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COMPANY INFORMATION

Walker Greenbank PLC (LSE:WGB)

Date Prepared: October 2006

Company Eye Ranking

31/50

EDITOR'S NOTE

Walker Greenbank plc designs, manufactures, markets and distributes wallcoverings, furnishing fabrics and associated products. The Brands business, which consists of Zoffany, Harlequin and Sanderson brands, are recognised worldwide. The manufacturing business consists of fabric printing at Standfast and wallcoverings manufacture at Anstey which is undertaken for both the brands business and third party customers.

Standfast continues to win market share and maintain a healthy order book maintaining profits. The continued return to popularity of wallpaper at the premium end of the market has helped Anstey to deliver a significant growth in both revenue and profits.

Walker Greenbank plc has been re-established as a profitable company and we believe it would be a good addition for short/medium type investment portfolio.

1 YEAR CHART



FUNDAMENTALS

Company Name	Walker Greenbank PLC
Current Price	37.25p
Status	AIM
Market Cap	£21.98 m.
Shares in Issue	59,006,162
Activities	Design, manufacture, market and distribute wallcoverings, furnishing fabrics and associated products for the consumer market.
Sector	Household Goods
Corporate advisor	Teather & Greenwood Ltd
Registrar	Capita Registrars

HISTORY

Founded in 1899, the company originally known as C&W Walker Holdings Limited, was an engineering company which manufactured gas containers. In 1986, the merger with Greenbank Group PLC, another engineering firm, established the current entity Walker Greenbank PLC a public limited company listed on the London Stock Exchange.

In 1987 the acquisition of Wallcoverings International was the start of the business the company has today, as this acquisition included the wallpaper manufacturer Anstey Wallpaper Company, and the marketing brands names of Harlequin and Zoffany. During the late 80's the decision was made to concentrate on the wallpaper and home furnishings market, and the various engineering companies that had comprised the group were sold in 1990. During the early 1990's the group grew by a number of acquisitions, becoming one of Europe's largest commercial wallcovering manufacturers and distributors and one of the UK's leading domestic wallpaper and fabric companies.

In 1998 the decision was made to concentrate on the home furnishings market, and the commercial

wallcoverings division was sold, the proceeds enabling a substantial dividend to be returned to shareholders. In the latter part of 1999 it was decided to consolidate the group's wallpaper manufacturers Anstey Wallpaper Company and Sibley Screen Print, into the current factory at Loughborough. This consolidation was eventually completed in 2000. Also in 2000, the group purchased the fabric printer Standfast Dyers and Printers and Barracks Fabric Printing Company, thus achieving an in-house fabric printing business.

Over the past 3 years, in a depressed market, the group has managed to consolidate its core businesses thus achieving cost saving and vertically integrate its manufacture and supply to its brands.

In March 2003, it was decided that it would be in the best interests of the Company to transfer its stock exchange listing to the more flexible Alternative Investment Market, and this transfer was effected on 15th April 2003.

In August 2003 the group was successful in its bid to acquire the trade and certain assets of Arthur Sanderson & Sons, which includes the prestigious Morris & Co brand, and this acquisition has now been fully integrated into the group.



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THE BUSINESS

Walker Greenbank PLC is an international group of companies which design, manufacture, market and distribute wallcoverings, furnishing fabrics and associated products for the consumer market.

THE BRANDS

The brands are targeted at the mid to upper end of the

premium market. They have worldwide distribution including showrooms at Chelsea Harbour, London and the D&D building, Manhattan, New York.

The brands include:

Zoffany, Arthur Sanderson & Sons, Morris & Co, Harlequin and Harris.

MANUFACTURING

Standfast & Barracks

Standfast has experienced stable market conditions over the past 12 months with no repeat of the difficult first quarter of last year. Activity was 32% ahead of the same period last year with both external and Group sales showing strong growth. Sales to Group companies were particularly strong driven by the brands' larger autumn fabric offer. There has been a significant increase in investment in the last six months both in terms of capital equipment and the level of preventive maintenance. The higher activity and improved factory loadings have increased efficiencies and margins enabling Standfast to reverse a loss for the same period last year into a positive

contribution of 4%.

Anstey Wallpaper Company

Following the refocusing of the business into a producer at the premium end of the market, Anstey has continued its transformation into a profitable business. Helped by the continued trend back towards wallpaper at the mid to premium end of the market Anstey has increased overall sales by 12%. External third party sales have grown 16% and Group sales have grown 10%. This higher activity assisted by continued improvement in factory efficiencies and tightly controlled overheads has enabled the business to generate a 2.4% return on sales compared with a small loss for the last half year.

THE BRANDS LAST YEAR HIGHLIGHTS

Harlequin

The Harlequin brand has increased the strong growth trend established last year with sales growing by 35% compared with the same period last year. The growth is across all markets with export sales showing the strongest improvement of 48% and the UK 29%. The growth is broad based with all key product categories - wallpaper, printed fabric and woven fabric - growing strongly. This performance further strengthens Harlequin's position as the leading mid-market contemporary brand in the UK and further re-enforces its position as one of the leading home furnishings suppliers to the John Lewis Partnership. Harlequin continues to expand its product range and all its recently launched collections have performed extremely strongly. Indulgence, the follow up wallpaper collection to the highly successful Decadence wallpaper range, is showing all signs of becoming the single best-selling product within the brand's portfolio. Sales to the USA have increased 168% following the successful re-launch of Harlequin into certain states last year. Harlequin is now available in 15 states in total. The continued investment in excellent product and sampling and patterning support has fuelled the 35% sales growth and helped Harlequin to more than double its profits compared with the same period last year.

Zoffany

Zoffany continues to refocus on its core values and to re-establish itself again as one of the UK's leading premium end brands. Its range launches have continued to improve and its underlying sales have grown compared with last year after adjusting for a large contract order to the InterContinental London Park Lane hotel in the same period last year. Underlying sales in the UK are down slightly by 3%, but sales in export markets are ahead by 15%. With the overall sales down 5%, profits are slightly behind last year in line with our internal expectations.

Arthur Sanderson & Sons incorporating the Morris & Co brand

Following its acquisition in 2003 and subsequent investment in product over the past 2 years, we are now experiencing increasing momentum in Sanderson's sales growth. Sales are up 12% compared with the same period last year. As with Harlequin, the sales growth has been broad based showing consistent growth in all major markets. Licensing income grew 7% with the key markets of Japan and Australasia performing well and helped by the continued exploitation of the Sanderson name across a number of product categories. The continued investment in product and sampling and patterning support has helped the sales growth and increased profitability by 14% compared with the same period last year.



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OVERSEAS

USA

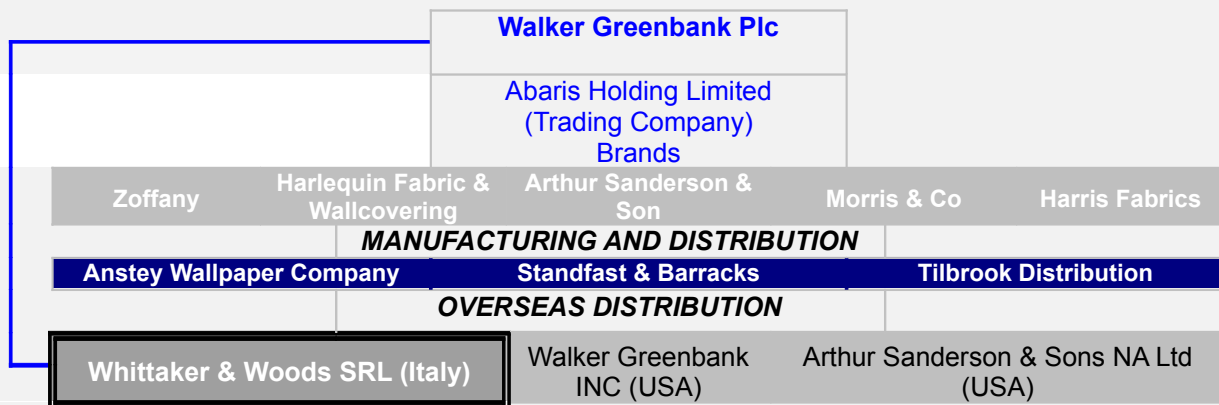
Sales in the USA are down 10%, but this is primarily due to the exit of lower margin third party business during the second half of last year. Sanderson and Morris sales have grown by 11% but Zoffany sales declined by 14%. The re-launch of the Harlequin brand last year has helped achieve more than a doubling of revenue. Margins have improved with the exit from the lower margin third party business, however, with increased patterning and sampling

expenditure in the first half supporting our long term confidence in the brands, the overall result was a small loss.

Europe

The distribution businesses for Zoffany in Rome and Zoffany and Sanderson in Paris, whilst relatively small, have performed profitably and ahead of both expectations and the same period last year.

GROUP STRUCTURE



DIRECTORS

Ian Kirkham - Chairman

Ian joined the Board and was appointed non-executive Chairman in April 2002. Ian has 30 years of experience in manufacturing businesses and consumer brands. He has been Chief Executive of Headlam Plc and is currently Chief Executive of the Latium Group and also Chairman of the Everest Group. He is a member of each of the Audit, Nomination and Remuneration Committees.

Charles Gray - Non-executive Director

Charles joined the board as a non-executive director in December 2004. He is a Chartered Accountant with extensive experience in the field of textile manufacture and engineering. He is currently a director of Yorklyde Plc. He is a member of each of the Audit, Nomination and Remuneration Committees.

John Sach - Group Chief Executive Officer

John joined the Group in 1994 as Group Financial Controller. He was appointed to the board as Group Finance Director in 1999 and was appointed Chief Executive Officer in May 2004.

David Smallridge - Managing Director - Brands

David joined the Group in 2002. He has wide experience in the consumer products sector. He joined the board in December 2004 following his appointment as Managing Director of the Group's three main fabric and wallcoverings brands.

Alan Dix - Group Finance Director

Alan is a Chartered Accountant. He was appointed to the board in July 2005. He has been a senior member of the Sanderson management team, since its acquisition by the company in August 2003.

Julian Wilson - Company Secretary and Legal Adviser

Julian joined the Group in 2000 as Company Secretary and legal adviser. He is a barrister with wide experience in commercial and contractual matters. He also has responsibility for the group's human resources.



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SHAREHOLDINGS

	Number	%
Gartmore Investment Management	11,125,000	18.85
Gartmore Investment	9,100,000	15.42
British Airways Pensions Trustees	2,359,483	3.99
Viscount Thurso	1,282,026	2.17
Ian Kirkham	730,000	1.237

	Number	%
J Sach	590,000	1.00
David Harold Smallridge	100,000	0.169
Graham Kirkham	100,000	0.169
Charles Gray	100,000	0.169
Alan Nigel Dix	70,000	0.118

FINANCIAL HISTORY

Profit and loss account for the year ended 31 July 2006

£000	6 months to 31 July 2006	Year to 31 January 2006
Continuing operations	25,803	46,361
Discontinued operations	-	2,031
Turnover	25,803	48,392
Continuing operations	1,015	758
Discontinued operations	-	184
Exceptional items	1,276	4,076
Operating profit	2,291	5,018
Profit on sale of subsidiary	-	532
Pension provision (FRS 17) release on sale of subsidiary	-	95
Goodwill previously written off to reserves	-	(1,908)
Net loss on sale of subsidiary	-	(1,281)
Profit/(loss) on ordinary activities before interest	2,291	3,737
Net interest payable	(429)	(872)
Amortisation of issue costs	(33)	(66)
Other finance charge	34	(174)
Profit/(loss) on ordinary activities before taxation	1,863	2,625
Taxation	(23)	(80)
Profit/(Loss) on ordinary activities after taxation	1,840	2,545
Dividends	-	-
Profit/(Loss) retained for the period	1,840	2,545
Profit/(Loss) per share		
Basic and diluted	3.26p	4.51p
Basic and diluted from continuing operations	3.26p	6.46p
Basic and diluted from discontinued operations	-	(1.95p)

Balance Sheet at 31 July 2006

£000	31 July 2006	31 Jan 2006
Intangible assets	4,839	4,859
Tangible assets	9,870	10,205
Fixed assets	14,709	15,064
Stocks	12,620	11,539
Debtors	10,781	9,137
Cash at bank and in hand	1,702	1,530
Current assets	25,103	22,206
Creditors: amounts falling due within one year	(12,376)	(10,403)
Net current assets	12,727	11,803
Total assets less current liabilities	27,436	26,867
Creditors: amounts falling due after more than one year	(11,032)	(10,289)
Provisions for liabilities and charges	-	-
Pension liability	(5,972)	(7,981)
Net assets	10,432	8,597
Capital and reserves		
Share capital	590	590
Share premium account	457	457
Profit and loss account	(31,122)	(32,957)
Other reserves	40,507	40,507
Shareholders' funds	10,432	8,597

DIVIDEND

The Directors do not recommend the payment of a dividend at this point in the Group's recovery, but remain

conscious of the need to return to the dividend list.

RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may

not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and



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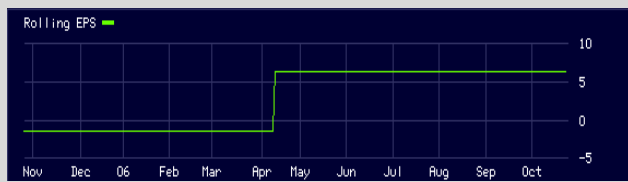
Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document.

In particular: The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that

the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

ROLLING EPS



P/E RATIO



CONTACT

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RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	27
Customers	29
Low cost	33
Management	
- corporate governance	33
- quality	27
- shareholding	37
Product	30
Sector	25
Financial evaluation	
Early and profitable exit potential	39
Financial strength	
- cash flow	34
- conservative accounting	40
- need for funding	
Growth at a reasonable price	26
Risk	27
Overall average rating	31



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FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition

How intense is the competition and are there barriers to entry?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

Sector

Is the company in an attractive sector that is profitable and adds value?

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