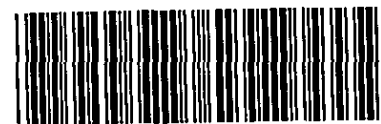


**WILLIAM S GRAHAM LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**Company Registration Number 00051904**

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**WILLIAM S GRAHAM LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

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**WILLIAM S GRAHAM LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 31 DECEMBER 2010**

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<b>The board of directors</b>	J S Graham N Graham P Sutton
<b>Company secretary</b>	P Sutton
<b>Business address</b>	Ravens Ing Mills Ravensthorpe Dewsbury WF13 3JF
<b>Registered office</b>	Ravens Ing Mills Ravensthorpe Dewsbury WF13 1DH
<b>Auditor</b>	RSM Tenon Audit Limited 2 Wellington Place Leeds LS1 4AP
<b>Bankers</b>	HSBC Bank plc Market Place Dewsbury West Yorkshire UK WF13 1DH

**WILLIAM S GRAHAM LIMITED**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2010**

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The directors present their report and the financial statements of the company for the year ended 31 December 2010

**Principal activities and business review**

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

*Review of business*

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 £40.6 million from £32.7 million in the prior year representing a pleasing increase of 24%. The overall gross margin percentage has decreased to 19.9% compared to 23.5% last year. Raw material prices continue to rise and, given the position of the industry, it has proved difficult to pass on such rises in full to customers. Administration costs, some of which are linked to turnover, have also increased. The overall effect of these changes is an operating loss of £667,377 compared to an operating loss of £179,495 in the prior year. The net loss before taxation was £714,153 compared to a loss of £192,543 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 £1.4 million compared to £1.8 million in the prior year.

The EBITDA figure also gives a better indication of underlying cash flows. The company generated £1.3 million of cash from operating activities (2009 - £2.2 million). Overall cash at bank and in hand was £470,183 compared to £1.75 million at the previous year end, the reduction reflecting our continued investment in the business in the form of plant and other production and storage facilities.

The net assets of the company now stand at £11.2 million (2009 - £11.9 million) with net current assets of £2.2 million (2009 - £3.4 million).

As for many businesses of our size, the business environment in which we operate continues to be challenging. The recessionary environment and slow economic growth 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 high quality products. We believe the company continues in a position of strength within the industry and we remain optimistic that the company can continue to achieve its objectives.

*Principal risk and uncertainties*

As a manufacturing company we are reliant on securing adequate orders to ensure the manufacturing facilities are utilised in an efficient way, especially as a significant proportion of the company's costs are fixed in nature. We are constantly striving to improve efficiencies and working practices to ensure we get the best and most out of our dedicated work force. In addition, the quality of our finished product is of paramount importance to us and our customers. The number of customers which we serve is relatively small but they represent all the key players within the carpet retail industry. We look, wherever possible, to increase the customer base and ensure existing customers receive a quality service and product.

**WILLIAM S GRAHAM LIMITED**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2010**

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The business environment in which we operate continues to be challenging. However we will continue to show flexibility and respond to market conditions and opportunities as they arise.

**Environment**

The Yarn Site at Ravens Ing Mills is regulated by an IPPC Permit supplied by the Environment Agency. This ensures we monitor, control and improve how the business impacts on the environment through monitoring and reporting data, audits and recycling.

The Dye House at Ravens Ing Mills is closely monitored by Yorkshire Water for all discharges to the sewer. We strive to increase the volume of water being recycled and hence reduce the volumes going to the sewer.

The Carpet Site at Thornhill has an ongoing review and development initiative focused on the recycling of Soft Back, Hard Back and Shearing dust. Soft back carpet is "pulled up" back to fibre and is used for the manufacture of felt underlay. Hard back carpet edge trimmings are also "pulled up" back to fibre form and used as a blend filler for wadding and felt underlay. Shearing dust is used as an additive to fertilizer.

**Results and dividends**

The loss for the year amounted to £475,257. Particulars of dividends paid are detailed in note 8 to the financial statements.

**Financial risk management objectives and policies**

The company's operations expose it to a variety of financial risks. Given the size of the company there are no formal risk management objectives and policies. However, the directors work closely together on all aspects of the business including considering and mitigating financial risks where appropriate.

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

The business' principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to finance the business' 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 overdrafts at floating rates of interest. All of the business' 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. There could be a high concentration of credit risk as there are a small number of large customers. However, this risk is mitigated by maintaining credit insurance where possible for all 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.

**Directors**

The directors who served the company during the year were as follows:

J S Graham  
N Graham  
P Sutton

**WILLIAM S GRAHAM LIMITED**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2010**

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**Directors' responsibilities**

The directors are responsible for preparing the Directors' 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are, individually, aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

**Donations**

During the year the company made the following contributions

	2010	2009
	£	£
Charitable	400	1,140
	<u>          </u>	<u>          </u>

**Disabled employees**

The company gives full and fair consideration to applications for employment from disabled persons where the requirement of the job may be adequately covered by a handicapped or disabled person. With regards to existing employees who became disabled, the company has continued to examine ways of providing continuing employment under normal terms and conditions and to provide training, career development and promotion where appropriate

**WILLIAM S GRAHAM LIMITED**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2010**

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**Employee involvement**

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 key organisation changes.

**Auditor**

RSM Tenon Audit Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors

A handwritten signature in black ink, appearing to read 'P Sutton', with a stylized flourish at the end.

P Sutton  
Company Secretary

Approved by the directors on 31-8-2011

**WILLIAM S GRAHAM LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIAM**  
**S GRAHAM LIMITED**

**YEAR ENDED 31 DECEMBER 2010**

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We have audited the financial statements of William S Graham Limited for the year ended 31 December 2010 on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit 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 auditor's 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**WILLIAM S GRAHAM LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIAM**  
**S GRAHAM LIMITED** *(continued)*

**YEAR ENDED 31 DECEMBER 2010**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Richard Bright, Senior Statutory Auditor  
For and on behalf of

*RSM Tenon Audit Ltd*

RSM Tenon Audit Limited  
Statutory Auditor  
2 Wellington Place  
Leeds  
LS1 4AP

Date - *7 September 2011*

**WILLIAM S GRAHAM LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
<b>Turnover</b>	2	40,626,151	32,674,608
Cost of sales		(32,549,954)	(25,005,267)
<b>Gross profit</b>		<u>8,076,197</u>	<u>7,669,341</u>
Administrative expenses		(8,743,574)	(7,848,836)
<b>Operating loss</b>	3	<u>(667,377)</u>	<u>(179,495)</u>
Interest receivable		—	1,406
Interest payable and similar charges	6	(46,776)	(14,454)
<b>Loss on ordinary activities before taxation</b>		<u>(714,153)</u>	<u>(192,543)</u>
Tax on loss on ordinary activities	7	238,896	150,711
<b>Loss for the financial year</b>		<u>(475,257)</u>	<u>(41,832)</u>

All of the activities of the company are classed as continuing

The notes on pages 11 to 23 form part of these financial statements

**WILLIAM S GRAHAM LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2010**

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	2010 £	2009 £
Loss for the financial year		
Attributable to the shareholders	(475,257)	(41,832)
Actuarial gain/(loss) in respect of defined benefit pension scheme	(5,000)	(36,000)
Deferred tax in respect of defined benefit pension scheme	1,300	10,080
Change in deferred tax rate	680	—
	<u>          </u>	<u>          </u>
Total gains and losses recognised since the last annual report	<u>(478,277)</u>	<u>(67,752)</u>

The notes on pages 11 to 23 form part of these financial statements

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**WILLIAM S GRAHAM LIMITED**

Registered Number 00051904

**BALANCE SHEET****31 DECEMBER 2010**

	Note	2010		2009	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		9,584,296		9,506,799
<b>Current assets</b>					
Stocks	10	2,533,172		2,025,128	
Debtors	11	6,902,340		5,749,510	
Cash at bank and in hand		628,873		1,753,872	
		10,064,385		9,528,510	
<b>Creditors: Amounts falling due within one year</b>	12	(7,801,301)		(6,160,826)	
<b>Net current assets</b>			2,263,084		3,367,684
<b>Total assets less current liabilities</b>			11,847,380		12,874,483
<b>Creditors: Amounts falling due after more than one year</b>	13		(28,030)		(28,030)
<b>Provisions for liabilities</b>					
Deferred taxation	14		(678,167)		(961,933)
<b>Net assets excluding pension asset</b>			11,141,183		11,884,520
Defined benefit pension scheme asset	15		89,540		24,480
<b>Net assets including pension asset</b>			11,230,723		11,909,000
<b>Capital and reserves</b>					
Called-up share capital	18		15,000		15,000
Other reserves	19		9,829		9,829
Profit and loss account	19		11,205,894		11,884,171
<b>Shareholders' funds</b>	20		11,230,723		11,909,000

These financial statements were approved by the directors and authorised for issue on ~~31-8-2011~~ and are signed on their behalf by

J S Graham  
Director



The notes on pages 11 to 23 form part of these financial statements

**WILLIAM S GRAHAM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

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**1. Accounting policies**

**Basis of accounting**

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

*Going concern*

The financial statements have been prepared on a going concern basis

The company has some reliance on bank financing, largely through a rolling invoice discounting facility. The ability to draw on this facility is linked to the level of the company's turnover and receipts from debtors. The directors have prepared forecasts using assumptions which incorporate all known factors regarding existing turnover sources and potential new sources of turnover based on past experience and knowledge of the industry. Based on these forecasts the company is shown to be operating within its agreed borrowing facility limit enabling the company to meet its day to day commitments.

For these reasons, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

**Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

**Turnover**

Turnover represents the value, net of value added tax, of goods and services supplied to customers during the year net of rebates and allowances.

**Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Freehold Property	- 2% per annum (straight line)
Plant & Machinery	- 10% & 25% per annum (straight line)
Motor Vehicles	- 25% per annum (straight line)

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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

**Work in progress**

Work in progress is valued on the basis of direct material and labour costs plus attributable overheads based on a normal level of activity.

**Operating lease agreements**

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

**WILLIAM S GRAHAM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

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**Pension costs and other post-retirement benefits**

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/surplus of the defined benefit scheme is reported on the balance sheet within the pension liability/asset. 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 and the rate of £7,200 per month in order to reduce the scheme deficit.

**Deferred taxation**

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

**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. Monetary 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**  
**YEAR ENDED 31 DECEMBER 2010**

**1. Accounting policies (continued)**

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**2. Turnover**

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

	2010 £	2009 £
Carpet yarn	9,610,281	12,318,305
Carpets	31,015,870	20,356,303
	<u>40,626,151</u>	<u>32,674,608</u>
UK	40,548,808	32,545,840
Overseas	77,343	128,768
	<u>40,626,151</u>	<u>32,674,608</u>

**3. Operating loss**

Operating loss is stated after charging/(crediting)

	2010 £	2009 £
Depreciation of owned fixed assets	2,071,500	1,946,247
(Profit)/loss on disposal of fixed assets	(8,148)	20
Operating lease costs		
- Other	219,500	202,404
Auditor's remuneration - audit of the financial statements	14,400	14,200
Auditor's remuneration - other fees	14,520	19,880
	<u>2010 £</u>	<u>2009 £</u>
Auditor's remuneration - audit of the financial statements	14,400	14,200
Auditor's remuneration - other fees		
- Taxation services	4,200	4,410
- Corporate finance services	-	8,720
- Other services	10,320	6,750
	<u>14,520</u>	<u>19,880</u>

**WILLIAM S GRAHAM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

**4 Particulars of employees**

The average number of staff employed by the company during the financial year amounted to

	<b>2010</b>	<i>2009</i>
	<b>No</b>	<i>No</i>
Production	436	385
Administration	17	14
	<u>453</u>	<u>399</u>

The aggregate payroll costs of the above were

	<b>2010</b>	<i>2009</i>
	<b>£</b>	<i>£</i>
Wages and salaries	10,640,546	8,243,198
Social security costs	879,177	647,382
Other pension costs	86,075	100,713
	<u>11,605,798</u>	<u>8,991,293</u>

Other pension costs are amounts charged to operating profit and do not include amounts charged to finance costs (see note 6) and amounts recognised in the statement of recognised gains and losses

**5 Directors' remuneration**

The directors' aggregate remuneration in respect of qualifying services were

	<b>2010</b>	<i>2009</i>
	<b>£</b>	<i>£</i>
Remuneration receivable	469,548	411,191
Value of company pension contributions to money purchase schemes	4,875	3,250
	<u>474,423</u>	<u>414,441</u>

**Remuneration of highest paid director**

	<b>2010</b>	<i>2009</i>
	<b>£</b>	<i>£</i>
Total remuneration (excluding pension contributions)	<u>186,116</u>	<u>181,754</u>

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

	<b>2010</b>	<i>2009</i>
	<b>No</b>	<i>No</i>
Money purchase schemes	<u>3</u>	<u>3</u>



**WILLIAM S GRAHAM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

**6 Interest payable and similar charges**

	2010	2009
	£	£
Interest payable on bank borrowing	7	3,127
Interest on other loans	52,769	15,327
Net finance costs in respect of defined benefit pension schemes	(6,000)	(4,000)
	<u>46,776</u>	<u>14,454</u>

**7 Taxation on ordinary activities**

**(a) Analysis of charge in the year**

	2010		2009
	£	£	£
In respect of the year			
UK Corporation tax	20,950		155,698
Over/under provision in prior year	-		(20,593)
	<u>20,950</u>		<u>135,105</u>
Deferred tax			
Origination and reversal of timing differences	(191,137)		(214,810)
Adjustment in respect of previous years			
<b>Deferred tax:</b>			
Capital allowances	(68,964)		(71,006)
Other	<u>255</u>		<u>-</u>
	<u>(68,709)</u>		<u>(71,006)</u>
Total deferred tax (note 14)	<u>(259,846)</u>		<u>(285,816)</u>
Tax on loss on ordinary activities	<u>(238,896)</u>		<u>(150,711)</u>

Movements in deferred tax relating to the surplus in the company's defined benefit pension scheme are accounted for within the FRS17 balances shown in note 15. Included in the deferred tax credit for the year is a debit of £23,920 (2009 - £25,200 debit) in respect of the movements relating to the defined benefit pension scheme.

The prior year deferred tax credit for 2010 relates to the change in the rate applied to the deferred tax opening balance. The rate applied has reduced to 26% from 28% used in the prior year.

**WILLIAM S GRAHAM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

**7. Taxation on ordinary activities** *(continued)*

**(b) Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £	2009 £
Loss on ordinary activities before taxation	(714,153)	(192,543)
Loss on ordinary activities by rate of tax	(199,963)	(53,912)
Effects of		
Expenses not deductible for tax purposes	22,057	10,349
Deferred tax timing differences as provided	215,057	240,010
Timing differences as provided re defined benefit pension scheme	(23,920)	(25,200)
Rate differences	14,703	-
Tax chargeable at lower rates	(6,984)	(15,549)
Adjustments to tax charge in respect of previous periods	-	(20,593)
Total current tax (note 7(a))	<u>20,950</u>	<u>135,105</u>

**8. Dividends**

**Equity dividends**

	2010 £	2009 £
Paid during the year		
Dividends on equity shares	<u>200,000</u>	<u>300,000</u>

**WILLIAM S GRAHAM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

**9. Tangible fixed assets**

	<b>Freehold Property £</b>	<b>Leasehold improvement £</b>	<b>Plant &amp; Machinery £</b>	<b>Motor Vehicles £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 January 2010	3,043,579	—	25,185,125	611,913	28,840,617
Additions	747,253	6,732	1,310,076	92,338	2,156,399
Disposals	—	—	—	(91,265)	(91,265)
At 31 December 2010	<u>3,790,832</u>	<u>6,732</u>	<u>26,495,201</u>	<u>612,986</u>	<u>30,905,751</u>
<b>Depreciation</b>					
At 1 January 2010	654,748	—	18,264,368	414,702	19,333,818
Charge for the year	81,838	—	1,893,032	96,630	2,071,500
On disposals	—	—	—	(83,863)	(83,863)
At 31 December 2010	<u>736,586</u>	<u>—</u>	<u>20,157,400</u>	<u>427,469</u>	<u>21,321,455</u>
<b>Net book value</b>					
At 31 December 2010	<u>3,054,246</u>	<u>6,732</u>	<u>6,337,801</u>	<u>185,517</u>	<u>9,584,296</u>
At 31 December 2009	<u>2,388,831</u>	<u>—</u>	<u>6,920,757</u>	<u>197,211</u>	<u>9,506,799</u>

**10. Stocks**

	<b>2010 £</b>	<b>2009 £</b>
Raw materials	1,171,692	854,268
Work in progress	1,361,480	1,170,860
	<u>2,533,172</u>	<u>2,025,128</u>

**11. Debtors**

	<b>2010 £</b>	<b>2009 £</b>
Trade debtors	6,297,851	5,282,355
Prepayments and accrued income	604,489	467,155
	<u>6,902,340</u>	<u>5,749,510</u>

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**12 Creditors: Amounts falling due within one year**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Invoice discounting	158,690	—
Trade creditors	5,110,156	4,360,628
Corporation tax	20,950	155,698
PAYE and social security	349,091	340,974
VAT	954,538	465,986
Other creditors	8,651	6,302
Directors current accounts	36,755	85,716
Accruals and deferred income	1,162,470	745,522
	<u>7,801,301</u>	<u>6,160,826</u>

**13 Creditors: Amounts falling due after more than one year**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Shares classed as financial liabilities	<u>28,030</u>	<u>28,030</u>

**14 Deferred taxation**

The movement in the deferred taxation provision during the year was

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
At 1 January 2010	961,933	1,272,949
Profit and loss account movement arising during the year	(283,766)	(311,016)
At 31 December 2010	<u>678,167</u>	<u>961,933</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Excess of taxation allowances over depreciation on fixed assets	680,456	965,505
Other timing differences	(2,289)	(3,572)
	<u>678,167</u>	<u>961,933</u>

Deferred tax is provided at 26% (2009 - 28%)

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**15 Pensions and other post retirement benefits**

**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 £86,075 (2009 - £100,713).

Contributions totalling £8,651 (2009 - £6,301) 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 service costs related to this scheme was £nil (2009 - £nil).

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

**Most recent actuarial valuation**

The latest full actuarial valuation was carried out at 1 August 2007 and was updated for FRS17 purposes to 31 December 2010 by a qualified independent actuary.

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

	2010 £	2009 £
Amounts included in other finance income		
Expected return on scheme assets	(119,000)	(122,000)
Interest on scheme liabilities	113,000	118,000
Other finance income	(6,000)	(4,000)
Total credit to the profit and loss account	(6,000)	(4,000)
Actual return on scheme assets	107,000	159,000

Other finance cost is included in the profit and loss account within interest payable and similar charges.

Actuarial losses of £(5,000) (2009 - £(36,000)) have been recognised in the statement of total recognised gains and losses. At 31 December 2010 the cumulative amount of actuarial gains recognised in the statement of total recognised gains and losses is £37,000.

The amounts recognised in the balance sheet are as follows:

	2010 £	2009 £
Present value of funded obligations	(2,155,000)	(2,135,000)
Fair value of scheme assets	2,276,000	2,169,000
	121,000	34,000
Related deferred tax liability	(31,460)	(9,520)
Net pension asset	89,540	24,480

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**15. Pensions and other post retirement benefits (continued)**

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

	2010	2009
	£	£
Opening defined benefit obligation	2,135,000	2,003,000
Interest on scheme liabilities	113,000	118,000
Actuarial (gain)/loss	(7,000)	73,000
Benefits paid	(86,000)	(59,000)
Closing defined benefit obligation	<u>2,155,000</u>	<u>2,135,000</u>

Changes in the fair value of scheme assets are as follows

	2010	2009
	£	£
Opening fair value of scheme assets	2,169,000	1,983,000
Expected return on scheme assets	119,000	122,000
Contributions by employer	86,000	86,000
Actuarial (loss)/gain	(12,000)	37,000
Benefits paid	(86,000)	(59,000)
Closing fair value of scheme assets	<u>2,276,000</u>	<u>2,169,000</u>

The fair value of the major categories of scheme assets and the expected rate of return at the balance sheet date are as follows

	Expected return		Fair value of assets	
	2010	2009	2010	2009
	%	%	£	£
Equities	6.9	6.9	497,000	447,000
Bonds	5.4	5.4	231,000	215,000
Cash	2.5	2.5	152,000	152,000
Other	5.4	5.4	1,396,000	1,355,000
Fair value of scheme assets			<u>2,276,000</u>	<u>2,169,000</u>

The principal actuarial assumptions as at the balance sheet date were

	2010	2009
	%	%
Discount rate	5.40	5.40
Rate of increase in pensions in payment	3.25	3.25
Rate of increase in deferred pensions	3.25	3.25
Inflation	3.25	3.25

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**15 Pensions and other post retirement benefits *(continued)***

Amounts for the current and previous four periods are as follows

	2010	2009	2008	2007	2006
	£	£	£	£	£
Defined benefit obligation	(2,155,000)	(2,135,000)	(2,003,000)	(2,369,000)	(2,778,000)
Fair value of scheme assets	<u>2,276,000</u>	<u>2,169,000</u>	<u>1,983,000</u>	<u>2,071,000</u>	<u>2,314,000</u>
Surplus/(deficit) in the scheme	<u>121,000</u>	<u>34,000</u>	<u>(20,000)</u>	<u>(298,000)</u>	<u>(464,000)</u>
Experience adjustments on scheme liabilities (£)	<u>302,000</u>	<u>98,000</u>	<u>70,000</u>	<u>(110,000)</u>	<u>52,000</u>
Experience adjustments on scheme assets (£)	<u>(12,000)</u>	<u>37,000</u>	<u>(271,000)</u>	<u>20,000</u>	<u>57,000</u>

**16 Commitments under operating leases**

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	Land and buildings	Other Items	Land and buildings	Other Items
	£	£	£	£
Operating leases which expire				
Within 1 year	-	6,250	-	-
Within 2 to 5 years	28,000	-	-	-
After more than 5 years	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
	<u>228,000</u>	<u>6,250</u>	<u>200,000</u>	<u>-</u>

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**17. Related party transactions**

**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

The company leases a property from the pension fund on normal commercial terms. The amount of rent payable in the year to the pension fund amounted to £200,000 (2009 - £200,000). Included in prepayments and accrued income is £56,250 (2009 £50,000) relating to rent in advance at the year end.

**Directors' loan accounts**

The following balances owed to the directors were outstanding at the year end

	2010	2009
	£	£
J S Graham	21,299	9,262
N Graham	15,456	76,454

Interest payable to the director's on loan balances in credit amounted to £1,924 (2009 £3,255)

**18. Share capital**

**Authorised share capital:**

	2010	2009
	£	£
1,500 Ordinary shares of £10 each	15,000	15,000
2,803 Preference shares of £10 each	28,030	28,030
	<u>43,030</u>	<u>43,030</u>

**Allotted, called up and fully paid:**

	2010		2009	
	No	£	No	£
1,500 Ordinary shares of £10 each	1,500	15,000	1,500	15,000
2,803 Preference shares of £10 each	2,803	28,030	2,803	28,030
	<u>4,303</u>	<u>43,030</u>	<u>4,303</u>	<u>43,030</u>

	2010	2009
	£	£
<b>Amounts presented in equity:</b>		
1,500 Ordinary shares of £10 each	<u>15,000</u>	<u>15,000</u>

	2010	2009
	£	£
<b>Amounts presented in liabilities:</b>		
2,803 Preference shares of £10 each	<u>28,030</u>	<u>28,030</u>



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**18. Share capital (continued)**

The company has 2,308 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 £15,698 (2009 - £14,717). 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.

**19. Reserves**

	Capital redemption reserve £	Profit and loss account £
Balance brought forward	9,829	11,884,171
Loss for the year	-	(475,257)
Equity dividends	-	(200,000)
Actuarial gain/(loss) in respect of defined benefit pension scheme	-	(3,020)
Balance carried forward	<u>9,829</u>	<u>11,205,894</u>

The closing balance on the profit and loss reserve includes a £89,540 credit (2009 - £24,480 credit) stated after deferred tax of £31,460 at 26% (2009 - £9,520 at 28%), in respect of the pension scheme asset of the company's defined benefit pension scheme.

**20. Reconciliation of movements in shareholders' funds**

	2010 £	2009 £
Loss for the financial year	(475,257)	(41,832)
Equity dividends	(200,000)	(300,000)
Actuarial gain/(loss) in respect of defined benefit pension scheme	(3,020)	(25,920)
Net reduction to shareholders' funds	(678,277)	(367,752)
Opening shareholders' funds	11,909,000	12,276,752
Closing shareholders' funds	<u>11,230,723</u>	<u>11,909,000</u>

**21. Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £59,379 (2009 - £85,846).

**22. Ultimate parent company**

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