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**WILLIAM S GRAHAM LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 MAY 2012**

Company Registration Number 00051904

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WILLIAM S GRAHAM LIMITED
FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

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WILLIAM S GRAHAM LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 1 MAY 2012

The board of directors	J S Graham N Graham P Sutton
Company secretary	P Sutton
Business address	Ravens Ing Mills Ravensthorpe Dewsbury WF13 3JF
Registered office	Thornhill Road Business Park Tenterfields Thornhill Road Dewsbury WF12 9QT
Auditor	RSM Tenon Audit Limited 2 Wellington Place Leeds West Yorkshire LS1 4AP
Bankers	HSBC Bank plc Market Place Dewsbury West Yorkshire UK WF13 1DH

WILLIAM S GRAHAM LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

The directors present their report and the financial statements of the company for the period from 1 January 2011 to 1 May 2012

Principal activities and business review

The principal activity of the company during the period was 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 period and of its position at 1 May 2012. 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

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 for the 16 months ended 1 May 2012 increased to £50.0 million from £40.6 million for the 12 months ended 31 December 2010. The overall gross margin percentage has decreased to 18.0% compared to 19.9% 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 £2,444,652 compared to an operating loss of £667,377 in the prior year. The net loss before exceptional items and taxation was £2,606,499 compared to a loss of £714,153 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 indicator of underlying trading cash flows. The EBITDA for the period was a loss of £0.3 million compared to a profit of £1.4 million in the prior year.

As for many businesses of our size, the business environment in which we operate has continued to be challenging. The recessionary environment and slow economic growth has had an effect on consumer spending and consumers' levels of disposable income. The slow housing market has also impacted on the sales of our products. As a result of these factors the decision was taken to merge the company's yarn operations with the spinning business of Fred Lawton & Son Limited in order to increase the utilisation of manufacturing facilities and the labour force. Consequently, the company transferred the trade and certain assets of its yarn business to Lawton Yarns Limited, a newly formed company, on 30 April 2012. At this same date the trade and certain assets and liabilities of the company's carpet business were transferred to G-Tuft Limited, a newly formed company under the control of the directors of William S Graham Limited. These transactions gave rise to an exceptional profit on disposal of discontinued operations of £3,237,902.

On 1 May 2012 a group restructuring exercise took place which resulted in the formation of a new holding company, WSG Property (Holdings) Limited. The company transferred its freehold interest in Ravens Ing Mills to the new holding company on 1 May 2012 and from that date has effectively been dormant.

WILLIAM S GRAHAM LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

Principal risk and uncertainties

As a manufacturing company we have been 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 have been fixed in nature. We have been 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 have served is relatively small but they represent all the key players within the carpet retail industry.

By completing the merger and group reorganisation in the period it is hoped that we can increase the utilisation of manufacturing facilities going forward in order to grow the business.

Environment

The Yarn Site at Ravens Ing Mills is regulated by an IPPC Permit supplied by the Environment Agency. This has ensured 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 have strived to increase the volume of water being recycled and hence reduce the volumes going to the sewer.

The Carpet Site at Thornhill has been subject to 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 profit for the period amounted to £930,073. Particulars of dividends paid are detailed in note 10 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.

WILLIAM S GRAHAM LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

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 period were as follows:

J S Graham
N Graham
P Sutton

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 accounting 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.
-

WILLIAM S GRAHAM LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

Donations

During the period the company made the following contributions

	Period to 1 May 2012	Year to 31 December 2010
	£	£
Charitable	<u>1,600</u>	<u>400</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.

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



P Sutton

Company Secretary

Approved by the directors on 19-7-2013

WILLIAM S GRAHAM LIMITED

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

PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

We have audited the financial statements of William S Graham Limited for the period from 1 January 2011 to 1 May 2012 on pages 8 to 26. 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 the 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 1 May 2012 and of its profit for the period 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 period 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)**

PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

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

Paul Langhorn, Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Limited

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

24 JUL 2013

WILLIAM S GRAHAM LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

	Note	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Turnover	2	50,047,807	40,626,151
Cost of sales		(41,061,204)	(32,549,954)
Gross profit		8,986,603	8,076,197
Administrative expenses		(11,431,255)	(8,743,574)
Operating loss	3	(2,444,652)	(667,377)
Loss on disposal of fixed assets	6	(379,239)	—
Profit on disposal of discontinued operations	7	3,237,902	—
Interest payable and similar charges	8	(161,847)	(46,776)
Profit/(loss) on ordinary activities before taxation		252,164	(714,153)
Tax on profit/(loss) on ordinary activities	9	677,909	238,896
Profit/(loss) for the financial period		<u>930,073</u>	<u>(475,257)</u>

All of the activities of the company are classed as discontinuing

The notes on pages 11 to 26 form part of these financial statements

WILLIAM S GRAHAM LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Profit/(loss) for the financial period		
Attributable to the shareholders	930,073	(475,257)
Actuarial gain/(loss) in respect of defined benefit pension scheme	(278,000)	(5,000)
Deferred tax in respect of defined benefit pension scheme	58,380	1,300
Change in deferred tax rate	6,050	680
Total gains and losses recognised since the last annual report	<u>716,503</u>	<u>(478,277)</u>

The notes on pages 11 to 26 form part of these financial statements

WILLIAM S GRAHAM LIMITED

Registered Number 00051904

BALANCE SHEET**1 MAY 2012**

	Note	1 May 12 £	£	31 Dec 10 £	£
Fixed assets					
Tangible assets	11		-		9,584,296
Current assets					
Stocks	12	-		2,533,172	
Debtors due within one year	13	11,094,430		6,902,340	
Debtors due after one year	13	4,000,000		-	
Cash at bank and in hand		184,191		628,873	
		15,278,621		10,064,385	
Creditors: Amounts falling due within one year	14	(10,559,125)		(7,801,301)	
Net current assets			4,719,496		2,263,084
Total assets less current liabilities			4,719,496		11,847,380
Creditors: Amounts falling due after more than one year	15		(28,030)		(28,030)
Provisions for liabilities					
Deferred taxation	16		-		(678,167)
Net assets excluding pension (liability)/asset			4,691,466		11,141,183
Defined benefit pension scheme (liability)/asset	17		(44,240)		89,540
Net assets including pension (liability)/asset			4,647,226		11,230,723
Capital and reserves					
Called-up share capital	20		15,000		15,000
Other reserves	21		9,829		9,829
Profit and loss account	21		4,622,397		11,205,894
Shareholders' funds	22		4,647,226		11,230,723

These financial statements were approved by the directors and authorised for issue on 19-7-2013, and are signed on their behalf by


J S Graham
Director

The notes on pages 11 to 26 form part of these financial statements

WILLIAM S GRAHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

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 not been prepared on a going concern basis as the company ceased trading on 30 April 2012. At this date the trade and certain assets and liabilities of the company were transferred, as described in note 25 to the financial statements

All remaining assets have been written down to their recoverable values and all costs associated with the cessation of trade have been provided for in these financial statements

The company has continued to collect all outstanding debts and settle its outstanding liabilities after the balance sheet date as it winds down to full cessation

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)
Leasehold Property	- over the life of the lease
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

WILLIAM S GRAHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

1. Accounting policies (continued)

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

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 up to 31 December 2011 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.

WILLIAM S GRAHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

1. Accounting policies (continued)

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.

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

	2012 £	2010 £
Carpet yarn	8,631,907	9,610,281
Carpets	41,415,900	31,015,870
	<u>50,047,807</u>	<u>40,626,151</u>
UK	50,005,271	40,548,808
Overseas	42,536	77,343
	<u>50,047,807</u>	<u>40,626,151</u>

3. Operating loss

Operating loss is stated after charging/(crediting)

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Depreciation of owned fixed assets	2,158,172	2,071,500
Profit on disposal of fixed assets	-	(8,148)
Operating lease costs		
-Other	285,901	219,500
Auditor's remuneration - audit of the financial statements	14,500	14,400
Auditor's remuneration - other fees	<u>31,429</u>	<u>14,520</u>

WILLIAM S GRAHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

	1 May 12 £	31 Dec 10 £
Auditor's remuneration - audit of the financial statements	<u>14,500</u>	<u>14,400</u>
Auditor's remuneration - other fees		
- Taxation services	4,600	4,200
- Other services	<u>26,829</u>	<u>10,320</u>
	<u>31,429</u>	<u>14,520</u>

4. Particulars of employees

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

	Period from 1 Jan 11 to 1 May 12 No	Year to 31 Dec 10 No
Production	472	436
Administration	<u>16</u>	<u>17</u>
	<u>488</u>	<u>453</u>

The aggregate payroll costs of the above were

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Wages and salaries	12,630,082	10,640,546
Social security costs	881,581	879,177
Other pension costs	<u>93,880</u>	<u>86,075</u>
	<u>13,605,543</u>	<u>11,605,798</u>

Other pension costs are amounts charged to operating profit and do not include amounts charged to finance costs (see note 8) and amounts recognised in the statement of recognised gains and losses

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Remuneration receivable	662,206	469,548
Value of company pension contributions to money purchase schemes	<u>6,500</u>	<u>4,875</u>
	<u>668,706</u>	<u>474,423</u>

WILLIAM S GRAHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

5. Directors' remuneration (continued)

Remuneration of highest paid director:

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Total remuneration (excluding pension contributions)	252,996	186,116

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

	Period from 1 Jan 11 to 1 May 12 No	Year to 31 Dec 10 No
Money purchase schemes	3	3

6. Loss on disposal of fixed assets

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Loss on disposal of fixed assets	(379,239)	-

The loss on disposal of fixed assets relates to the company's disposal of its freehold interest in Ravens Ing Mills as part of a group reorganisation

7. Profit on disposal of discontinued operations

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Disposal of discontinued operations		
Profit on sale of operation	3,237,902	-

On 30 April 2012 the decision was taken to merge the company's yarn operations with the spinning business of Fred Lawton & Son Limited. Consequently, the company transferred the trade and certain assets and liabilities of its yarn business to Lawton Yarns Limited, a newly formed company set up to facilitate the merger. At this same date the trade and certain assets and liabilities of the company's carpet business were transferred to G-Tuft Limited, another newly formed company. These transactions have given rise to a profit on disposal of discontinued operations of £3,237,902, which is stated after deducting associated legal and professional costs totalling £179,042. Full details of the disposal are given in note 25 to the financial statements

WILLIAM S GRAHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

8. Interest payable and similar charges

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Interest payable on bank borrowing	-	7
Interest on other loans	168,847	52,769
Net finance costs in respect of defined benefit pension schemes	<u>(7,000)</u>	<u>(6,000)</u>
	<u>161,847</u>	<u>46,776</u>

Included within interest on other loans is £137,039 (2010 - £50,845) relating to interest on the company's invoice discounting facility

9. Taxation on ordinary activities

(a) Analysis of charge in the period

	Period from 1 Jan 11 to 1 May 12 £	£	Year to 31 Dec 10 £	£
In respect of the period				
UK Corporation tax	(20,950)		20,950	
Over/under provision in prior year	(2)		-	
	<u>(20,952)</u>		<u>20,950</u>	
Deferred tax				
Origination and reversal of timing differences	(656,957)		(191,137)	
Adjustment in respect of previous years				
Deferred tax:				
Capital allowances	-		(68,964)	
Other	-		255	
	<u>-</u>		<u>(68,709)</u>	
Total deferred tax (note 16)	<u>(656,957)</u>		<u>(259,846)</u>	
Tax on profit/(loss) on ordinary activities	<u>(677,909)</u>		<u>(238,896)</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 17. Included in the deferred tax credit for the year is a debit of £21,210 (2010 - £23,920 debit) in respect of the movements relating to the defined benefit pension scheme

WILLIAM S GRAHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

9. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 26 24% (2010 - 28%)

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Profit/(loss) on ordinary activities before taxation	252,164	(714,153)
Profit/(loss) on ordinary activities by rate of tax	66,168	(199,963)
Effects of		
Expenses not deductible for tax purposes	420	22,057
Depreciation in excess of capital allowances	208,931	215,057
Other timing differences	(1,899)	(23,920)
Rate differences	5,224	14,703
Tax chargeable at lower rates	-	(6,984)
Adjustments to tax charge in respect of previous periods	(2)	-
Unrelieved tax losses	1,482,478	-
Exceptional profit on disposal of trade	(1,782,272)	-
Total current tax (note 9(a))	<u>(20,952)</u>	<u>20,950</u>

10 Dividends

Equity dividends

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
Paid during the year		
Dividends on equity shares	<u>7,300,000</u>	<u>200,000</u>

WILLIAM S GRAHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

11. Tangible fixed assets

	Freehold Property £	Leasehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
Cost					
At 1 January 2011	3,790,832	6,732	26,495,201	612,986	30,905,751
Additions	656,649	682	727,845	49,500	1,434,676
Disposals	(4,447,481)	(7,414)	(27,223,046)	(662,486)	(32,340,427)
At 1 May 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation					
At 1 January 2011	736,586	-	20,157,400	427,469	21,321,455
Charge for the period	119,237	7,414	1,927,106	104,415	2,158,172
On disposals	(855,823)	(7,414)	(22,084,506)	(531,884)	(23,479,627)
At 1 May 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value					
At 1 May 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>

12. Stocks

	1 May 12 £	31 Dec 10 £
Raw materials	-	1,171,692
Work in progress	-	1,361,480
	<u>-</u>	<u>2,533,172</u>

13. Debtors

	1 May 12 £	31 Dec 10 £
Trade debtors	7,049,752	6,297,851
Amounts owed by group undertakings	2,265,000	-
Corporation tax repayable	20,950	-
Other debtors	5,668,965	-
Directors current accounts	82,336	-
Prepayments and accrued income	7,427	604,489
	<u>15,094,430</u>	<u>6,902,340</u>

The debtors above include the following amounts falling due after more than one year

	1 May 12 £	31 Dec 10 £
Other debtors	<u>4,000,000</u>	<u>-</u>

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14. Creditors: Amounts falling due within one year

	1 May 12 £	31 Dec 10 £
Invoice discounting	3,496,797	158,690
Trade creditors	5,612,803	5,110,156
Amounts owed to group undertakings	94,000	-
Corporation tax	-	20,950
PAYE and social security	130,332	349,091
VAT	385,914	954,538
Other creditors	5,816	8,651
Directors current accounts	-	36,755
Accruals and deferred income	833,463	1,162,470
	<u>10,559,125</u>	<u>7,801,301</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company

	1 May 12 £	31 Dec 10 £
Invoice discounting	<u>3,496,797</u>	<u>158,690</u>

The invoice discounting facility is secured by way of a legal mortgage over the freehold property of the group and fixed and floating charges over all property and assets of the group

There is also a fixed equitable charge over all debts purchased by the charge holder

15. Creditors: Amounts falling due after more than one year

	1 May 12 £	31 Dec 10 £
Shares classed as financial liabilities	<u>28,030</u>	<u>28,030</u>

16. Deferred taxation

The movement in the deferred taxation provision during the period was

	Period from 1 Jan 11 to 1 May 12 £	Year to 31 Dec 10 £
At 1 January 2011	678,167	961,933
Profit and loss account movement arising during the period	<u>(678,167)</u>	<u>(283,766)</u>
At 1 May 2012	<u>-</u>	<u>678,167</u>

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16. Deferred taxation *(continued)*

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

	1 May 12 £	31 Dec 10 £
Excess of taxation allowances over depreciation on fixed assets	-	680,456
Other timing differences	-	(2,289)
	<u>-</u>	<u>678,167</u>

The deferred tax provision has been released in the period following the transfer of the trade and certain assets and liabilities of the company, as described in note 25 to the financial statements

17. 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 £93,880 (2010 - £86,075)

Contributions totalling £5,816 (2010 - £8,651) 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 (2010 £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 2010 and was updated for FRS17 purposes to 30 April 2012 by a qualified independent actuary

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

	1 May 12 £	31 Dec 10 £
Amounts included in other finance income		
Expected return on scheme assets	(169,000)	(119,000)
Interest on scheme liabilities	154,000	113,000
Expenses paid	8,000	-
Other finance income	<u>(7,000)</u>	<u>(6,000)</u>

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PERIOD FROM 1 JANUARY 2011 TO 1 MAY 2012

17. Pensions and other post retirement benefits (continued)

	1 May 12	31 Dec 10
	£	£
Total credit to the profit and loss account	<u>(7,000)</u>	<u>(6,000)</u>
Actual return on scheme assets	<u>16,000</u>	<u>107,000</u>

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

Actuarial losses of £(278,000) (2010 £(5,000)) have been recognised in the statement of total recognised gains and losses. At 1 May 2012 the cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £(241,000)

The amounts recognised in the balance sheet are as follows

	1 May 12	31 Dec 10
	£	£
Present value of funded obligations	(2,397,000)	(2,155,000)
Fair value of scheme assets	<u>2,341,000</u>	<u>2,276,000</u>
	<u>(56,000)</u>	<u>121,000</u>
Related deferred tax asset/(liability)	<u>11,760</u>	<u>(31,460)</u>
Net pension (liability)/asset	<u>(44,240)</u>	<u>89,540</u>

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

	1 May 12	31 Dec 10
	£	£
Opening defined benefit obligation	2,155,000	2,135,000
Interest on scheme liabilities	154,000	113,000
Actuarial loss/(gain)	125,000	(7,000)
Benefits paid	(29,000)	(86,000)
Expenses paid	(8,000)	-
Closing defined benefit obligation	<u>2,397,000</u>	<u>2,155,000</u>

Changes in the fair value of scheme assets are as follows

	1 May 12	31 Dec 10
	£	£
Opening fair value of scheme assets	2,276,000	2,169,000
Expected return on scheme assets	169,000	119,000
Contributions by employer	86,000	86,000
Actuarial loss	(153,000)	(12,000)
Benefits paid	(29,000)	(86,000)
Expenses paid	(8,000)	-
Closing fair value of scheme assets	<u>2,341,000</u>	<u>2,276,000</u>

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

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	
	1 May 12	31 Dec 10	1 May 12	31 Dec 10
	%	%	£	£
Equities	6.90	6.90	–	497,000
Bonds	5.40	5.40	–	231,000
Cash	2.50	2.50	947,000	152,000
Other	5.40	5.40	1,394,000	1,396,000
Fair value of scheme assets			<u>2,341,000</u>	<u>2,276,000</u>

The principal actuarial assumptions as at the balance sheet date were

	1 May 12	31 Dec 10
	%	%
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
Longevity at age 65 for current pensioners - men (years)	23.70	23.40
Longevity at age 65 for current pensioners - women (years)	26.10	25.90
Longevity at age 65 for future pensioners now aged 45 - men (years)	26.70	26.40
Longevity at age 65 for future pensioners now aged 45 - women (years)	28.10	27.90

Amounts for the current and previous four periods are as follows

	2012	2010	2009	2008	2007
	£	£	£	£	£
Defined benefit obligation	(2,397,000)	(2,155,000)	(2,135,000)	(2,003,000)	(2,369,000)
Fair value of scheme assets	<u>2,341,000</u>	<u>2,276,000</u>	<u>2,169,000</u>	<u>1,983,000</u>	<u>2,071,000</u>
(Deficit)/surplus in the scheme	<u>(56,000)</u>	<u>121,000</u>	<u>34,000</u>	<u>(20,000)</u>	<u>(298,000)</u>
Experience adjustments on scheme liabilities (£)	<u>72,000</u>	<u>302,000</u>	<u>98,000</u>	<u>70,000</u>	<u>(110,000)</u>
Experience adjustments on scheme assets (£)	<u>(153,000)</u>	<u>(12,000)</u>	<u>37,000</u>	<u>(271,000)</u>	<u>20,000</u>

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18. Commitments under operating leases

At 1 May 2012 the company had annual commitments under non-cancellable operating leases as set out below

	1 May 12	Other	31 Dec 10	Other
	Land and buildings £	Items £	Land and buildings £	Items £
Operating leases which expire				
Within 1 year	-	-	-	6,250
Within 2 to 5 years	-	-	28,000	-
After more than 5 years	-	-	200,000	-
	<u>-</u>	<u>-</u>	<u>228,000</u>	<u>6,250</u>

19. 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 £266,666 (2010 - £200,000). Included in prepayments and accrued income is £34,660 (2010 £56,250) relating to rent in advance at the year end.

During the period the company drew down and repaid in full a loan of £500,000 from the pension fund. Interest charged on this loan amounted to £31,323.

On 1 May 2012 the company sold part of its freehold interest in Ravens Ing Mills to the pension fund for consideration of £950,000, settled by clearance of the balance due on the loan from the pension fund of £387,497 and cash received of £562,503.

On 30 April 2012 the company transferred its trade and certain assets and liabilities of its yarn business to Lawton Yarns Limited, a newly formed group company, for consideration of £9,506,000. On 1 May 2012, following a number of intermediate transactions, the entire issued share capital of Lawton Yarns Limited was acquired by Lawton Yarns (Holdings) Limited, of which Mr J S Graham and Mr N Graham are directors and 50% shareholders. As at 1 May 2012, Lawton Yarns Limited owed the company £4,000,000 and this balance is included within other debtors.

On 30 April 2012 the company also transferred its trade and certain assets and liabilities of its carpet business to G-Tuft Limited, another newly formed group company, for consideration of £3,167,372. On 1 May 2012, following a number of intermediate transactions, the entire issued share capital of G-Tuft Limited was acquired by G-Tuft (Holdings) Limited, a company owned and controlled by Mr J S Graham and Mr N Graham. As at 1 May 2012, G-Tuft Limited owed the company £1,667,372 and this balance is included within other debtors.

The company has taken advantage of the exemption under Financial Reporting Standard No 8 "Related Party Transactions" from disclosing transactions with the group headed by WSG Property (Holdings) Limited on the grounds that it is a wholly owned subsidiary. At 1 May 2012 the company was owed £2,265,000 by WSG Property (Holdings) Limited and owed £94,000 to William S Graham & Sons (Dewsbury) Limited.

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Directors' loan accounts

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

	2012 £	2010 £
J S Graham	(15,278)	21,299
N Graham	(67,058)	15,456
	<u>(82,336)</u>	<u>36,755</u>

Interest payable to the directors on loan balances in credit amounted to £485 (2010 £1,924)

20. Share capital

Authorised share capital:

	1 May 12 £	31 Dec 10 £
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:

	1 May 12 No	£	31 Dec 10 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>

	1 May 12 £	31 Dec 10 £
Amounts presented in equity:		
1,500 Ordinary shares of £10 each	<u>15,000</u>	<u>15,000</u>

	1 May 12	31 Dec 10
Amounts presented in liabilities:		
2,803 Preference shares of £10 each	<u>28,030</u>	<u>28,030</u>

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 £16,679 (2010 - £15,698). 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.

WILLIAM S GRAHAM LIMITED
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21. Reserves

	Capital redemption reserve £	Profit and loss account £
Balance brought forward	9,829	11,205,894
Profit for the period	—	930,073
Equity dividends	—	(7,300,000)
Actuarial gain/(loss) in respect of defined benefit pension scheme	—	(213,570)
Balance carried forward	<u>9,829</u>	<u>4,622,397</u>

The closing balance on the profit and loss reserve includes a £44,240 debit (2010 - £89,540 credit) stated after deferred tax of £11,760 at 21% (2010 - £31,460 at 26%), in respect of the pension scheme asset of the company's defined benefit pension scheme

22 Reconciliation of movements in shareholders' funds

	1 May 12 £	31 Dec 10 £
Profit/(loss) for the financial period	930,073	(475,257)
Equity dividends	(7,300,000)	(200,000)
Actuarial gain/(loss) in respect of defined benefit pension scheme	(213,570)	(3,020)
Net reduction to shareholders' funds	(6,583,497)	(678,277)
Opening shareholders' funds	11,230,723	11,909,000
Closing shareholders' funds	<u>4,647,226</u>	<u>11,230,723</u>

23. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2010 - £59,379)

24. Ultimate parent company

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

On 1 May 2012, following a number of intermediate transactions, the entire issued share capital of William S Graham & Sons (Dewsbury) Limited was acquired by WSG Property (Holdings) Limited, a company controlled by N Graham and J S Graham WSG Property (Holdings) Limited is the ultimate parent undertaking

The largest and smallest group for which consolidated financial statements are prepared is that headed by William S Graham & Sons (Dewsbury) Limited

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25. Acquisitions and disposals

On 30 April 2012 the company's trade and certain assets and liabilities were transferred to Lawton Yarns Limited and G-Tuft Limited at their net book value. The net book value of the assets and liabilities disposed of are set out below

	£
Tangible fixed assets	5,264,061
Stocks	4,057,769
Debtors	135,406
Creditors	<u>(200,808)</u>
	9,256,428
Profit/Loss on disposal (including goodwill of £Nil)	<u>3,237,902</u>
	<u>12,494,330</u>
Satisfied by	
Cash received (net of legal and professional costs)	6,826,958
Balance outstanding (included in other debtors)	<u>5,667,372</u>
	<u>12,494,330</u>
