

William S Graham Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2008

Registration number: 00051904



William S Graham Limited

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William S Graham Limited
Officers and Advisers

Directors	J S Graham
	N Graham
	P Sutton (appointed 1 May 2009)
Secretary	P Sutton (appointed 1 May 2009)
Registered office	Ravens Ing Mills Ravensthorpe Dewsbury WF13 3JF
Bankers	HSBC Bank plc Market Place Dewsbury West Yorkshire WF13 1DH
Auditors	RSM Bentley Jennison Chartered Accountants & Registered Auditors 2 Wellington Place Leeds LS1 4AP

William S Graham Limited
Directors' Report for the Year Ended 31 December 2008

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken 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 company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Principal activity

The principal activity of the company is that of the manufacture of carpet yarn and carpets.

Business Review

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face. The company continues to be a manufacturer of carpet yarn and carpets.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross margin, net profit, EBITDA, operating cash flows and net assets.

The turnover of the company increased to £39.3 million from £31.6 million in the prior year, a increase of 24%. The breakdown of turnover can be seen in note 2 and is a pleasing increase. The overall gross margin percentage is in line with prior year being 22.4% compared to 22.5% in 2007. The overall effect of these changes is an operating profit of £214,485 compared to an operating loss of £91,277 in the prior year. Net interest payable amounted to £108,130 (2007 – £102,869) and the breakdown of this can be seen in note 6 to the financial statements. The net profit before taxation was £115,788 compared to a loss of £186,571 in the prior year.

The company is capital intensive resulting in high depreciation charges and we believe earnings before interest, tax, depreciation and amortisation (EBITDA) is a good measure of profitability. The EBITDA for the year was £2.11 million compared to £1.66 million in the prior year.

THE EBITDA figure also gives a better indication of underlying cash flows as depreciation is a non cash transaction. The company generated £1.6 million of cash from operating activities (2007 - £2.3 million). Overall cash at bank and in hand was £1.7 million compared to £1.0m at the previous year end as shown in note 23.

William S Graham Limited
Directors' Report for the Year Ended 31 December 2008

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Business review (continued)

The net assets of the company now stand at £12.3 million (2007 - £12.0 million) with net current assets of £3.7 million (2007 - £3.0 million).

The directors take the environmental impact of the company's operations seriously and endeavour to ensure this impact is minimised. The company has operated within all relevant regulatory and legislative guidelines.

As for many businesses of our size, the business environment in which we operate continues to be challenging. The recessionary environment will have an effect on consumer spending and consumers' levels of disposable income. The slow housing market can also impact on the sales of our products. However, we are generally satisfied with the results for the year which reflect high output but with continued price pressure and the desire to increase our market share. We remain committed to our customers and to the continued production of a high quality product. We believe the company continues in a position of strength within the industry and we remain cautiously optimistic that the company can continue to achieve its objectives.

Results and dividend

The results for the company are set out in the financial statements.

The directors recommend a final ordinary dividend of £300,000.

Employment policies

During the year the company continued to provide employees with relevant information and to seek their views on matters of concern through their representatives and line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the company's trading position and of any significant organisation changes.

It is the policy of the company to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the company, as well as generally through training and career development.

Price risk, credit risk, liquidity risk and cash flow risk

The company's principal financial instruments comprise bank balances, trade debtors, trade creditors and loans to the business. The main purpose of these instruments is to finance the company's operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of an overdraft and/or invoice discounting facility at floating rates of interest. All of the company's cash balances are held in such a way that achieves a competitive rate of interest. The business makes use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. In addition the company maintains credit insurance where possible for significant customers. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Loans comprise loans from a related self administered pension scheme. The company manages the liquidity risk by ensuring that there are sufficient funds to meet the payments.

William S Graham Limited
Directors' Report for the Year Ended 31 December 2008

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Charitable donations

During the year the company made charitable donations of £800. Individual donations were:

	2008 £
Textile Benevolent Fund	400
Other small donations	400
	<hr/>

Directors

The directors who held office during the year were as follows:

- J S Graham
- N Graham

The following director was appointed after the year end:

- P Sutton (appointed 1 May 2009)

Approved by the Board and signed on its behalf by:



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P Sutton
Company Secretary

Date: 5-6-2009

Independent Auditors' Report to the Members of William S Graham Limited

We have audited the financial statements of William S Graham Limited for the year ended 31 December 2008 set out on pages 6 to 23. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of Directors' responsibilities on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

RSM Bentley Jennison
RSM Bentley Jennison
Chartered Accountants & Registered Auditors

2 Wellington Place
Leeds
LS1 4AP

Date:..... *9 June 2009*

William S Graham Limited
Profit and Loss Account for the Year Ended 31 December 2008

	Note	2008 £	2007 £
Turnover	2	39,256,776	31,569,969
Cost of sales		(30,475,638)	(24,477,754)
Gross profit		<u>8,781,138</u>	<u>7,092,215</u>
Administrative expenses		(8,566,653)	(7,183,492)
Operating profit/(loss)	3	<u>214,485</u>	<u>(91,277)</u>
Other interest receivable and similar income		9,433	7,575
Interest payable and similar charges	6	(108,130)	(102,869)
Profit/(loss) on ordinary activities before taxation		<u>115,788</u>	<u>(186,571)</u>
Tax on profit/(loss) on ordinary activities	7	61,005	41,215
Profit/(loss) for the financial year	17	<u><u>176,793</u></u>	<u><u>(145,356)</u></u>

Turnover and operating profit/(loss) derive wholly from continuing operations.

The notes on pages 10 to 23 form an integral part of these financial statements.

William S Graham Limited

Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2008

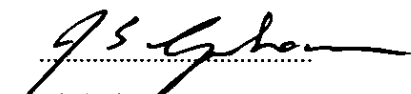
	2008	2007
	£	£
Net profit/(loss) for the year	176,793	(145,356)
Actuarial (loss) gain recognised on defined pension liability	194,000	(90,000)
Movement on deferred tax relating to actuarial gain on defined benefit pension liability	(59,880)	26,600
Total gains and (losses) for the year	<u>310,913</u>	<u>(208,756)</u>


The notes on pages 10 to 23 form an integral part of these financial statements.

William S Graham Limited
Balance Sheet as at 31 December 2008

		2008	2007
	Note	£	£
Fixed assets			
Tangible assets	8	9,867,093	10,945,712
Current assets			
Stocks	9	2,247,986	1,537,124
Debtors	10	6,186,641	6,602,204
Cash at bank and in hand		1,665,914	1,021,846
		<u>10,100,541</u>	<u>9,161,174</u>
Creditors: Amounts falling due within one year	11	<u>(6,375,503)</u>	<u>(6,147,508)</u>
Net current assets		<u>3,725,038</u>	<u>3,013,666</u>
Total assets less current liabilities		13,592,131	13,959,378
Creditors: Amounts falling due after more than one year	12	(28,030)	(178,030)
Provisions for liabilities	15	<u>(1,272,949)</u>	<u>(1,606,509)</u>
Net assets excluding pension liabilities		12,291,152	12,174,839
Pension liabilities	20		
Total of defined benefit schemes			
Present value of scheme liabilities		<u>(14,400)</u>	<u>(209,000)</u>
Net assets including pension liabilities		<u>12,276,752</u>	<u>11,965,839</u>
Capital and reserves			
Called up share capital	16	15,000	15,000
Capital redemption reserve	17	9,829	9,829
Profit and loss account	17	12,251,923	11,941,010
Equity shareholders' funds	18	<u>12,276,752</u>	<u>11,965,839</u>

Approved by the Board on ~~5-1-2009~~ and signed on its behalf by:


J S Graham
Director


N Graham
Director

The notes on pages 10 to 23 form an integral part of these financial statements.

William S Graham Limited
Cash Flow Statement for the Year Ended 31 December 2008

		2008	2007
	Note	£	£
Net cash flow from operating activities	21	1,596,811	2,339,092
Returns on investment and servicing of finance	22	(125,454)	(62,929)
Taxation			
Taxation paid		-	(186,402)
Taxation refund		<u>269,708</u>	<u>-</u>
		269,708	(186,402)
Capital expenditure and financial investment	22	<u>(820,299)</u>	<u>(1,294,599)</u>
Cash inflow before management of liquid resources and financing		920,766	795,162
Financing	22	<u>(276,698)</u>	<u>(62,023)</u>
Net cash flow		<u><u>644,068</u></u>	<u><u>733,139</u></u>

Reconciliation of net cash flow to movement in net debt

		2008	2007
	Note	£	£
Increase in cash in the year	23	644,068	733,139
Cash outflow from decrease in debt and lease financing		<u>200,000</u>	<u>1,219,038</u>
Change in net funds resulting from cash flows		844,068	1,952,177
Net funds/(debt) at the start of the year	23	<u>643,816</u>	<u>(1,308,361)</u>
Net funds at the end of the year	23	<u><u>1,487,884</u></u>	<u><u>643,816</u></u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents amounts invoiced, net of value added tax, in respect of the sale of goods and services to customers.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Freehold buildings	2% per annum (straight line)
Leasehold improvements	Period of the lease (straight line)
Plant and machinery	10% per annum (straight line)
Motor vehicles	25% per annum (straight line)
Computer equipment	25% per annum (straight line)

Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks.

Cost includes all direct expenditure and appropriate proportion of fixed and variable overheads.

Deferred taxation

Deferred tax is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account.

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

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Pensions

The company operates a defined contribution pension scheme for employees which is of the stakeholder type. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. In addition there is a separate defined contribution pension scheme operated for the directors.

The company also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an insurance company. The scheme is closed to new entrants and there are no active members of the scheme as benefit accrual ceased on 31 July 2005. All members of this scheme are either deferred members or pensioner members.

In respect of the defined benefit pension scheme, assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond.

The service cost of providing pension and other post-retirement benefits to employees for the year is charged to the operating profit or loss for the year. The full cost of providing amendments to benefits in respect of past service and the curtailment costs resulting from the defined benefit scheme ceasing future accrual are also charged to the operating profit or loss for the year.

The expected return on the defined benefit scheme assets based on the market value of the scheme assets at the start of the financial year is included within other finance costs. This also includes a charge representing the expected increase in liabilities of the scheme during the year, arising from the liabilities being one year closer to payment. Differences between actual and expected returns on assets during the year are recognised on the Statement of Recognised Gains and Losses in the year, together with differences from changes in assumptions. The net deficit of the defined benefit scheme is reported on the balance sheet within the pension liability. This is net of deferred tax.

Although members of the defined benefit scheme may accrue no further benefits, the company has agreed with the scheme's trustees to continue paying contributions at the rate of £7,200 per month in order to reduce the scheme deficit.

2 Turnover

An analysis of turnover by geographical market and by segment is given below:

	Carpet yarn £	Carpets £	Total £
Sales - UK			
Sales - UK	18,493,721	20,471,719	38,965,440
Overseas sales			
Sales - Europe	291,336	-	291,336
Geographical turnover	18,785,057	20,471,719	39,256,776
2007	17,917,039	13,652,930	31,569,969

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

..... continued

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2008		2007	
	£	£	£	£
Operating leases - property		198,778		200,000
Auditors' remuneration				
The audit of the company's annual accounts	14,000		14,175	
Tax services	7,920		4,898	
Other services	6,710		7,585	
		28,630		26,658
Loss/(profit) on sale of tangible fixed assets		36,681		(4,573)
Depreciation of owned tangible fixed assets		1,862,237		1,755,192

4 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2008 No.	2007 No.
Production	363	320
Sales and administration	13	13
	<u>376</u>	<u>333</u>

The aggregate payroll costs of these persons were as follows:

	2008 £	2007 £
Wages and salaries	9,024,174	7,647,725
Social security	762,708	620,025
Other pension costs	106,051	92,912
	<u>9,892,933</u>	<u>8,360,662</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

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5 Directors' emoluments

The directors' emoluments for the year are as follows:

	2008 £	2007 £
Directors' remuneration (including benefits in kind)	<u>370,415</u>	<u>395,128</u>

During the year the number of directors who were accruing benefits under company pension schemes was as follows:

	2008 No.	2007 No.
Money purchase	<u>2</u>	<u>2</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £189,292 (2007 - £214,224).

6 Interest payable and similar charges

	2008 £	2007 £
Bank interest payable	773	26,298
Bank loan interest payable	-	5,235
Invoice discounting interest	68,572	5,382
Pension scheme loan interest	24,051	45,115
Directors' loan interest	12,734	10,839
Pension scheme finance costs	2,000	10,000
	<u>108,130</u>	<u>102,869</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

..... continued

7 Taxation

Analysis of current period tax credit

	2008 £	2007 £
Current tax		
Corporation tax charge/(credit)	232,711	(8,492)
(Over)/under provision in previous year	16,324	1,125
UK Corporation tax	<u>249,035</u>	<u>(7,367)</u>
Deferred tax		
Origination and reversal of timing differences	(202,940)	(33,848)
Deferred tax adjustment relating to previous years and changes in rates	(107,100)	-
Total deferred tax	<u>(310,040)</u>	<u>(33,848)</u>
Total tax on profit/(loss) on ordinary activities	<u>(61,005)</u>	<u>(41,215)</u>

Factors affecting current period tax charge/(credit)

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than (2007 - higher than) the standard rate of corporation tax in the UK of 28.50% (2007 - 30.00%).

The differences are reconciled below:

	2008 £	2007 £
Profit/(loss) on ordinary activities before taxation	<u>115,788</u>	<u>(186,571)</u>
Standard rate corporation tax charge/(credit)	33,000	(55,971)
Expenses not deductible for tax purposes	5,563	14,344
Deferred tax timing differences as provided	226,460	73,448
Timing differences as provided re defined pension liabilities	(23,520)	(39,600)
Marginal and small companies relief	(12,392)	(713)
Rate differences	3,600	-
Adjustments relating to prior years	16,324	1,125
Total current tax for the year	<u>249,035</u>	<u>(7,367)</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

..... continued

8 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
As at 1 January 2008	2,523,038	23,477,761	543,710	26,544,509
Additions	137,072	552,914	165,970	855,956
Disposals	-	(7,854)	(87,967)	(95,821)
As at 31 December 2008	<u>2,660,110</u>	<u>24,022,821</u>	<u>621,713</u>	<u>27,304,644</u>
Depreciation				
As at 1 January 2008	521,436	14,797,082	280,279	15,598,797
Eliminated on disposals	-	(2,434)	(21,049)	(23,483)
Charge for the year	<u>64,299</u>	<u>1,697,598</u>	<u>100,340</u>	<u>1,862,237</u>
As at 31 December 2008	<u>585,735</u>	<u>16,492,246</u>	<u>359,570</u>	<u>17,437,551</u>
Net book value				
As at 31 December 2008	<u>2,074,375</u>	<u>7,530,575</u>	<u>262,143</u>	<u>9,867,093</u>
As at 31 December 2007	<u>2,001,602</u>	<u>8,680,679</u>	<u>263,431</u>	<u>10,945,712</u>

Land and buildings

The net book value of land and buildings includes:

	2008 £	2007 £
Freehold	<u>2,074,375</u>	<u>2,001,602</u>

9 Stocks and work in progress

	2008 £	2007 £
Raw materials	1,240,713	599,839
Work in progress	<u>1,007,273</u>	<u>937,285</u>
	<u>2,247,986</u>	<u>1,537,124</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

..... continued

10 Debtors

	2008	2007
	£	£
Trade debtors	5,811,310	5,919,328
Other debtors	451	316,392
Director current accounts	802	-
Prepayments and accrued income	374,078	366,484
	<u>6,186,641</u>	<u>6,602,204</u>

11 Creditors: Amounts falling due within one year

	2008	2007
	£	£
Pension scheme loan	150,000	200,000
Trade creditors	4,044,542	3,648,345
Corporation tax	232,711	-
Social security and other taxes	966,871	925,790
Other creditors	6,554	6,209
Director current accounts	99,048	174,944
Accruals and deferred income	875,777	1,192,220
	<u>6,375,503</u>	<u>6,147,508</u>

12 Creditors: Amounts falling due after more than one year

	2008	2007
	£	£
Preference Shares	28,030	28,030
Pension scheme loan	-	150,000
	<u>28,030</u>	<u>178,030</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

..... continued

13 Maturity of borrowings

Amounts repayable:

	Preference Shares £	Pension scheme loan £	Total £
As at 31 December 2008			
In one year or less on demand	-	150,000	150,000
After more than five years not by instalments	28,030	-	28,030
	<u>28,030</u>	<u>150,000</u>	<u>178,030</u>
As at 31 December 2007			
In one year or less on demand	-	200,000	200,000
Between one and two years	-	150,000	150,000
After more than five years not by instalments	28,030	-	28,030
	<u>28,030</u>	<u>350,000</u>	<u>378,030</u>

14 Security of borrowings

The pension scheme loan is unsecured and carries an interest rate of 3% over the bank base rate. The loan is repayable in quarterly instalments over a period of five years.

15 Provisions for liabilities

	Deferred tax provision £
As at 1 January 2008	1,606,509
Deferred tax provision charged to the profit and loss account	-
Deferred tax provision utilised in the period	(333,560)
As at 31 December 2008	<u>1,272,949</u>

Deferred tax

Deferred tax is provided at 28.00% (2007 - 30.00%).

	2008 £	2007 £
Accelerated capital allowances	1,276,586	1,610,759
Other short term timing differences	(3,637)	(4,250)
	<u>1,272,949</u>	<u>1,606,509</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

..... continued

16 Share capital

	2008 £	2007 £
Authorised		
Equity		
1,500 Ordinary shares of £10 each	<u>15,000</u>	<u>15,000</u>
Allotted, called up and fully paid		
Equity		
1,500 Ordinary shares of £10 each	<u>15,000</u>	<u>15,000</u>

The company has 2,803 allotted, issued and fully paid 3.5% cumulative preference shares of £10 each. In accordance with FRS25 these shares are now shown within creditors falling due after more than one year. The dividends on these shares are in arrears from December 1995 and the arrears amount to £13,735 (2007 - £12,753). These shares have no terms of repayment. The preference shareholders are entitled to one vote for every five preference shares held. On a winding up of the company the 3.5% cumulative preference shares rank before the ordinary shares and are entitled to the full amount paid thereon and all arrears of dividends.

17 Reserves

	Capital redemption reserve £	Profit and loss account £	Total £
Balance at 1 January 2008	9,829	11,941,010	11,950,839
Other recognised gains re pension scheme liability	-	134,120	134,120
Transfer from profit and loss account for the year	-	176,793	176,793
Balance at 31 December 2008	<u>9,829</u>	<u>12,251,923</u>	<u>12,261,752</u>

The closing balance on the Profit and Loss Reserve includes a £14,400 debit (2007 - £209,000 debit) stated after deferred taxation of £5,600 (2007 - £89,000), in respect of the pension scheme liability of the company's defined benefit pension scheme.

18 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit/(loss) attributable to members of the company	176,793	(145,356)
Other recognised gains/(losses) for the year	<u>134,120</u>	<u>(63,400)</u>
Net addition/(reduction) to shareholders' funds	<u>310,913</u>	<u>(208,756)</u>
Opening equity shareholders' funds	<u>11,965,839</u>	<u>12,174,595</u>
Closing equity shareholders' funds	<u>12,276,752</u>	<u>11,965,839</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

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19 Operating lease commitments

As at 31 December 2008 the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings	
	2008	2007
	£	£
Over five years	<u>200,000</u>	<u>200,000</u>

20 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £106,051 (2007 - £92,912).

Contributions totalling £6,554 (2007 - £6,209) were payable to the scheme at the end of the period and are included in creditors.

Defined benefit pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an insurance company. The scheme is closed to new entrants, and the current service costs will increase as members approach retirement. The total charge to the profit and loss account in respect of this scheme was £Nil (2007 - £Nil).

The latest full actuarial valuation was carried out at 1 August 2007 and was updated for FRS 17 purposes to 31 December 2008 by a qualified independent actuary.

The company has applied FRS17 (allowing for the 2006 amendment) and the following disclosures relate to this revised standard.

The amounts recognised in the balance sheet are as follows:

	2008	2007
	£	£
Present value of funded obligations	(2,003,000)	(2,369,000)
Fair value of scheme assets	<u>1,983,000</u>	<u>2,071,000</u>
Deficit	(20,000)	(298,000)
Related deferred tax asset	<u>5,600</u>	<u>89,000</u>
Net liability	<u>(14,400)</u>	<u>(209,000)</u>

Amounts in the balance sheet:

	2008	2007
	£	£
Liabilities	(14,400)	(209,000)
Assets	<u>-</u>	<u>-</u>
Net liabilities	<u>(14,400)</u>	<u>(209,000)</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

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The pension scheme assets include no assets from the company's own financial instruments.

The pension scheme assets include no property occupied by, or other assets used by, the company.

The amounts recognised in the profit and loss account are as follows:

	2008 £	2007 £
Current service cost	-	-
Interest on obligation	(112,000)	(53,000)
Expected return on scheme assets	110,000	43,000
Total	<u>(2,000)</u>	<u>(10,000)</u>
Actual return on scheme assets	<u>(161,000)</u>	<u>63,000</u>

Changes in the present value of the defined benefit obligation are as follows:

	2008 £	2007 £
Opening defined benefit obligation	2,369,000	2,348,000
Service costs	-	-
Interest cost	112,000	53,000
Actuarial (gains) losses	(465,000)	110,000
Benefits paid	(13,000)	(142,000)
Total	<u>2,003,000</u>	<u>2,369,000</u>

Changes in the fair value of scheme assets are as follows:

	2008 £	2007 £
Opening fair value of scheme assets	2,071,000	2,008,000
Expected return	110,000	43,000
Actuarial (losses) gains	(271,000)	20,000
Contributions by employer	86,000	142,000
Benefits paid	(13,000)	(142,000)
Total	<u>1,983,000</u>	<u>2,071,000</u>

The company expects to contribute £86,400 to its defined benefit pension scheme in the next financial year.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2008 %	2007 %
Equities	20.73	25.88
Bonds	9.68	9.17
Cash	6.10	2.90
Annuities re pensions in payment	63.49	62.05

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

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Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2008	2007
Discount rate	6.00%	4.75%
Expected return on scheme assets	5.20%	5.30%
Future salary increases	n/a	n/a
Inflation	3.00%	3.25%
Rate of revaluation of deferred pensions during deferment	3.00%	3.25%
Rate of increases to pension in payment (LPI)	3.00%	3.25%
Rate of increase to pensions secured with L&G pensions	5.00%	5.00%
Mortality	PA92 mc	PA92 mc
Proportion of employees opting for early retirement	n/a	n/a

The mortality rates denoted by PA92mc are base rates in accordance with the PA92 tables published by the actuarial profession. An allowance has been made for future improvements in longevity in accordance with the medium cohort effect.

	2008	2007
Longevity at age 65 for current pensioners:		
Men	22.1 years	22.0 years
Women	25.0 years	24.9 years

Longevity at age 65 for future pensioners:		
Men	23.2 years	23.1 years
Women	26.0 years	25.9 years

Where investments are held in bonds and cash, the expected long term rate is taken to be yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based on more realistic future expectations than on returns that have been available historically. The overall expected long term rate of return is then the average of these rates taking into account the underlying asset portfolio of the pension scheme.

The expected rates of return for each asset class were:

	2008	2007
Equities	7.50%	6.50%
Bonds	6.00%	4.75%
Cash	2.00%	4.50%

Amounts for the current and previous four years:

	2008 £	2007 £	2006 £	2005 £	2004 £
Defined benefit obligation	(2,003,000)	(2,369,000)	(2,778,000)	(2,688,000)	(1,976,000)
Fair value of scheme assets	1,983,000	2,071,000	2,314,000	2,115,000	1,633,000
Deficit	<u>(20,000)</u>	<u>(298,000)</u>	<u>(464,000)</u>	<u>(573,000)</u>	<u>(343,000)</u>
Experience adjustments on scheme liabilities	70,000	(110,000)	52,000	158,000	(10,000)
Experience adjustments on scheme assets	(271,000)	20,000	57,000	46,000	20,000

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

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21 Reconciliation of operating profit/(loss) to operating cash flows

	2008	2007
	£	£
Operating profit/(loss)	214,485	(91,277)
Depreciation, amortisation and impairment charges	1,862,237	1,755,192
Loss/(profit) on disposal of fixed assets	36,681	(4,573)
Increase in stocks	(710,862)	(30,735)
Decrease in debtors	143,359	2,832,711
Increase/(decrease) in creditors	136,911	(1,980,226)
FRS17 items included in operating profit	(86,000)	(142,000)
Net cash inflow from operating activities	1,596,811	2,339,092

22 Analysis of cash flows

	2008	2007
	£	£
Returns on investment and servicing of finance		
Other interest paid	(134,887)	(70,504)
Interest received	9,433	7,575
	<u>(125,454)</u>	<u>(62,929)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(855,956)	(1,347,272)
Sale of tangible fixed assets	35,657	52,673
	<u>(820,299)</u>	<u>(1,294,599)</u>
Financing		
Repayment of loans and borrowings	(200,000)	(1,219,038)
Amounts withdrawn by directors	(76,698)	1,157,015
	<u>(276,698)</u>	<u>(62,023)</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2008

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23 Analysis of net funds

	At start of period £	Cash flow £	Other non-cash changes £	At end of period £
Cash at bank and in hand	1,021,846	644,068	-	1,665,914
Debt due within one year	(200,000)	200,000	(150,000)	(150,000)
Debt due after one year	(150,000)	-	150,000	-
Finance leases	(28,030)	-	-	(28,030)
Change in debt	(378,030)	200,000	-	(178,030)
Net funds	643,816	844,068	-	1,487,884

24 Related parties

Controlling entity

The ultimate parent undertaking is William S. Graham & Sons (Dewsbury) Limited, which is registered in England and Wales.

Related party transactions

Mr J S Graham and Mr N Graham are trustees and members of the W.S. Graham and Sons Self Administered Pension Fund.

At the year end a loan existed between the company and this pension scheme in the sum of £150,000 (2007 - £350,000). Interest payable for the year on this loan was £24,051 (2007 - £45,115). Of this amount £2,456 (2007 - £32,120) is included in accruals and deferred income at the year end.

The company leases property from the pension fund on normal commercial terms. The amount of rent payable in the year to the pension fund amounted to £198,778 (2007 - £200,000). Included in prepayments and accrued income is £46,154 relating to the rent in advance at the year end. At the prior year end, £200,000 was included in accruals and deferred income.

Directors' loan accounts

The following balances owed to/(by) the directors were outstanding at the year end:

	2008 £	2007 £
J S Graham	(802)	7,159
N Graham	99,048	167,784
	<u>98,246</u>	<u>174,944</u>

Interest payable to the directors on loan balances in credit amounted to £11,392 for N Graham and £1,342 for J S Graham.

During the year J S Graham purchased a motor vehicle from the company at its market value of £21,000.