments due in periods covered by extension options (which management believe to be reasonably certain)	274	11	19	304
Less: short-term leases	(124)	(14)	(59)	(197)
Less: impact of discounting at the date of transition	(496)	(60)	(41)	(597)
Total lease liabilities recognised at the date of transition	8,010	949	628	9,587
Of which:				
Current lease liabilities (under one year)	1,933	279	294	2,506
Non-current lease liabilities (more than one year)	6,077	670	334	7,081
Total lease liabilities recognised at the date of transition	8,010	949	628	9,587

* Plant and machinery and motor vehicles were classified as 'other' within note 29b of the 2019 Annual Report.

1. Accounting policies and general information continued

Accounting impact on the Consolidated Income Statement

Save for short-term and low-value leases, the Group has recognised depreciation and interest costs in respect of leases that were previously classified in the Consolidated Income Statement for the period, rather than rental charges. The accounting impact on the Consolidated Income Statement was as follows:

	12 months to 31 January 2020		
	Before IFRS 16 application £000	IFRS 16 application £000	As reported £000
Revenue	111,453	–	111,453
Cost of sales	(43,324)	–	(43,324)
Gross profit	68,129	–	68,129
Net operating expenses:			
Distribution and selling expenses	(22,921)	–	(22,921)
Administration expenses	(46,059)	271	(45,788)
Net other income	5,358	–	5,358
Profit from operations	4,507	271	4,778
Finance costs	(155)	(245)	(400)
Profit before tax	4,352	26	4,378
Tax expense	(655)	–	(655)
Profit for the period attributable to owners of the parent	3,697	26	3,723

Accounting impact on the Consolidated Cash Flow Statement

The adjustments to the Consolidated Income Statement and Balance Sheets described above do not affect the cash balances. However, under IFRS 16 the Group separates the total amount paid for leases within the Consolidated Cash Flow Statement into a capital payment (presented within investing activities) and interest (presented within operating activities). Under IAS 17 operating lease payments were all shown under operating activities. Consequently, there is no change to the Group's net cash flow.

Basis of consolidation

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

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

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

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

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

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

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

1. Accounting policies and general information continued

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

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

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

The financial statements of the Company as an entity are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 and are presented separately from the consolidated financial statements (pages 102 to 117).

Revenue

The Group derives its revenue principally from the following:

- Design, manufacture and sale of home furnishings e.g. wallpaper, fabrics and ancillary interior products.
- Licensing arrangements. These comprise a combination of both minimum guaranteed incomes and time and sales-based royalties receivable from licensing partners under contracts for the licensing of our products and designs.

Deposits received from customers in advance of the delivery of goods or services are recognised as deferred revenue. Amounts receivable from customers representing the recovery of expenses incurred by the Group for design and set-up costs, delivery and marketing materials are not considered to be revenue, and are credited to the relevant expense within the Income Statement. Revenue and cost of sales are adjusted for expected returns values, which are estimated on historical returns experience. A refund liability is recognised within 'trade and other payables', and the asset to be recovered is recognised within stock. The validity of the historical data and assumptions and estimates are assessed at each reporting date.

Fixed minimum guaranteed income amounts receivable under multi-year licensing agreements from licensing partners are recognised from the point the licence, and hence control, has transferred to the licensee, provided there are no further performances obligation to fulfil, and the recoverability of the income is deemed highly probable. The income will be recognised as revenue and accrued income will reduce as the balance is settled.

Carriage costs relating to the delivery of the supply of goods are classified within 'revenue' as these are contractual sales of distinct services with a separate performance obligation from which consideration is received.

Consideration received from the sale of marketing materials and additional services to support the sale of the Group's core products are classified within 'Net other income', as these represent income from the supply of non-core products and services.

Foreign currencies

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

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

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

Intangible assets – Goodwill

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

1. Accounting policies and general information continued

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

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

Intangible assets – Arthur Sanderson and William Morris Archive

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

Intangible assets – Software

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

Intangible assets – Collection design

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

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

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

Intangible assets – Brands

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

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

Intangible assets – Customer-related intangibles

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

Customer-related intangibles acquired as part of a business combination are valued at fair value. Customer-related intangibles acquired separately are measured at cost. Customer-related intangibles are amortised on a straight-line basis over the remaining useful life of the customer relationships, currently being six years.

1. Accounting policies and general information continued

Property, plant and equipment

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

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

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

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

Impairment of non-financial assets

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

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

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

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

Inventories

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

Marketing materials

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

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

As books are sold or otherwise utilised and are no longer within the control of the Group, their cost is charged to the Income Statement as an expense. An impairment allowance is made for any slow-moving and obsolete marketing materials including those expected to be given away free of charge. The Group's policy is to classify marketing materials on the Balance Sheet within trade and other receivables. Non-saleable marketing materials are expensed to the Income Statement once the collection that these marketing materials relate to has been launched. Any subsequent costs or development expenditure are expensed as incurred.

Trade and other receivables

Trade and other receivables are initially measured at fair value, which for trade receivables is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at amortised cost less any provision for impairment losses including expected credit losses. In accordance with IFRS 9 the Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics such as the ageing of the debt and the credit risk of the customers. An historical credit loss rate is then calculated for each group and then adjusted to reflect expectations about future credit losses. The Group does not have any significant contract assets.

1. Accounting policies and general information continued

Financial assets and liabilities – measurement basis

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

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

- 'trade and other receivables' – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods directly to a customer, or advances money, with no intention of trading the loan or receivable. Trade receivables are recognised initially at the amount of consideration that is unconditional. Subsequent to initial recognition, loans and receivables are included in the Balance Sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in the carrying amount recognised in the Income Statement within distribution and selling or administration expenses.

  The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 January 2020 or 1 February 2020 respectively and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

  We use historical credit loss experience for trade receivables to estimate the lifetime expected credit losses as relevant. We apply specific fixed provision rates depending on the number of days that a receivable is past due. We group historical credit loss experience for different customer segments, being customer rating and type of customer. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the Income Statement within distribution and selling expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution and selling expenses in the Income Statement.

- 'cash and cash equivalents' – these comprise deposits with an original maturity of three months or less with banks and financial institutions, bank balances, bank overdrafts with the right of offset and cash in hand.

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

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

Derivative financial instruments and hedge accounting – measurement basis

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

1. Accounting policies and general information continued

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

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

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

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

Cash and cash equivalents

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

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

Offsetting financial assets and liabilities

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

Leases

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

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

Employee benefits – retirement benefit obligations

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies and general information continued

Employee benefits – share-based payments under Long-Term Incentive Plans ('LTIP')

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

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

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

Employee benefits – short-term bonus plans

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

Share capital

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

Share premium

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

Treasury shares

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

Taxation including deferred income tax

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

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

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

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

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

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

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

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

Reportable segments consist of one or more operating segments. Aggregation of operating segments into reportable segments occurs when aggregation criteria, as laid down in IFRS 8 'Operating Segments' are satisfied, including similar economic characteristics or when operating segments are less than the quantitative limits as laid down in IFRS 8.

The Group considers its Chief Operating Decision Maker ('CODM') to be the Board of Directors, who are responsible for the allocation of resources and assessing performance of the operating segments.

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

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

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

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

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

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

For the year ended 31 January 2020, the average sterling to US dollar translation rate applied by the Group was £1: US$1.28. If the rate had been £1: US$1.18 with all other variables held constant, profit before tax would have been lower by £262,000. If the rate had been £1: US$1.38 with all other variables held constant, profit before tax would have been higher by £224,000.

For the year ended 31 January 2020, the average sterling to euro translation rate applied by the Group was £1: €1.14. If the rate had been £1: €1.04 with all other variables held constant, profit before tax would have been lower by £56,000. If the rate had been £1: €1.24 with all other variables held constant, profit before tax would have been higher by £47,000.

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

2. Financial risk management continued

b) Interest rate risk

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

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

In October 2019, the Group renewed its multi-currency revolving credit facility with Barclays Bank PLC for a further five-year period. Variable interest rates were negotiated on all the loans. The Board continues to monitor the interest rates monthly.

For the year ended 31 January 2020, had the benchmark interest rate levels been 0.5% higher/(lower) than the actual experience, with all other variables held constant, the profit before tax of the Group would have been (lower)/higher by £15,000 due to the change in interest rate expense on variable rate borrowings. The 0.5% sensitivity is deemed a reasonable sensitivity analysis based on expected movements in the base rate for the next financial year.

c) Credit risk

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

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

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

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

d) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The maturity profile of the Group's debt and other financial liabilities is disclosed in note 24.

During the year the Group had facilities with Barclays Bank PLC which are disclosed in note 22.

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

e) Capital risk management

The Group's objectives when managing capital are:

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

2. Financial risk management continued

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

The Group monitors capital on the basis of the average net debt to adjusted capital ratio (or 'gearing ratio'). The ratio is calculated as average net debt divided by adjusted capital. Average net debt is calculated as the total debt less cash and cash equivalents during the year. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained earnings, and other reserves) other than amounts recognised in equity relating to cash flow hedges and forward currency contracts. The average gearing ratios for 2020 and 2019 were as follows:

	Year ended 31 January	
	2020 **£000**	2019 £000
Average net debt	**3,790**	8,211
Total equity	**64,829**	60,882
Average net debt to adjusted capital ratio	**5.8%**	13.5%
Year-end net (funds)/debt to adjusted capital ratio	**(1.9)%**	(0.7)%

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

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

f) Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the Balance Sheet date provided by relationship banks. Under the revisions to IFRS 7 these amounts are classified within Level 2 of the fair value hierarchy.

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

3. Critical accounting estimates and judgements

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

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

a) Retirement benefit obligations

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Details of the estimates and assumptions applied, and carrying amounts of retirement benefit obligations and pension assets, are set out in note 23.

In the prior year, following a High Court judgement in October 2018, the estimated costs of equalising UK pension benefits for men and women in relation to Guaranteed Minimum Pensions ('GMP') was recognised as a past service charge.

3. Critical accounting estimates and judgements continued

b) Impairment of non-financial assets

The Group tests annually whether goodwill or its indefinite life intangible asset has suffered any impairment, in accordance with its accounting policy. Other intangibles and property, plant and equipment are also reviewed whenever impairment triggers are apparent. The recoverable amounts of cash-generating units have been determined based on value in use ('VIU') calculations. These calculations require use of estimates of future sales, margins, and other operating and administration expenses, and of discount rates. Further disclosures relating to the estimates and assumptions applied, and carrying amounts of the non-financial assets, are set out in notes 14 and 15.

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

c) Deferred tax recognition

The Group considers it appropriate to recognise at the Balance Sheet date deferred tax assets resulting from historical trading losses and other temporary differences including pension deficits and the impact of awards under the Long-Term Incentive Plan ('LTIP'). The amount of deferred tax recognised is based on estimates of the timing and amount of future taxable profits of companies within the Group, which in turn relies upon estimates of future operating profits and the occurrence, timing and tax treatment of significant items of income and expenditure including contributions to pension schemes and the vesting of LTIP payment awards. Further disclosures relating to the effect on the Income Statement of the recognition of deferred tax assets are included in note 12 and the amount of deferred tax liability recognised and other relevant disclosures are included in note 17. The Group considers the sensitivity on deferred tax recognition to be based on profits generated by the Group and tax rates substantively enacted. There has been no material impact on sensitivity in the current or previous financial year.

d) LTIP plan payment awards

The Group has granted awards to Executive Directors and senior management which include vesting conditions relating to the future financial performance of the Group as measured by adjusted profit before tax ('PBT') and the relative performance of the Group's Total Shareholder Return ('TSR') against comparator companies. The fair value of the awards granted is charged against the Income Statement over the vesting period; the amount of that charge, including the national insurance component of the charge, is dependent upon the Group's estimates of how many awards will ultimately vest, which is linked directly to its estimates regarding future PBT and TSR achievement. Further disclosures relating to performance targets are included in the Directors' Remuneration Report on pages 46 to 49 and in note 25.

e) Business combinations

The Group applies judgement in determining whether a transaction is a business combination, which includes consideration as to whether the Group has acquired a business or a group of assets. For business combinations, the Group estimates the fair value of the consideration transferred, which includes assumptions about the future performance of the business acquired and an appropriate discount rate to determine the fair value of any contingent consideration. Judgement is also applied in determining whether any future payments should be classified as contingent consideration or as remuneration for future services. The Group estimates the fair value of assets acquired and liabilities assumed in the business combination, including any separately identifiable intangible assets and considering contingent liabilities. These estimates also require inputs and assumptions including future earnings, customer attrition rates and discount rates. The Group engages external experts to support the valuation process, where appropriate.

The fair value of the contingent consideration recognised in business combinations is reassessed at each reporting date, using updated inputs and assumptions based on the latest financial forecasts for the relevant business. Judgement is applied as to whether changes should be applied at the acquisition date or as post-acquisition changes. Fair value movements and the unwinding of the discounting is recognised within finance costs in the Income Statement.

3. Critical accounting estimates and judgements continued

f) Going concern

A key accounting judgement for the year ended 31 January 2020 is the adoption of the going concern basis of preparation.

In assessing going concern to take account of the uncertainties caused by Covid-19, management has modelled a Management Base Case ('MBC') trading scenario on a 'bottom up' basis with input from senior managers and the Executive Directors, which shows 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 progresses and into 2021/22. 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 has also modelled increasingly stressed scenarios compared to the MBC (which assume 10% ('Mid Case') and 20% ('Low Case') sales reductions, respectively, from the MBC, along with increasingly conservative assumptions in these scenarios regarding cash collections from debtors). Under the low point in these stress tested scenarios, the Company retains headroom of at least c.£7.5 million against its banking facilities for the next 13 months to July 2021 (see next paragraph).

The Company has been in regular dialogue with its bankers, Barclays Bank PLC, as its scenario plans have developed. It has proactively and transparently shared the aforementioned scenario models with Barclays. While they show headroom of c.£7.5 million at the lowest point in the Low Case scenario for the next 13 months, they do indicate bank covenant breaches at various testing points in the next 13 months due to the impact of Covid-19 on sales and profits in the scenarios modelled. Given the Company's track record and the steps taken in response to Covid-19, the bank has been very supportive and formal agreement has been reached with Barclays to waive the breaches shown by the scenario modelling, being the interest cover covenant condition (ratio of operating profit to interest) for the tests arising in July 2020, 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. As part of this agreement with Barclays, it has been agreed that the Company will maintain headroom in its banking facilities of at least £5 million, between 1 November 2020 and 31 July 2021. As noted above, the Company's scenario modelling shows headroom of around £7.5 million at the lowest point during our key trading period, in the Low Case scenario between now and 31 July 2021.

In addition to the above scenarios, management has run a further sensitivity, in accordance with requests from its external auditors, that further sensitises the Low Case (i.e. sustained lockdown in the UK for the next 12 months leading to sales remaining at the levels seen in May 2020), which equates to 50% sales reductions from the MBC. Management has also identified a number of mitigating actions that the Company would take to stay above the £5 million headroom throughout the period of the £5 million liquidity covenant in this scenario and shared these with the auditors.

Given the unprecedented nature of the Covid-19 events, it is impossible to predict future trading and cash flows with any certainty. The actual scenarios which materialise in the period ahead will undoubtedly be different to the scenarios modelled and could be worse than modelled by even the Low Case. In that event, 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 three months, even though the actual impact of such actions cannot be predicted with certainty at this point. Having taken into account all of the aforementioned 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 financial statements.

g) Covid-19

A key accounting judgement for the year ended 31 January 2020 is to consider the impact of Covid-19 as a non-adjusting post-balance sheet event. This is described further in note 33.

4. Segmental analysis

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

- Brands – comprising the design, marketing, sales and distribution, and licensing activities of Sanderson, Morris & Co., Harlequin, Zoffany, Anthology, Scion, Clarke & Clarke and Studio G brands operated from the UK and its foreign subsidiaries in the US, 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 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 plan expenses, taxation and eliminations of inter-segment items, are presented within 'Eliminations and unallocated'.

Following the acquisition of Clarke & Clarke, the Board of Directors has also monitored the performance of this division for the purposes of the earn-out.

4. Segmental analysis continued

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

Year ended 31 January 2020	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK revenue	**44,945**	**14,443**	**–**	**59,388**
International revenue	**39,754**	**6,809**	**–**	**46,563**
Licence revenue	**5,502**	**–**	**–**	**5,502**
Revenue – external	**90,201**	**21,252**	**–**	**111,453**
Revenue – internal	**–**	**14,291**	**(14,291)**	**–**
Total revenue	**90,201**	**35,543**	**(14,291)**	**111,453**
Profit/(loss) from operations	**8,161**	**2,235**	**(5,618)**	**4,778**
Net finance costs	**–**	**–**	**(400)**	**(400)**
Profit/(loss) before tax	**8,161**	**2,235**	**(6,018)**	**4,378**
Tax charge	**–**	**–**	**(655)**	**(655)**
Profit/(loss) for the year	**8,161**	**2,235**	**(6,673)**	**3,723**

Year ended 31 January 2019	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
UK revenue	46,324	14,307	–	60,631
International revenue	40,461	5,726	–	46,187
Licence revenue	6,468	–	–	6,468
Revenue – external	93,253	20,033	–	113,286
Revenue – internal	–	12,900	(12,900)	–
Total revenue	93,253	32,933	(12,900)	113,286
Profit/(loss) from operations*	10,759	827	(5,735)	5,851
Net finance costs	–	–	(280)	(280)
Profit/(loss) before tax*	10,759	827	(6,015)	5,571
Tax charge	–	–	(1,207)	(1,207)
Profit/(loss) for the year*	10,759	827	(7,222)	4,364

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

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

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

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

Tax charges have not been allocated to a segment.

4. 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:	2020 £000	2019 £000
North America*	**14,393**	14,914
Northern Europe*	**13,039**	12,905
Rest of the World*	**12,322**	12,642
	39,754	40,461

* The geographical segments for the year ended 31 January 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:

Brand revenue analysis:	2020 £000	2019 £000
Harlequin, incorporating Anthology and Scion	**25,311**	27,856
Sanderson, incorporating Morris & Co.	**24,081**	23,089
Zoffany	**9,548**	10,926
Clarke & Clarke, incorporating Studio G	**25,333**	24,327
Other brands	**426**	587
Licensing	**5,502**	6,468
	90,201	93,253

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

Manufacturing revenue analysis:	2020 £000	2019 £000
Standfast	**17,061**	14,643
Anstey	**18,482**	18,290
	35,543	32,933

c) Other Income Statement segmental information

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

Year ended 31 January 2020	**Brands £000**	**Manufacturing £000**	**Eliminations and unallocated £000**	**Total £000**
Depreciation and impairments	**3,572**	**1,414**	**645**	**5,631**
Amortisation	**707**	**11**	**1,016**	**1,734**
Impairment losses – trade receivables	**478**	**38**	**1,194**	**1,710**
Reversal of impairment losses – trade receivables	**(405)**	**(38)**	**(889)**	**(1,332)**
Net impairment losses – inventory	**2,353**	**87**	**–**	**2,440**
LTIP payment charge	**–**	**–**	**395**	**395**

Year ended 31 January 2019	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Depreciation and impairments	1,635	1,257	–	2,892
Amortisation	644	13	1,016	1,673
Impairment losses – trade receivables	1,317	228	–	1,545
Reversal of impairment losses – trade receivables	(870)	(150)	–	(1,020)
Net impairment losses – inventory	1,355	96	–	1,451
LTIP payment credit*	–	–	76	76

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

4. Segmental analysis continued

d) Principal measures of assets and liabilities – Balance Sheet segmental information

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

Year ended 31 January 2020	**Brands £000**	**Manufacturing £000**	**Eliminations and unallocated £000**	**Total £000**
Assets	**54,725**	**17,376**	**32,261**	**104,362**
Liabilities	**(19,249)**	**(6,693)**	**(13,591)**	**(39,533)**
Total net assets	**35,476**	**10,683**	**18,670**	**64,829**
Capital expenditure – intangible assets	**736**	**–**	**–**	**736**
Capital expenditure – property, plant and equipment	**1,003**	**639**	**38**	**1,680**

Year ended 31 January 2019	Brands £000	Manufacturing £000	Eliminations and unallocated £000	Total £000
Assets	46,522	20,520	28,293	95,335
Liabilities	(13,928)	(6,506)	(14,019)	(34,453)
Total net assets	32,594	14,014	14,274	60,882
Capital expenditure – intangible assets	709	–	–	709
Capital expenditure – property, plant and equipment	1,056	1,237	–	2,293

e) Additional entity-wide disclosures

Revenue by geographical location of customers:	**2020 £000**	2019 £000
United Kingdom	**62,947**	65,072
Northern Europe	**15,153**	14,077
North America	**18,627**	17,503
Rest of the World	**14,726**	16,634
	111,453	113,286

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

Non-current assets by geographical territory:	**2020 £000**	2019 £000
United Kingdom	**50,011**	45,252
Northern Europe	**427**	200
North America	**1,870**	591
	52,308	46,043

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

5. (a) Analysis of revenue by category

	2020 £000	2019 £000
Sale of goods	**105,951**	106,818
Licence royalty income	**5,502**	6,468
	111,453	113,286

5. (b) Analysis of expense by nature

	2020 £000	2019 £000
Changes in inventories of finished goods and work in progress	**3,165**	(4,611)
Raw materials and consumables used	**34,651**	42,035
Employee benefit expense*	**28,025**	27,609
Depreciation and amortisation charges	**6,349**	3,549
Transportation expenses	**3,758**	4,014
Advertising costs	**2,209**	2,695
Other selling costs	**11,536**	14,267
Establishment costs	**6,653**	6,032
Operating lease payments	**154**	3,111
Repairs and maintenance	**1,201**	1,304
Other expenses	**12,257**	10,006
Total cost of sales, distribution and selling costs and administration expenses included within underlying results*	**109,958**	109,786

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

6. Non-statutory profit measures

Underlying profit measures

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items considered non-operational in nature. This measure of profit is described as 'underlying' and is used by management to measure and monitor performance. The excluded items are referred to as 'non-underlying' items.

Non-underlying items

The non-underlying items included in profit before tax are as follows:

	Note	2020 £000	2019 £000
(i) Acquisition related:			
Amortisation of acquired intangible assets		**(1,016)**	(1,016)
(ii) Restructuring and reorganisation costs	(a)	**(1,059)**	(1,723)
(iii) Anstey Fire:			
Incremental cost and property, plant and equipment repairs		**(54)**	(85)
Insurance reimbursements		**144**	650
	(b)	**90**	565
(iv) Guaranteed Minimum Pension ('GMP') equalisation	(c)	**–**	(1,086)
Total non-underlying items included in profit before tax		**(1,985)**	(3,260)
Tax on non-underlying items		**274**	592
Total impact of non-underlying items on profit after tax		**(1,711)**	(2,668)

a) Restructuring and reorganisation costs relate to the reorganisation of the Group and comprise of the rationalisation of certain operational and support functions. These costs mainly comprise employee severance and professional fees associated with the reorganisation process of £702,000 (2019: £355,000); compensation for loss of office and associated costs to the former Chief Financial Officer of £330,000 (2019: £nil) and former Chief Executive Officer of £nil (2019: £407,000) as well as a further £27,000 (2019: £961,000) in respect of property termination and asset impairment costs associated with the Clarke & Clarke Haslingden site exit.

b) Anstey fire-related net other income of £90,000 (2019: £565,000) comprise of proceeds arising from reimbursement of repair costs in respect of plant and equipment and related costs following a minor fire, less repair costs of £54,000 (2019: £85,000).

6. Non-statutory profit measures continued

c) Following a High Court judgement in October 2018, the estimated costs of equalising UK pension benefits for men and women in relation to Guaranteed Minimum Pension ('GMP') was recognised as a past-service charge.

In addition to the non-underlying items detailed above, an adjustment is made for the LTIP accounting charge and net defined benefit pension charge in arriving at the 'Adjusted profit' and 'Adjusted earnings per share'.

7. Net other income

Net other income comprises consideration received from the sale of marketing materials and additional services of £5,268,000 (2019: £5,611,000), and business interruption reimbursements to cover loss of profits of £54,000 (2019: £nil). In addition, there was non-underlying net other income of £90,000 (2019: £nil as per note 6).

8. Group profit from operations

	2020 £000	2019 £000
Group profit from operations is stated after charging/(crediting):		
Depreciation and impairments of property, plant and equipment and right-of-use assets	**5,631**	2,892
Amortisation of intangibles	**718**	657
Amortisation of acquired intangibles	**1,016**	1,016
Cost of inventories recognised as expense in cost of sales	**33,815**	37,424
Net impairment of inventories	**2,440**	1,451
Impairment of trade receivables	**1,710**	1,545
Reversal of impairment of trade receivables	**(1,332)**	(1,020)
Net foreign exchange losses/(gains)	**108**	(192)
Gains on sale of fixed assets	**(9)**	(36)
Rental expense:		
• Hire of motor vehicles and plant and machinery	**46**	783
• Land and buildings	**108**	2,328

	2020 £000	2019 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**62**	60
Fees payable to the Company's auditors for other services: Audit of the Company's subsidiaries pursuant to legislation	**156**	150
Other non-audit services	**2**	–
Compliance services	**2**	–
Taxation services	**20**	34
Payroll-related services	**11**	11
	253	255

9. Finance costs

	2020 £000	2019 £000
Interest income:		
Interest received on bank deposits	**3**	23
Interest expense:		
Interest payable on bank borrowings	**(255)**	(293)
Amortisation of issue costs of bank loans	**(50)**	(30)
Unwind of discount on accelerated licensing income	**147**	20
Lease interest	**(245)**	–
Total finance costs	**(403)**	(303)
Net finance costs excluding non-underlying items	**(400)**	(280)

10. Emoluments of Directors

	Salary £000	Bonus £000	LTIP £000	Benefits £000	Sub-total aggregate emoluments £000	Cash allowance in lieu of pension £000	Pension £000	Compensation for loss of office £000	**2020 Total £000**	2019 Total £000
Executive Directors:										
Lisa Montague (appointed 10 April 2019)	303	53	–	3	359	–	17	–	**376**	–
Michael Williamson (appointed 26 February 2020)	37	30	–	1	68	–	–	–	**68**	–
Mike Gant (resigned 18 December 2019)	213	51	–	13	277	30	–	225	**532**	338
John Sach (resigned 31 October 2018)	–	–	–	–	–	–	–	–	**–**	637
Christopher Rogers (from 10 October 2018 to 10 April 2020)	37	30	–	–	67	–	–	–	**67**	105
Non-executive Directors:										
Dianne Thompson (appointed 10 April 2019)	98	–	–	–	98	–	–	–	**98**	–
Christopher Rogers (from 30 April 2018 to 9 October 2018)	38	–	–	–	38	–	–	–	**38**	21
Vijay Thakrar (appointed 27 November 2018)	50	–	–	–	50	–	–	–	**50**	9
Terry Stannard (resigned 10 April 2019)	10	–	–	–	10	–	–	–	**10**	65
Fiona Goldsmith (resigned 27 June 2018)	–	–	–	–	–	–	–	–	**–**	14
	786	164	–	17	967	30	17	225	**1,239**	1,189

Michael Williamson was appointed as Interim Group Chief Financial Officer and took up office on 18 December 2019. He was employed on a fixed-term contract for six months and would earn £125,000 paid in six equal monthly instalments. He was eligible to receive a discretionary bonus of £50,000 based upon key deliverables. This contract was terminated on 25 February 2020, when Michael took up the offer of permanent employment as Group Chief Financial Officer. Michael earned a bonus of £30,000 related to the achievement of key objectives set by the Remuneration Committee and in accordance with the terms of his fixed-term contract.

The total bonus earned by the Interim Executive Chairman for the period of his tenure from 10 October 2018 to 10 April 2019 amounted to £76,563. This was paid at the completion of his contract and related to achievement of objectives set by the Remuneration Committee.

No retirement benefits were accruing to Directors (2019: one) under a defined benefit scheme. Benefits are accruing under defined contribution schemes for two Directors (2019: two Directors).

Further information on the remuneration of the Directors is included in the Directors' Remuneration Report set out on pages 46 to 49.

11. Employee Information

	2020 £000	2019 £000
Wages and salaries	**23,804**	23,737
Social security costs	**2,500**	2,509
Other pension costs	**1,326**	1,287
LTIP awards, including NIC thereon*	**395**	76
Employee benefit expense*	**28,025**	27,609

The average monthly number of employees (including Directors) during the year	2020	2019
Brands, including warehousing	**324**	339
Manufacturing	**270**	283
Overseas	**42**	38
Corporate and administration	**24**	24
	660	684

Compensation of key management personnel

	2020 £000	2019 £000
Short-term employee benefits (including short-term incentives)	**3,384**	3,349
Post-employment benefits (including pension costs)	**168**	178
LTIP awards*	**395**	76
	3,947	3,603

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

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

12. Tax expense

	2020 £000	2019 £000
Current tax:		
– UK current tax	**744**	1,372
– UK adjustments in respect of prior years	**557**	304
– overseas, current tax	**40**	8
Corporation tax	**1,341**	1,684
Deferred tax:		
– current year	**(26)**	(283)
– adjustments in respect of prior years	**(660)**	(221)
– effect of changes in corporation tax rates	**–**	27
Deferred tax	**(686)**	(477)
Total tax charge for the year	**655**	1,207

12. Tax expense continued

Reconciliation of total tax charge for the year	2020 £000	2019 £000
Profit on ordinary activities before tax*	**4,378**	5,571
Tax on profit on ordinary activities at 19% (2019: 19%)*	**832**	1,058
Fixed asset differences	**2**	–
Non-deductible expenditure	**119**	122
Impact of rate difference between deferred and current tax	**20**	–
Income not subject to tax	**–**	(40)
Share-based payment	**75**	–
Permanent differences in respect of share options*	**–**	47
Adjustments in respect of prior years	**557**	83
Adjustments in respect of prior years – deferred tax	**(660)**	–
Overseas tax suffered	**(337)**	–
Movement in deferred tax not recognised	**(42)**	(97)
Current tax – other	**60**	–
Effect of changes in corporation tax rates	**29**	34
Total tax charge for year	**655**	1,207

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

Factors affecting current and future tax charges

No overseas taxation is anticipated to become payable within the immediate future due to the availability of gross tax losses of approximately £3.2 million (2019: £3.2 million).

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 has been 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. This will increase the Group's future current tax charge accordingly and increase the deferred tax liability by £91,000.

13. Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year, excluding those held in the Employee Benefit Trust ('EBT') and those held in treasury (note 24), which are treated as cancelled. The adjusted basic earnings per share is calculated by dividing the adjusted earnings by the weighted average number of shares. As a consequence of the difficult marketplace impacting the profitability of the Group, PBT performance criteria within LTIP 11 are not being met and as a consequence these Long-Term Incentive Plan ('LTIP') awards are not dilutive.

	2020			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*	**3,723**	**70,984**	**5.24**	4,364	70,955	6.15
Effect of dilutive securities:						
Shares under LTIP		**545**			–	
Diluted earnings per share*	**3,723**	**71,529**	**5.20**	4,364	70,955	6.15
Adjusted basic and diluted earnings per share:						
Add back LTIP accounting charge	**395**			76		
Add back net defined benefit pension charge	**593**			573		
Non-underlying items (note 6)	**1,985**			3,260		
Tax effect of non-underlying items and other add-backs	**(126)**			(609)		
Adjusted basic earnings per share	**6,570**	**70,984**	**9.26**	7,664	70,995	10.80
Adjusted diluted earnings per share	**6,570**	**71,529**	**9.19**	7,664	70,995	10.80

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

13. Earnings per share continued

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

Following this transaction, Walker Greenbank PLC's issued ordinary share capital with voting rights consists of 70,983,505 (2019: 70,983,505) ordinary shares 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.

The market value of shares held by the EBT at 31 January 2020 was £nil (2019: £nil). The total number of shares held in the EBT at the year end represented 0% (2019: 0%) of the issued shares.

14. Intangible assets

	Goodwill £000 (a)	Arthur Sanderson and William Morris Archive £000 (b)	Collection design £000	Brand £000	Customer-related intangibles £000	Software £000	Total £000
Cost							
1 February 2018	17,091	4,300	3,745	5,566	4,427	2,981	38,110
Additions	–	–	659	–	–	50	709
Disposals	–	–	–	–	–	–	–
31 January 2019	17,091	4,300	4,404	5,566	4,427	3,031	38,819
Additions	–	–	568	–	–	168	736
Disposals	–	–	(1,284)	–	–	–	(1,284)
31 January 2020	17,091	4,300	3,688	5,566	4,427	3,199	38,271
Accumulated amortisation							
1 February 2018	841	–	2,393	372	986	1,738	6,330
Charge	–	–	339	278	738	318	1,673
Disposal	–	–	–	–	–	–	–
31 January 2019	841	–	2,732	650	1,724	2,056	8,003
Charge	–	–	417	278	738	301	1,734
Disposal	–	–	(1,281)	–	–	–	(1,281)
31 January 2020	841	–	1,868	928	2,462	2,357	8,456
Net book amount							
31 January 2020	**16,250**	**4,300**	**1,820**	**4,638**	**1,965**	**842**	**29,815**
31 January 2019	16,250	4,300	1,672	4,916	2,703	975	30,816
31 January 2018	16,250	4,300	1,352	5,194	3,441	1,243	31,780

(a) Goodwill (£15,691,000), Brand (£5,566,000) and customer-related intangibles (£4,427,000) were recognised on the business combination of Clarke & Clarke during the year ended 31 January 2017.

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

14. Intangible assets continued

The total amortisation expense of £1,734,000 (2019: £1,673,000) is split between administration expenses £707,000 (2019: £644,000), distribution and selling costs £11,000 (2019: £13,000) and £1,016,000 (2019: £1,016,000) in non-underlying items. The amount included in non-underlying items relates to the amortisation of acquired intangible assets.

Impairment tests for goodwill and Arthur Sanderson and William Morris Archive

Within the total carrying value of goodwill at year end of £16,250,000 (2019: £16,250,000), £15,691,000 (2019: £15,691,000) is attributable to the Brands segment and £559,000 (2019: £559,000) to the Manufacturing segment.

The carrying value of the Archive at the year end of £4,300,000 (2019: £4,300,000) is attributable to the Brands segment.

The Group tests goodwill and the Archive for impairment annually or more frequently if there are indications that they might be impaired. There was no impairment charge recognised in the year (2019: £nil).

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

The Group estimates the VIU using a discounted cash flow model ('DCF'), where the projected cash flows for separate or collective groups of CGUs are discounted using a pre-tax rate of 9.37% (2019: 9.73%). The discount rate used is the same across all segments.

The Group has used formally approved budgets for the first two years (2019: two years) of its VIU calculation, with extrapolation beyond the last explicit year using an assumption of growth for future years ranging from 1% to 2% (2019: 1% to 2%) depending upon the CGU being tested.

The cash flows used in the calculation of the VIU are derived from past experience and are based on operating profit forecasts, which in turn rely upon assumptions relating to sales growth, price increases, margins and operating and administration expenses. The cash flows have not included the benefits arising from any future asset enhancement expenditure and therefore exclude significant benefits anticipated from future capital expenditure. The 2% growth rates included within the assumptions supporting the VIU calculations do not therefore represent the Group's anticipated total forecast growth, but rather only the growth deriving from capital expenditure completed at the Balance Sheet date.

The recoverable amount of the Archive intangible asset is estimated based on VIU, and comprises estimated future cash flows from royalty income relating to the Archive. A discount rate of 9.37% (2019: 9.73%) is applied.

The Group does not consider it reasonably probable that any significant changes to the key assumptions will arise that would result in impairment of either goodwill or the Archive as at 31 January 2020.

15. Property, plant and equipment

	Freehold land and buildings £000	Leasehold improvements £000	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost					
1 February 2018	5,869	557	33,937	2,289	42,652
Additions	161	–	2,085	47	2,293
Disposals	–	–	(267)	–	(267)
Currency movements	–	–	36	6	42
31 January 2019	6,030	557	35,791	2,342	44,720
Additions	92	–	1,517	71	1,680
Disposals	(63)	–	(2,486)	(100)	(2,649)
Currency movements	–	–	(18)	(1)	(19)
31 January 2020	6,059	557	34,804	2,312	43,732
Accumulated depreciation and impairment					
1 February 2018	1,992	78	22,825	1,795	26,690
Charge	104	–	2,384	179	2,667
Impairments	–	–	225	–	225
Disposals	–	–	(83)	–	(83)
Currency movements	–	–	(11)	5	(6)
31 January 2019	2,096	78	25,340	1,979	29,493
Charge	125	–	2,454	192	2,771
Impairments	–	–	–	–	–
Disposals	(48)	–	(2,475)	(100)	(2,623)
Currency movements	–	–	(9)	(1)	(10)
31 January 2020	2,173	78	25,310	2,070	29,631
Net book amount					
31 January 2020	**3,886**	**479**	**9,494**	**242**	**14,101**
31 January 2019	3,934	479	10,451	363	15,227
31 January 2018	3,877	479	11,112	494	15,962

The total depreciation expense of £2,771,000 (2019: £2,667,000) has been allocated to the following categories: administration expenses £2,720,000 (2019: £2,619,000) and distribution and selling costs £51,000 (2019: £48,000).

The net book amount of freehold land and buildings comprises:	2020 £000	2019 £000
Freehold land	**450**	450
Freehold buildings	**3,436**	3,484
Net book amount	**3,886**	3,934

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

All of the Group's banking facilities remain secured by a fixed and floating charge over the carrying value of assets (land and buildings) of £3,886,000 (2019: £3,934,000).

Assets under construction
Included in property, plant and equipment at 31 January 2020 was an amount of £nil (2019: £nil) relating to expenditure for assets in the course of construction.

16. Leases

As a lessee

Information about leases for which the Group is a lessee is presented below:

Amounts recognised in the Balance Sheet

	2020 £000	2019 £000
Right-of-use assets		
Leasehold properties	**7,083**	–
Plant, equipment and vehicles	**1,309**	–
	8,392	–

Additions to right-of-use assets during 2020 were £1,693,000. Depreciation of right-of-use assets during 2020 was £2,860,000.

	2020 £000	2019 £000
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**2,949**	–
One to five years	**5,643**	–
More than five years	**85**	–
Total undiscounted cash flows	**8,677**	–
Current	**2,810**	–
Non-current	**5,603**	–
Total lease liabilities	**8,413**	–

17. Deferred income tax

A net deferred tax liability of £802,000 (2019: £970,000) is recognised in respect of future deductions for LTIP payments and other temporary differences.

	2020 £000	2019 £000
Taxable temporary differences on property, plant and equipment	**(677)**	(1,146)
Taxable temporary differences on intangible assets	**(1,121)**	(1,503)
Other temporary differences	**14**	17
Temporary differences on LTIP payments	**–**	(1)
	(1,784)	(2,633)
Retirement benefit obligations	**982**	1,663
	(802)	(970)

A deferred tax charge of £558,000 (2019: tax credit £402,000) arising on retirement benefit obligations has been recognised within the statement of comprehensive income.

At 31 January 2020, the Group had gross unused UK tax losses of £3,225,000 (2019: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2020 of £557,000 (2019: £557,000) relating to UK tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation. These are summarised in the table below and comprise the following:

- No deferred tax has been recognised on £3,225,000 (2019: £3,225,000) of gross UK losses as these are not readily available for offset against the Group's future profits under existing tax legislation and therefore the realisation of these losses is not considered probable.
- In addition, there are gross tax losses in overseas subsidiaries of £2,782,000 (2019: £2,782,000) which are available for offset against future taxable profits by those subsidiaries. However, the realisation of these losses is not considered probable in the foreseeable future.
- Other deductible temporary differences which predominantly arise on LTIP payment reserves.

17. Deferred income tax continued

	2020 £000	2019 £000
Unutilised tax losses – UK	**548**	548
Unutilised tax losses – overseas	**473**	473
Other deductible temporary differences – UK	**9**	9
	1,030	1,030

There are also unutilised capital tax losses at 31 January 2020 of £4,881,000 (2019: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

Movements on the deferred income tax account are as follows:

Net deferred tax liability	2020 £000	2019 £000
At 1 February	**(970)**	(1,849)
Income Statement credit	**686**	477
Tax (charge)/credit relating to components of other comprehensive income	**(558)**	402
Tax credited directly to equity	**40**	–
At 31 January	**(802)**	(970)

18. Inventories

	2020 £000	2019 £000
Raw materials	**3,324**	2,892
Work in progress	**2,081**	1,584
Finished goods	**23,051**	23,544
	28,456	28,020

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts. Inventories are stated after provisions for impairment of £8,205,000 (2019: £5,774,000).

The cost of inventories recognised as an expense and included in cost of sales amounted to £33,815,000 (2019: £37,424,000).

19. Trade and other receivables

Current	2020 £000	2019 £000
Trade receivables	**14,171**	13,351
Less: provision for impairment of trade receivables	**(1,025)**	(888)
Net trade receivables	**13,146**	12,463
Corporation tax	**–**	432
Other taxes and social security	**1,071**	1,063
Accrued accelerated licensing income	**1,954**	434
Other receivables	**381**	686
Marketing materials	**1,184**	891
Prepayments	**2,807**	2,888
	20,543	18,857

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

The only financial asset that is subject to IFRS 9's expected credit loss model is trade receivables for sales of inventory.

The IFRS 9 simplified approach has been applied to measure lifetime expected credit losses for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 January 2020 or 1 February 2020 respectively and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

19. Trade and other receivables continued

On this basis, the total loss allowance for trade receivables as at 31 January 2020 is determined as follows:

£000	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Trade receivables	10,630	1,192	940	581	828	14,171
Loss allowance	460	120	241	95	109	1,025

As a result of adopting IFRS 9, the Directors believe that in the current economic environment there is objective evidence of credit deterioration and an impairment of £430,000 (2019: £476,000) is required, representing a collective assessment of risk against receivables that are yet to be specifically identified. Due to the nature of the Group's products, there is a limited amount of inventory left in the possession of customers that could act as collateral under terms of trade. As the value of this inventory is immaterial, it has not been disclosed in the financial statements.

Credit quality of financial assets

(i) Not past due

Included in the Group's trade receivable balances are receivables with a carrying value of £10,630,000 (2019: £10,606,000) which are not past due. Under the expected credit loss model a provision is held for the lifetime credit loss on these balances of £460,000 (2019: £378,000). The nature of the Group's business means that it has a long-standing relationship with the majority of its customers, who either have no experience of historical default or only temporary late payments with full recovery of balances due.

(ii) Past due

Included in the Group's trade receivable balances are receivables with a carrying value of £3,031,000 (2019: £2,225,000) which are past due at the reporting date for which the Group does not consider the need to create a specific impairment provision against individually identified receivables, but an expected credit loss provision has been made of £361,000 (2019: £98,000).

(iii) Past due – individually impaired

As at 31 January 2020, trade receivables of £510,000 (2019: £520,000) were individually determined to be impaired and provided for. The amount of the provision was £204,000 (2019: £412,000). The main factor used to assess the impairment of trade receivables is the circumstances of the individual customer.

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

	2020 £000	2019 £000
United Kingdom	**7,507**	6,931
Western Europe	**2,029**	2,311
USA	**1,934**	1,476
Rest of the World	**1,676**	1,745
	13,146	12,463

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

	2020 £000	2019 £000
Sterling	**11,747**	9,790
US dollars	**1,450**	1,145
Euros	**2,016**	2,401
Other	**268**	247
	15,481	13,583

19. Trade and other receivables continued

The closing loss allowances for trade receivables as at 31 January 2020 reconcile to the opening loss allowances as follows:

	Lifetime ECL £000	Credit impaired £000	2020 £000	2019 £000
At 1 February	**(476)**	**(412)**	**(888)**	(495)
Increase in allowance recognised in Income Statement	**(1,115)**	**(595)**	**(1,710)**	(1,545)
Receivables written off in the year as uncollectible	**–**	**241**	**241**	132
Unused amounts reversed	**1,161**	**171**	**1,332**	1,020
At 31 January	**(430)**	**(595)**	**(1,025)**	(888)

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

The Group was required to revise its impairment methodology under IFRS 9, and has therefore applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

20. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	**3,055**	2,415

There is a set-off arrangement for bank accounts held with the UK clearing bank, and accordingly the amounts stated as bank overdraft in note 24 represent the net of accounts in funds and in overdraft.

21. Trade and other payables

	2020 £000	2019 £000
Trade payables	**14,296**	13,354
Corporation tax payable	**150**	–
Other taxes and social security	**1,918**	1,775
Other payables and deferred revenue	**–**	64
Accruals	**6,576**	6,646
	22,940	21,839

22. Borrowings

	2020 £000	2019 £000
Bank overdraft	**1,719**	1,981
Total borrowings	**1,719**	1,981

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.

The total Barclays Bank PLC facilities are capped at £17,500,000 (2019: £22,500,000); the utilisation of the facilities at 31 January 2020 was £1,719,000 (2019: £1,981,000). The revolving credit facility bears interest at a variable rate based on a margin above LIBOR (for sterling loans) or the EURIBOR (for euro loans).

Under the Barclays Bank PLC facilities, the Group is subject to compliance of two financial covenants, being interest cover and leverage. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to Barclays Bank PLC that it was in full compliance with its covenants throughout each of the periods during the financial year ended 31 January 2020.

22. Borrowings continued

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 July 2020, 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.

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

The fair value of current borrowings approximates to their carrying amount, as the impact of discounting is not significant.

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

31 January 2020	**Less than 1 year £000**	**Between 1 to 2 years £000**	**Between 2 to 5 years £000**	**Over 5 years £000**
Borrowings	**1,719**	**–**	**–**	**–**
Trade and other payables	**22,940**	**–**	**–**	**–**
	24,659	**–**	**–**	**–**

31 January 2019	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Borrowings	1,981	–	–	–
Trade and other payables	21,839	–	–	–
	23,820	–	–	–

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

	2020 £000	2019 £000
Sterling	**1,719**	1,981

23. Retirement benefit obligation

Defined contribution schemes

The Group contributes to the defined contribution section of the Abaris Holdings Limited Pension Scheme and to a Group Personal Pension Plan which is also a defined contribution scheme. Contributions are charged to the Income Statement as incurred and amounted to £464,000 (2019: £484,000). There are no outstanding or prepaid contributions at 31 January 2020 (2019: £nil). Active members of the schemes are also able to make contributions.

Defined benefit schemes

Walker Greenbank PLC operates two defined benefit schemes in the UK which both offer pensions in retirement and death benefits to members: the Walker Greenbank Pension Plan and the Abaris Holdings Limited Pension Scheme. Pension benefits are related to the members' final salary at retirement and their length of service. The schemes are closed to new members and to future accrual of benefits, although deferred members still in-service have a salary link to their benefits. This disclosure excludes any defined contribution assets and liabilities.

The Group's contributions to the schemes for the year beginning 1 February 2020 are expected to be £2,184,000.

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

23. Retirement benefit obligation continued

Actuarial valuations of the schemes were carried out as at 31 January 2020, based on membership data at 5 April 2018, updated to take account of benefit outgo since 5 April 2018, using actuarial assumptions at 31 January 2020. The major assumptions used by the actuary were (in nominal terms) as follows:

	2020	2019
Discount rate	**1.70%**	2.50%
Inflation assumption (RPI)	**2.90%**	3.15%
Inflation assumption (CPI)	**1.90%**	2.15%
Rate of increase in salaries	**2.90%**	3.15%
Rate of increase to pensions in payment, that increase in line with RPI subject to a maximum of 5% p.a.	**2.80%**	3.00%
Rate of increase to pensions (in excess of GMP) in deferment	**1.90%**	2.15%

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

	2020	2019
Non-pensioner male currently 45	**22.8**	23.0
Pensioner male currently 65	**21.8**	21.9
Non-pensioner female currently 45	**25.3**	25.4
Pensioner female currently 65	**24.0**	24.2

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

	2020 £000	2019 £000
Equities, absolute return and property	**27,060**	26,407
Gilts	**6,354**	67
Fixed interest bonds	**19,470**	16,375
Liability driven investment	**21,375**	16,519
Insured annuities	**775**	866
Cash and cash equivalents	**3,074**	6,608
Fair value of scheme assets	**78,108**	66,842

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

The actual return on assets over the year was a gain of £13,208,000 (2019: gain of £2,517,000).

	2020 £000	2019 £000
Present value of funded obligations	**(83,767)**	(76,505)
Fair value of scheme assets	**78,108**	66,842
Deficit in funded scheme	**(5,659)**	(9,663)
Net liability in Balance Sheet	**5,659**	9,663

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

	2020 £000	2019 £000
Benefit obligation at beginning of year	**76,505**	72,837
Interest cost	**1,870**	1,786
Remeasurement losses/(gains) – changes in financial assumptions	**8,996**	–
Remeasurement (gains)/losses – changes in demographic assumptions	**(521)**	3,061
Remeasurement losses/(gains) – experience	**359**	529
Benefits paid	**(3,442)**	(2,794)
Past service cost	**–**	1,086
Benefit obligation at end of year	**83,767**	76,505

23. Retirement benefit obligation continued

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

	2020 £000	2019 £000
Fair value of plan assets at beginning of year	66,842	65,539
Interest income on scheme assets	1,647	1,623
Return on assets, excluding interest income	11,561	894
Contributions by employers	1,870	1,990
Benefits paid	(3,442)	(2,794)
Scheme administrative cost	(370)	(410)
Fair value of scheme assets at end of year	78,108	66,842

Analysis of amounts charged against profits

Amounts recognised in the Income Statement in respect of defined benefit retirement plans are as follows

	2020 £000	2019 £000
Expected return on pension scheme assets	1,647	1,623
Interest on pension scheme liabilities	(1,870)	(1,786)
Scheme expenses met by the Group	(370)	(410)
Service cost including current and past service costs and settlements	–	(1,086)
Net charge	(593)	(1,659)

Remeasurements of the net defined benefit liability/(asset) to be shown in the statement of comprehensive income

	2020 £000	2019 £000
Net remeasurement – financial	(8,996)	–
Net remeasurement – demographic	521	(3,061)
Net remeasurement – experience	(359)	(529)
Return on assets, excluding interest income	11,561	894
Total remeasurements of the net defined benefit liability	2,727	(2,696)

Sensitivity analysis

The table below shows the impact on the defined benefit obligation of changing each of the most significant assumptions in isolation. The figures in the table as at 31 January 2020 have been calculated using the same valuation method that was used to calculate the defined benefit obligation above and are consistent year on year.

		Impact on scheme liabilities 2020 (£m)		Impact on scheme liabilities 2019 (£m)	
	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate	0.25% movement	(3.4)	3.6	(3.0)	3.1
Rate of inflation (RPI)*	0.25% movement	1.5	(1.5)	1.3	(1.3)
Rate of inflation (CPI)*	0.25% movement	0.7	(0.7)	0.6	(0.6)
Assumed life expectancy	1 year movement	4.4	(4.4)	3.6	(3.5)

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

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

23. Retirement benefit obligation continued

Risk exposure

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

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

The weighted average duration of defined benefit obligations is 16 years.

24. Financial instruments

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

31 January 2020	Amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	**15,481**	**–**	**–**	**15,481**
Cash and cash equivalents	**3,055**	**–**	**–**	**3,055**
Total	**18,536**	**–**	**–**	**18,536**

31 January 2020	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Borrowings	**–**	**1,719**	**–**	**1,719**
Lease liabilities	**–**	**8,413**	**–**	**8,413**
Trade and other payables	**–**	**22,940**	**–**	**22,940**
Total	**–**	**33,072**	**–**	**33,072**

31 January 2019	Amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	13,583	–	–	13,583
Cash and cash equivalents	2,415	–	–	2,415
Total	15,998	–	–	15,998

31 January 2019	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Borrowings	–	1,981	–	1,981
Trade and other payables	–	21,839	–	21,839
Total	–	23,820	–	23,820

24. Financial instruments continued

Offsetting of financial assets and liabilities

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

31 January 2020	**Gross amounts of recognised financial assets/ (liabilities) £000**	**Gross amounts of recognised financial assets set off in the Balance Sheet £000**	**Net amounts of financial assets/ (liabilities) included in the Balance Sheet £000**
Cash and cash equivalents	**6,000**	**(6,000)**	**–**
Bank overdraft	**(7,000)**	**6,000**	**(1,000)**

31 January 2019	Gross amounts of recognised financial assets/ (liabilities) £000	Gross amounts of recognised financial assets set off in the Balance Sheet £000	Net amounts of financial assets/ (liabilities) included in the Balance Sheet £000
Cash and cash equivalents	8,277	(8,277)	–
Bank overdraft	(9,500)	8,277	(1,223)

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

25. Share capital

Ordinary shares of 1p each:	Number of shares	£
Authorised share capital: 1 February 2018, 31 January 2019 and 31 January 2020	85,000,000	850,000
Allotted and fully paid:		
31 January 2020	**70,983,505**	**709,835**
31 January 2019	70,983,505	709,835
1 February 2018	70,895,511	708,955

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

Following this transaction, Walker Greenbank PLCs issued ordinary share capital with voting rights consists of 70,983,505 (2019: 70,983,505) ordinary shares 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.

The market value of shares held by the EBT at 31 January 2020 was £nil (2019: £nil). The total number of shares held in the EBT at the year end represented 0% (2019: 0%) of the issued shares.

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

25. Share capital continued

Long-Term Incentive Plans ('LTIPs')

The Group operates an LTIP. There have been 12 awards under this plan, in which Executive Directors and senior management of the Group participate. The first award vested during 2009, the second vested during 2011, the third, fourth, fifth, sixth, seventh, eighth, ninth and tenth vesting in subsequent years. The LTIP has previously been approved by the shareholders at an Annual General Meeting.

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

	Award Eleven	Award Eleven	Award Twelve	Award Twelve	Award Twelve	Award Twelve
Grant date of awards	21 Aug 2017	21 Aug 2017	21 Nov 2019	21 Nov 2019	21 Nov 2019	21 Nov 2019
Grant date fair value of award (pence per award)	136.57	213.92	42.5	70.0	70.0	70.0
Vesting date of awards	20 Aug 2020	20 Aug 2020	20 Nov 2022	20 Nov 2022	20 Nov 2022	20 Nov 2022
Maximum number of awards	323,811	323,811	404,638	404,638	404,638	404,638
Vesting condition based on	TSR with PBT floor	EPS	TSR with PBT floor	EPS	Revenue	Free cash flow
Relevant date for determination of vesting conditions	TSR as at 20 Nov 2020 PBT for year ending 31 Jan 2020	EPS for year ending 31 Jan 2020	TSR as at 20 Nov 2022 PBT for year ending 31 Jan 2022	EPS for year ending 31 Jan 2022	Revenue for year ending 31 Jan 2022	Free cash flow for year ending 31 Jan 2022

Further details of vesting conditions are set out in the Directors' Remuneration Report on pages 46 to 49.

Award Ten completed during the year ended 31 January 2020 with no awards being paid as neither of the specified performance targets were satisfied at the end of vesting period. Award Eleven has half the award based on vesting conditions that are market based and half based on the absolute adjusted EPS. Award Twelve has a quarter of the award based on vesting conditions that are market based and with a further quarter based on each of the absolute adjusted EPS, revenue and free cash flow respectively. The weighted average fair value of options granted during the year (Award Twelve) that related to market-based vesting conditions was determined using the Monte-Carlo valuation model and was 42.50p per option. The significant inputs into the model were weighted average share price of 77p at the grant date, exercise price shown above, dividend yield of 3.28%, an expected option life of three years, and an annual risk-free interest rate of 0.56%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. The fair value of the options granted based on vesting conditions of absolute adjusted EPS, revenue and free cash flow was determined using the Black-Scholes valuation model and was 70.0p. Refer to notes 11 and 12 for the expense recognised in the Income Statement for share options granted to Directors and employees.

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

	2020 Number	2019* Number
At 1 February	**1,041,976**	1,909,033
Granted	**1,618,541**	–
Exercised	**–**	(142,238)
Forfeiture	**(449,816)**	(470,859)
Lapsed	**(623,113)**	(253,960)
At 31 January	**1,587,588**	1,041,976

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

26. Capital reserve

Capital reserve represents:	£000
Share premium of companies acquired under merger accounting principles	1,276
Capital reserve arising on consolidation	293
Capital redemption reserve on capital restructurings	41,888
At 31 January 2020 and 2019	**43,457**

27. Dividends

During the year, the Group has paid a final dividend of 2.55p (£1,810,079) for the financial year ended 31 January 2019 (2018: 3.68p, £2,612,000); and an interim dividend of 0.52p (£369,000) for the year to 31 January 2020 (2019: 0.69p, £490,000).

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

In light of the Covid-19 pandemic, to further preserve cash, the Board does not intend to propose payment of a final dividend for the year ended 31 January 2020.

28. Cash generated from operations

	2020 £000	2019 £000
Profit before tax*	**4,378**	5,571
Defined benefit pension charge	**593**	1,659
Net finance costs	**400**	280
Depreciation and impairment of property, plant and equipment and right-of-use assets	**5,631**	2,892
Amortisation	**1,734**	1,673
Gain on disposal of fixed assets	**(51)**	(36)
Insurance reimbursements	**(144)**	(650)
Charge/(credit) for LTIP recognised in equity*	**390**	76
LTIP vesting	**–**	(135)
Unrealised foreign exchange (losses)/gains included in operating profit	**(112)**	27
Defined benefit pension cash contributions	**(1,870)**	(1,990)
Cash generated from operating activities pre insurance proceeds	**10,949**	9,367
Insurance proceeds relating to operating activities	**144**	650
Cash generated from operating activities post insurance proceeds	**11,093**	10,017
Changes in working capital:		
(Increase)/decrease in inventories	**(436)**	1,477
(Increase)/decrease in trade and other receivables	**(1,957)**	1,744
Increase/(decrease) in trade and other payables	**888**	(609)
Cash generated from operations	**9,588**	12,629

* See note 34 for explanation of adjustment for the year ended 31 January 2019.

29. Analysis of net funds

	1 February 2019 £000	Cash flow £000	Other non-cash changes £000	**31 January 2020 £000**
Cash and cash equivalents	2,415	669	(29)	**3,055**
Bank overdraft	(1,981)	249	13	**(1,719)**
Cash and cash equivalents and bank overdraft	434	918	(15)	**1,336**
Finance lease liabilities	(9,587)	2,735	(1,561)	**(8,413)**
Net debt	(9,153)	3,653	(1,577)	**(7,077)**

Other non-cash changes are exchange gains/(losses) from the retranslation of bank balances held in non-sterling bank accounts.

30. Commitments

a) Capital commitments

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

	2020 £000	2019 £000
Property, plant and equipment	–	–

b) Lease commitments

The Group previously categorised the majority of its leases as operating leases. As of 1 February 2019 the Group has adopted IFRS 16 and recognised right-of-use assets and lease liabilities for operating leases, except for short-term (12 months or less) and low-value (<£3,000) leases. See note 16 for further information.

There were no short-term or low-value lease commitments due under non-cancellable operating leases during the financial year ended 31 January 2020:

	Land and buildings 2020 £000	Other 2020 £000	Total 2020 £000	Land and buildings 2019 £000	Other 2019 £000	Total 2019 £000
Within one year	–	–	–	2,173	671	2,844
Between one and five years	–	–	–	5,967	993	6,960
Over five years	–	–	–	216	57	273
	–	–	–	8,356	1,721	10,077

Other leases included hire of plant, machinery and motor vehicles during the financial year ended 31 January 2019.

31. Business combinations

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

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

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

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

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

The Group remeasures the contingent consideration at fair value at each Balance Sheet date. As a result of the challenging performance targets and prevailing market conditions, the performance targets for the period ended 31 January 2018 and 31 January 2019 have not been achieved. It is not considered likely that the performance target for the remaining one year will be achieved; therefore, there has been a remeasurement of the fair value of this contingent consideration, resulting in a £4,047,000 credit to the Income Statement in the period ended 31 January 2018. There was also a charge of £405,000 recognised in respect of the unwind of the contingent consideration payable for Clarke & Clarke in the period ended 31 January 2018. Therefore the estimated fair value of the assumed probability adjusted contingent consideration at 31 January 2020 was £nil (2019: £nil), which is classified as Level 3 in the fair value hierarchy.

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

Name of subsidiary undertaking and place of business	Country of incorporation	Registered office
Abaris Holdings Limited	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Globaltex 2015 Limited	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Globaltex Limited, trading as Clarke & Clarke*	UK	Chalfont House, Oxford Road, Denham, UB9 4DX
Walker Greenbank Inc*	US	800 Huyler Street, Teterboro, New Jersey, 07608
Arthur Sanderson & Sons SARL*	France	19 Rue de Mail, Paris, 75002
Style Library Gmbh	Germany	Thurn-und-Taxis Platz 6 60313, Frankfurt am Maine, Germany
Style Library (Rus) LLC	Russia	Room 46, Floor 8, Building 1, 16A Leningradskoe Shosse, Moscow 125171, The Russian Federation

Investments in Group companies are ordinary shares.

* Shares held by subsidiary company.

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

For a full list of subsidiary companies refer to note 6 to the financial statements of the Company as an entity (pages 81 to 82).

33. Events after the reporting period
On 26 February 2020, the Group appointed Michael Williamson as Chief Financial Officer.

The impact of the Covid-19 pandemic on the Group's operations is discussed within the Chief Executive's Strategic and Operational Review as well as the Principal risks and uncertainties. Subsequent to the Balance Sheet date, the Group has monitored trade performance, internal actions, as well as other relevant external factors (such as changes in any of the government restrictions). No adjustments to the key estimates and judgements that impact the Balance Sheet as at 31 January 2020 have been identified.

The following non-adjusting events have occurred since 31 January 2020:
- use of the UK Government Coronavirus Job Retention Scheme to furlough c.500 colleagues across our wallpaper and fabric printing factories, distribution centre and retail operations, which should generate cash savings of c.£2,000,000 up to 31 July 2020;
- we enhanced our liquidity on a precautionary basis by obtaining a temporary overdraft facility of £2,500,000 to complement the headroom in our existing £12,500,000 revolving committed credit facility;
- formal agreements have been reached with Barclays Bank PLC to waive the interest cover covenant condition for the tests arising in July 2020, October 2020, January 2021, April 2021 and July 2021 and to waive the leverage covenant 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;
- the Group has agreed extended payment terms totalling £1,000,000 with suppliers and business partners including landlords, leasing companies, pension scheme and HMRC; and
- cancelled the final dividend payment for the year ended 31 January 2020 to further conserve cash.

Review of the key financial assumptions relating to inventory provisions subsequent to the Balance Sheet date, would suggest that an additional c.£870,000 provision may be required to reflect the impact of Covid-19, with reduced sales volumes which in turn will increase the expected time to turnover the inventory, but a proportion of this provision is expected to unwind by the year end as the inventory is sold, given that the inventory provisioning is based on a rolling 12-month sales turn and age since launch.

The Group has undertaken a cost and efficiency exercise to address the economic threats arising from Covid-19 events. The objective is to create a cost-effective, lean structure that provides simplification, removes unnecessary complexities and layering within the business which will ensure that the Group is set up to deliver improved performance and ultimately in a more agile working environment.

34. Explanation of adjustment for the year ended 31 January 2019
The LTIP charge for the year ended 31 January 2019 has been adjusted from a £661,000 credit to a £76,000 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 LTIPs 9, 10 and 11. The statutory profit has been reduced by £737,000, reducing basic and diluted EPS from 7.19p to 6.15p. The overall retained earnings position at 31 January 2019 has not been impacted.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 JANUARY 2020

	2020 £000	2019 £000
(Loss)/profit for the year*	(1,515)	2,368
Total comprehensive (expense)/income for the year*	(1,515)	2,368

* See note 19 for explanation of adjustment for the year ended 31 January 2019.

The notes on pages 105 to 117 form an integral part of these financial statements.

COMPANY BALANCE SHEET

AT 31 JANUARY 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	5	**6**	–
Right-of-use assets	6	**1,649**	–
Investments	7	**80,441**	80,441
		82,096	80,441
Current assets			
Trade and other receivables	8	**1,638**	1,535
Cash and cash equivalents		**–**	4,276
		1,638	5,811
Creditors: amounts falling due within one year	10	**(16,493)**	(16,950)
Net current liabilities		**(14,855)**	(11,139)
Total assets less current liabilities		**67,241**	69,302
Creditors: amounts falling due after one year	6	**(1,243)**	–
Net assets		**65,998**	69,302
Capital and reserves			
Called-up share capital	13	**710**	710
Share premium account		**18,682**	18,682
Retained earnings		**4,718**	8,022
Capital redemption reserve	14	**41,888**	41,888
Total shareholders' funds		**65,998**	69,302

A loss of £1,515,000 (2019: profit of £2,368,000*) has been included within these financial statements.

* See note 19 for explanation for the year ended 31 January 2019.

The financial statements on pages 102 to 117 were approved by the Board of Directors on 29 June 2020 and signed on its behalf by

Lisa Montague
Director

Michael Williamson
Director

Registered number: 61880

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JANUARY 2020

	Called-up share capital £000	Share premium account £000	Retained earnings £000	Capital redemption reserve (note 14) £000	Total shareholders' funds £000
Balance at 1 February 2018	**709**	**18,682**	**8,815**	**41,888**	**70,094**
Profit for the year*	–	–	2,368	–	2,368
Total comprehensive income*	–	–	2,368	–	2,368
Transactions with owners, recognised directly in equity:					
Dividends	–	–	(3,102)	–	(3,102)
Allotment of share capital	1	–	–	–	1
Long-term incentive plan charge*	–	–	76	–	76
Long-term incentive plan vesting	–	–	(135)	–	(135)
Balance at 31 January 2019	**710**	**18,682**	**8,022**	**41,888**	**69,302**
Loss for the year	–	–	(1,515)	–	(1,515)
Total comprehensive expense	–	–	(1,515)	–	(1,515)
Transactions with owners, recognised directly in equity:					
Dividends	–	–	(2,179)	–	(2,179)
Long-term incentive plan charge	–	–	390	–	390
Balance at 31 January 2020	**710**	**18,682**	**4,718**	**41,888**	**65,998**

* See note 19 for explanation of adjustment for the year ended 31 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of preparation
The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101. The financial statements have been prepared under the historical cost convention, as modified by the valuation of derivative financial instruments at fair value through profit and loss, and with the accounting policies set out below, which have been consistently applied to all periods presented unless otherwise indicated.

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

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

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

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

1. Accounting policies continued

Since the Company's previous annual financial statements for the year ended 31 January 2019, the Company has applied IFRS 16 'Leases'.

The Company has not applied the following new standard, amendments and interpretations for which adoption is not mandatory for the year ending 31 January 2020 and/or which have not yet been endorsed by the EU:

- IFRS 17 Insurance Contracts – effective periods beginning on or after 1 January 2022.

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. IFRS 16 introduced a single, on-balance sheet accounting model for leases. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. As a result, the Company, as a lessee, has recognised right-of-use assets representing its right to use the underlying leased assets and lease liabilities representing its obligation to make lease payments. The Company has applied IFRS 16 using the modified retrospective transition approach, whereby the initial right-of-use asset values were equal to the present value of the remaining lease payments, discounted at the rate implicit in each lease, or the Company's incremental borrowing rate if this was not readily determinable. The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 February 2019 was 2.57%.

Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of property and vehicles. Prior to the adoption of IFRS 16, leases of property and vehicles were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were previously charged to the Income Statement on a straight-line basis over the period of the lease.

Upon adoption of IFRS 16, the Company elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or amended on or after 31 January 2019. The Company also elected to use the recognition exemptions for lease contracts that, at the date of transition, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value (<£3,000 ('low-value assets')).

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. The right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the transition date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis, and are subject to and reviewed regularly for impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments (including any initial direct costs incurred) less any lease incentives receivable and variable lease payments that depend on an index or rate. Any variable or lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. Additionally, the carrying amount of lease liabilities is remeasured if there is any relevant contractual change made to the lease such as changes to the lease term or payment profile. Interest charges are included within finance costs within the Income Statement.

Lease term

Extension and termination options are included in a number of property and vehicle leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

1. Accounting policies continued

Accounting impact on the Company Balance Sheet

The impact of IFRS 16 on the Balance Sheet as at 1 February 2019 (the date of transition) is the recognition of the following items:

	1 February 2019 £000
Assets	
Non-current assets	**2,084**
Analysed as right-of-use assets related to:	
• Properties	1,989
• Motor vehicles	95
Current assets	**–**
Total impact on assets	**2,084**
Current liabilities	
Lease liabilities (under one year)	(416)
Non-current liabilities	
Lease liabilities (more than one year)	(1,668)
Total impact on liabilities	**(2,084)**
Total impact on net assets	**–**

The following table provides a reconciliation from the total operating lease commitment as disclosed at 31 January 2019 to the total lease liabilities recognised in the Company Balance Sheet in the accounts immediately following transition:

	Properties £000	Motor vehicles £000	Total £000
Operating lease commitments at 31 January 2019	2,128	106	2,234
Less: short-term leases	–	(1)	(1)
Less: impact of discounting at the date of transition	(139)	(10)	(149)
Total lease liabilities recognised at the date of transition	**1,989**	**95**	**2,084**
Of which:			
Current lease liabilities (under one year)	376	40	416
Non-current lease liabilities (more than one year)	1,613	55	1,668
Total lease liabilities recognised at the date of transition	**1,989**	**95**	**2,084**

Foreign currencies

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

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

Further disclosures of the Group's financial risk management policies are included in note 1 to the consolidated financial statements of the Group, which are presented separately from these financial statements.

Property, plant and equipment

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

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

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

Investments
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment. In accordance with IAS 39, the Company has adopted the cost-based approach for subsequent changes in the value of contingent consideration which represent a financial liability or asset. These are treated as part of the cost or a reduction in the cost of the investment.

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

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

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

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

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

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

1. Accounting policies continued

Derivative financial instruments and hedge accounting – measurement basis

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

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

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

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

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

Offsetting financial assets and liabilities

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

Leases

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

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

Employee benefits – retirement benefit obligations

Walker Greenbank Group operates both defined benefit and defined contribution pension schemes for the benefit of its employees. Further details of these schemes are included in note 22 of the consolidated financial statements of the Group.

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

Employee share ownership plan ('ESOP')

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

Employee benefits – share-based payments under Long-Term Incentive Plans ('LTIPs')

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

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

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

1. Accounting policies continued

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

Employee benefits – short-term bonus plans

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

Share capital

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

Share premium

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

Treasury shares

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

Taxation including deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Contingent consideration on business combinations
For business combinations, the Company estimates the fair value of the consideration transferred, which includes assumptions about the future performance of the business acquired and an appropriate discount rate to determine the fair value of any contingent consideration. Judgement is also applied in determining whether any future payments should be classified as contingent consideration or as remuneration for future services.

The fair value of the contingent consideration recognised in business combinations is reassessed at each reporting date, using updated inputs and assumptions based on the latest financial forecasts for the relevant business. Judgement is applied as to whether changes should be applied at the acquisition date or as post-acquisition changes. Fair value movements with respect to changes in the financial liability or asset are treated as part of the cost or a reduction of the cost of the investment. Unwinding of the discounting is recognised within finance costs in the Income Statement.

3. Auditors' remuneration

	2020 £000	2019 £000
Audit fee – fees payable to the Company's auditor for the audit of the Parent Company and the consolidation of the Group financial statements	**62**	60

4. Employee information

	2020 £000	2019 £000
Wages and salaries	**2,045**	1,680
Social security costs	**208**	266
Other pension costs	**97**	69
Share-based payment awards, including NIC thereon*	**395**	76
Employee benefit expense*	**2,745**	2,091

* See note 19 for explanation of adjustment for the year ended 31 January 2019.

The average monthly number of employees (including Directors) during the year	2020 Number	2019 Number
Corporate and administration	**16**	16

5. Tangible assets

	Plant, equipment and vehicles £000	Computer hardware £000	Total £000
Cost			
1 February 2018 and 31 January 2019	90	34	124
Additions	7	–	7
31 January 2020	97	34	131
Accumulated depreciation			
1 February 2018	90	34	124
Charge	–	–	–
31 January 2019	90	34	124
Charge	1	–	1
31 January 2020	91	34	125
Net book amount			
31 January 2020	**6**	**–**	**6**
31 January 2019 and 31 January 2018	–	–	–

The total depreciation expense of £1,035 (2019: £nil) is included in administration expenses.

6. Leases

As a lessee

Information about leases for which the Company is a lessee is presented below:

Amounts recognised in the Balance Sheet

	2020 £000	2019 £000
Right-of-use assets		
Leasehold properties	**1,595**	–
Plant, equipment and vehicles	**54**	–
	1,649	–

There were no additions to right-of-use assets during 2020. Depreciation of right-of-use assets during 2020 was £435,012.

6. Leases continued

	2020 £000	2019 £000
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**449**	–
One to five years	**1,299**	–
More than five years	**–**	–
Total undiscounted cash flows	**1,748**	–
Current	**425**	–
Non-current	**1,243**	–
Total lease liabilities	**1,668**	–

7. Investments

Shares in subsidiary undertakings:	2020 £000	2019 £000
Cost		
At 1 February	**80,441**	80,598
IFRS 2 cost relating to share-based payments	**–**	(157)
At 31 January	**80,441**	80,441
Provision for impairment		
At 1 February	**–**	–
At 31 January	**–**	–
Net book amount at 31 January	**80,441**	80,441

Walker Greenbank PLC is registered and domiciled in the United Kingdom. It is the Parent Company of the Walker Greenbank Group. The Company's subsidiary undertakings at 31 January 2020, all of which are wholly owned, were as follows:

Name of subsidiary undertaking	Country of incorporation and place of business	Holding	Proportion of voting rights/shares held by the Company	Nature of business
Abaris Holdings Limited	UK	Ordinary shares	100%	Luxury interior furnishings
Globaltex 2015 Limited	UK	Ordinary shares	100%	Holding company
Globaltex Limited*, trading as Clarke & Clarke	UK	Ordinary shares	100%	Luxury interior furnishings
Arthur Sanderson & Sons SARL*	France	Ordinary shares	100%	Luxury interior furnishings
Abaris Trading Company B.V.*	Netherlands	Ordinary shares	100%	Sales support
Walker Greenbank Inc*	US	Ordinary shares	100%	Luxury interior furnishings
Clarke & Clarke Inc*	US	Ordinary shares	100%	Sales support
Abaris (Overseas) Holdings Limited*	UK	Ordinary shares	100%	Dormant
Anstey Wallpaper Company Limited*	UK	Ordinary shares	100%	Dormant
Anthology Fabrics and Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Arthur Sanderson & Sons Limited*	UK	Ordinary shares	100%	Dormant
Barracks Fabric Printing Company Limited*	UK	Ordinary shares	100%	Dormant
Cirka Limited*	UK	Ordinary shares	100%	Dormant
Design Edition Limited*	UK	Ordinary shares	100%	Dormant
Harlequin Fabrics & Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Morris & Co. (Artworkers) Limited*	UK	Ordinary shares	100%	Dormant
Sanderson of London Limited*	UK	Ordinary shares	100%	Dormant
Scion Fabrics & Wallcoverings Limited*	UK	Ordinary shares	100%	Dormant
Scion Living Limited*	UK	Ordinary shares	100%	Dormant
Standfast Dyers and Printers Limited*	UK	Ordinary shares	100%	Dormant
Strines Textiles Limited*	UK	Ordinary shares	100%	Dormant
Style Library Limited*	UK	Ordinary shares	100%	Dormant
Walker Greenbank Distribution Limited*	UK	Ordinary shares	100%	Dormant
William Morris Wallpapers Limited*	UK	Ordinary shares	100%	Dormant
Zoffany Limited*	UK	Ordinary shares	100%	Dormant

7. Investments continued

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

Name of subsidiary undertaking	Registered office
Arthur Sanderson & Sons SARL*	19 Rue de Mail, Paris, 75002, France
Abaris Trading Company B.V.*	Postbus 372, 1970 AJ IJMUIDEN, Netherlands
Walker Greenbank Inc*	800 Huyler Street, Teterboro, New Jersey, 07608, USA
Clarke & Clarke Inc*	2416 Camino Oleada, San Clemente, California, 92673, USA
All undertakings other than the ones listed above	Chalfont House, Oxford Road, Denham, UB9 4DX, UK

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

8. Trade and other receivables

Current	2020 £000	2019 £000
Other taxes and social security	**1,363**	1,354
Other receivables	**2**	181
Prepayments	**273**	–
	1,638	1,535

9. Deferred income tax

A net deferred tax asset of £nil (2019: £nil) is recognised in respect of future deductions for LTIP payments.

	2020 £000	2019 £000
Temporary differences on LTIP payments	**–**	–

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

At 31 January 2020 the Company had gross unused UK tax losses of £3,225,000 (2019: £3,225,000) available for offset against future profits. Potential deferred tax assets at 31 January 2020 of £557,000 (2019: £557,000) relating to UK tax losses and deductible temporary differences have not been recognised as it is not considered probable that recovery of the potential deferred tax asset will arise under existing tax legislation.

	2020 £000	2019 £000
Unutilised tax losses – UK	**548**	548
Other deductible temporary differences – UK	**9**	9
	557	557

There are also unutilised capital tax losses at 31 January 2020 of £4,881,000 (2019: £4,881,000) but no deferred tax asset has been recognised as it is not considered probable that these losses will be utilised.

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 has been 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. This is not expected to materially increase the Company's future current tax charge or increase the deferred tax liability.

10. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank overdraft	**399**	–
Trade creditors	**87**	141
Amounts owed to subsidiary undertakings	**13,119**	14,860
Other creditors	**–**	85
Leases	**425**	–
Accruals	**2,463**	1,864
	16,493	16,950

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

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

11. Borrowings

In October 2019, the Group renewed its £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 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.

The total Barclays Bank PLC facilities are capped at £17,500,000 (2019: £22,500,000); the utilisation of the facilities at 31 January 2020 was £1,819,000 (2019: £9,500,000). The revolving credit facility bears interest at a variable rate based on a margin above LIBOR (for sterling loans) or the EURIBOR (for euro loans).

Under the Barclays Bank PLC facilities, the Group is subject to compliance of two financial covenants, being interest cover and leverage. Any non-compliance with covenants could, if not remedied or waived, constitute an event of default with respect to any such arrangements. The Group has reported to Barclays Bank PLC that it was in full compliance with its covenants throughout each of the periods during the financial year ended 31 January 2020.

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 July 2020, 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.

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

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

31 January 2020	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Creditors: amounts falling due within one year	**16,493**	**–**	**–**	**–**
	16,493	**–**	**–**	**–**

31 January 2019	Less than 1 year £000	Between 1 to 2 years £000	Between 2 to 5 years £000	Over 5 years £000
Creditors: amounts falling due within one year	16,950	–	–	–
	16,950	–	–	–

12. Financial instruments by category

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

31 January 2020	Amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	275	–	–	275
Cash at bank and in hand	–	–	–	–
Total	275	–	–	275

31 January 2020	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Creditors: amounts falling due within one year	–	16,493	–	16,493
Total	–	16,493	–	16,493

31 January 2019	Amortised cost £000	Assets at fair value £000	Derivatives used for hedging £000	Total £000
Assets as per Balance Sheet				
Trade and other receivables	181	–	–	181
Cash at bank and in hand	–	4,276	–	4,276
Total	181	4,276	–	4,457

31 January 2019	Liabilities at fair value £000	Other financial liabilities £000	Derivatives used for hedging £000	Total £000
Liabilities as per Balance Sheet				
Creditors: amounts falling due within one year	–	16,950	–	16,950
Total	–	16,950	–	16,950

13. Called-up share capital

Ordinary shares of 1p each:	Number of shares	£
Called up and fully paid:		
31 January 2020	**70,983,505**	**709,835**
31 January 2019	70,983,505	709,835
31 January 2018	70,895,511	708,955

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

Following this transaction, Walker Greenbank PLC's issued ordinary share capital with voting rights consists of 70,983,505 (2019: 70,983,505) ordinary shares 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.

The market value of shares held by the EBT at 31 January 2020 was £nil (2019: £nil). The total number of shares held in the EBT at the year end represented 0% (2019: 0%) of the issued shares.

13. Called-up share capital continued

Long-Term Incentive Plans ('LTIPs')

The Group operates an LTIP. There have been 12 awards under this plan, in which Executive Directors and senior management of the Group participate. The LTIP has previously been approved by the shareholders at an Annual General Meeting. Further details are included in note 25 of the consolidated financial statements of the Group, which are separately included within the Annual Report and Accounts.

14. Capital redemption reserve

Capital reserve represents:	£000
Capital redemption reserve on capital restructurings	41,888
At 31 January 2020 and 2019	**41,888**

15. Dividends

During the year, the Group has paid a final dividend of 2.55p (£1,810,079) for the financial year ended 31 January 2019 (2019: 3.68p, £2,612,000); and an interim dividend of 0.52p (£369,000) for the year to 31 January 2020 (2019: 0.69p, £490,000).

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

In light of the Covid-19 pandemic, to further preserve cash, the Board does not intend to propose payment of a final dividend for the year ended 31 January 2020.

16. Contingent liability

The Company is party to a cross-guarantee relating to the borrowings of its subsidiary undertakings in the UK under funding arrangements with Barclays Bank PLC.

17. Related party transactions

The Company made contributions to the Walker Greenbank Group Personal Pension Plan of £61,000 for the year ended 31 January 2020 (2019: £30,000).

18. Lease commitments

The Company previously categorised the majority of its leases as operating leases. As of 1 February 2019, the Company has adopted IFRS 16 and recognised right-of-use assets and lease liabilities for operating leases, except for short-term (12 months or less) and low-value (<£3,000) leases. See note 6 for further information.

There were no short-term or low-value lease commitments due under non-cancellable operating leases during the financial year ended 31 January 2020:

	Land and buildings 2020 £000	**Other 2020 £000**	**Total 2020 £000**	Land and buildings 2019 £000	Other 2019 £000	Total 2019 £000
Within one year	–	–	–	421	48	469
Between one and five years	–	–	–	1,684	58	1,742
Over five years	–	–	–	23	–	23
	–	–	–	2,128	106	2,234

Other leases included hire of motor vehicles during the financial year ended 31 January 2019.

19. Explanation of adjustment for the year ended 31 January 2019

The LTIP charge for the year ended 31 January 2019 has been adjusted from a £661,000 credit to a £76,000 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 LTIPs 9, 10 and 11. The statutory profit has been reduced by £737,000. The overall retained earnings position at 31 January 2019 has not been impacted.

FIVE YEAR RECORD

	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	**2020** **£000**
Revenue	83,373	87,839	92,373	112,185	113,286	**111,453**
Overseas revenue by location of customer	27,923	30,330	36,309	46,531	48,214	**48,506**
Underlying profit from operations	7,335	8,202	9,842	11,991	9,111	**6,763**
Profit from operations	7,335	8,202	7,859	13,647	5,851	**4,778**
Underlying EBITDA	9,684	10,155	12,164	15,067	12,660	**13,124**
Underlying profit before income tax	6,329	7,338	9,129	11,731	8,831	**6,363**
Capital expenditure	3,250	2,510	6,768	3,497	3,002	**2,488**
Earnings per ordinary share	8.60p	9.79p	8.55p	16.95p	6.15p	**5.24p**
Average number of employees	640	649	681	689	684	**660**
Dividends paid in year	1,144	1,444	1,818	2,659	3,102	**2,179**
Shareholders' funds	26,937	35,284	51,293	61,793	60,882	**64,829**
Dividend per share						
– Final (prior year end) – paid	1.57p	1.96p	2.45p	3.06p	3.68p	**2.55p**
– Interim (current year end) – paid	0.35p	0.44p	0.55p	0.69p	0.69p	**0.52p**
– Final (current year end) – proposed	1.96p	2.45p	3.06p	3.68p	2.55p	**–**

SHAREHOLDER INFORMATION

Financial calendar	
Annual General Meeting	29 July 2020
Announcement of half-year results	October 2020

Walker Greenbank PLC
Chalfont House
Oxford Road
Denham, UB9 4DX

T: 0845 126 5582
F: 0845 126 5583

www.walkergreenbank.com

NOTES

WALKERGREENBANK.COM

Chalfont House, Oxford Road
Denham, UB9 4DX
UK