

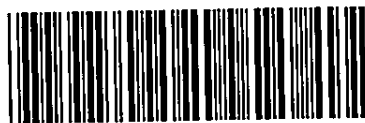
William S Graham Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2009

Registration number 00051904

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William S Graham Limited

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William S Graham Limited
Company Information

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

William S Graham Limited

Directors' Report for the Year Ended 31 December 2009

The directors present their report and the audited financial statements for the year ended 31 December 2009

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 2006. 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

Financial highlights

	2009	2008	2007	2006	2005
	£000	£000	£000	£000	£000
Turnover	32,675	39,257	31,570	32,679	34,254
Gross profit	7,669	8,781	7,092	7,217	6,586
Gross Profit %	23.5%	22.4%	22.5%	22.1%	19.3%
Pre exceptional EBITDA	1,767	2,113	1,603	1,928	1,373
Pre exceptional operating profit (loss)	(179)	214	(147)	178	(59)
Pre exceptional profit (loss) before tax	(193)	116	(243)	(95)	(251)
Net assets	11,909	12,277	11,966	12,175	11,566
Cash at bank and in hand	1,754	1,666	1,022	289	1
Borrowings	-	150	350	1,569	4,012
Operating cash inflow	<u>2,245</u>	<u>1,597</u>	<u>2,339</u>	<u>1,880</u>	<u>1,660</u>

William S Graham Limited
Directors' Report for the Year Ended 31 December 2009

continued

Fair review of the 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 reduced to £32.7 million from a peak of £39.3 million in the prior year. For comparison the turnover in the 2007 year was £31.6 million. The overall gross margin percentage has increased to 23.5% compared to 22.4% last year. The overall effect of these changes is an operating loss of £179,495 compared to an operating profit of £214,485 in the prior year. Interest payable amounted to £14,454 (2008 – £108,130) reflecting reduced borrowings compared to last year and the breakdown of this can be seen in note 6 to the financial statements. The net loss before taxation was £192,543 compared to a profit of £115,788 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 £1.77 million compared to £2.11 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 £2.2 million of cash from operating activities (2008 - £1.6 million). Overall cash at bank and in hand was £1.75 million compared to £1.67 million at the previous year end, as shown in note 24.

The net assets of the company now stand at £11.91 million (2008 - £12.28 million) with net current assets of £3.37 million (2008 - £3.73 million).

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.

William S Graham Limited
Directors' Report for the Year Ended 31 December 2009

continued

Principal risks and uncertainties

As a manufacturing company we are reliant on securing adequate orders to ensure the manufacturing facility is 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, and every effort is made to keep quality as high as possible in order to minimise claims. The number of customers which we serve is relatively small with a few very large customers. The loss of business from a large customer would adversely impact on the company in terms of maintaining volume. We look, wherever possible, to increase the customer base and ensure existing customers receive a quality service and product such that they remain customers of the business.

Rising raw material and other costs are often out of our control with sudden increases impacting on margins as increases cannot always be passed on to customers, at least in the short term. Costs are constantly monitored and measures taken to minimise the effects of any increases on the business.

As for many company's of our size, the business environment in which we operate continues to be challenging. With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside our control. However we will continue to show flexibility and respond to market conditions and opportunities as they arise.

Financial risk

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.

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 key 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.

William S Graham Limited
Directors' Report for the Year Ended 31 December 2009

continued

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. In the last 12 months, changes to procedures internally have significantly increased the volume of water being recycled. Volumes going to the sewer have been reduced by more than 50%.

The Carpet Site at Thornhill has an ongoing review and development initiative focussed 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 dividend

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

The directors do not recommend the payment of a dividend.

Directors

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

- J S Graham
- N Graham
- P Sutton (appointed 1 May 2009)

Auditors

The audit business of RSM Bentley Jennison, who had previously been appointed as the company's auditors, has merged with that of RSM Tenon Audit Limited, who succeeded to the office of auditors to the company. The audit report on the financial statements has therefore been issued by the successor firm, RSM Tenon Audit Limited.

Approved by the Board and signed on its behalf by



P Sutton
Company Secretary

Date 24-5-2010

Independent Auditors' Report to the Members of William S Graham Limited (Registration number: 00051904)

We have audited the financial statements of William S Graham Limited for the year ended 31 December 2009, set out on pages 7 to 25. 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 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 explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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 (APB'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.

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 2009 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.

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.

RSM Tenon Audit Ltd

Richard Bright
Senior Statutory Auditor

for and on behalf of
RSM Tenon Audit Limited
Statutory Auditor

Date *25 May 2010*

2 Wellington Place
Leeds
LS1 4AP

William S Graham Limited
Profit and Loss Account for the Year Ended 31 December 2009

	Note	2009 £	2008 £
Turnover	2	32,674,608	39,256,776
Cost of sales		(25,005,267)	(30,475,638)
Gross profit		<u>7,669,341</u>	<u>8,781,138</u>
Administrative expenses		(7,848,836)	(8,566,653)
Operating (loss)/profit	3	<u>(179,495)</u>	<u>214,485</u>
Other interest receivable and similar income		1,406	9,433
Interest payable and similar charges	6	(14,454)	(108,130)
(Loss)/profit on ordinary activities before taxation		<u>(192,543)</u>	<u>115,788</u>
Tax on (loss)/profit on ordinary activities	7	150,711	61,005
(Loss)/profit for the financial year	17	<u><u>(41,832)</u></u>	<u><u>176,793</u></u>

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

The notes on pages 11 to 25 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 2009

	2009	2008
	£	£
Net (loss)/profit for the year	(41,832)	176,793
Actuarial (loss) gain recognised on defined pension liability	(36,000)	194,000
Movement on deferred tax relating to actuarial gain on defined benefit pension liability	10,080	(59,880)
Total recognised (losses) and gains for the year	<u>(67,752)</u>	<u>310,913</u>

The notes on pages 11 to 25 form an integral part of these financial statements

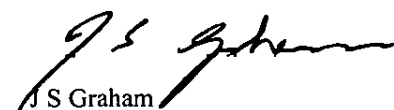
William S Graham Limited (Registration number: 00051904)

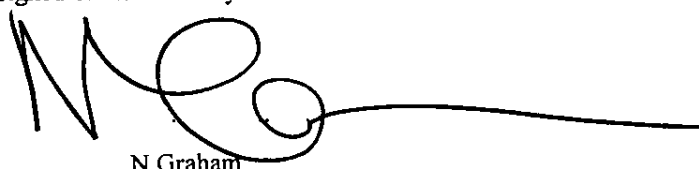
Balance Sheet as at 31 December 2009

		2009		2008	
	Note	£	£	£	£
Fixed assets					
Tangible assets	9		9,506,799		9,867,093
Current assets					
Stocks	10	2,025,128		2,247,986	
Debtors	11	5,749,510		6,186,641	
Cash at bank and in hand		<u>1,753,872</u>		<u>1,665,914</u>	
		9,528,510		10,100,541	
Creditors: Amounts falling due within one year	12	<u>(6,160,826)</u>		<u>(6,375,503)</u>	
Net current assets			<u>3,367,684</u>		<u>3,725,038</u>
Total assets less current liabilities			12,874,483		13,592,131
Creditors: Amounts falling due after more than one year	13		(28,030)		(28,030)
Provisions for liabilities	15		<u>(961,933)</u>		<u>(1,272,949)</u>
Net assets excluding pension assets/(liabilities)			11,884,520		12,291,152
Pension assets/(liabilities)	21				
Total of defined benefit schemes					
Present value of scheme liabilities		(2,144,520)		(2,003,000)	
Fair value of scheme assets		<u>2,169,000</u>		<u>1,988,600</u>	
			24,480		(14,400)
Net assets including pension assets/(liabilities)			<u>11,909,000</u>		<u>12,276,752</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		<u>11,884,171</u>		<u>12,251,923</u>
Shareholders' funds	18		<u>11,909,000</u>		<u>12,276,752</u>

Approved by the Board on

and signed on its behalf by


J S Graham
Director


N Graham
Director

The notes on pages 11 to 25 form an integral part of these financial statements

William S Graham Limited

Cash Flow Statement for the Year Ended 31 December 2009

		2009	2008
	Note	£	£
Net cash flow from operating activities	22	2,245,237	1,596,811
Returns on investment and servicing of finance	23	(17,048)	(125,454)
Taxation	23	(212,117)	269,708
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,467,584)	(855,956)
Sale of tangible fixed assets		<u>2,000</u>	<u>35,657</u>
		(1,465,584)	(820,299)
Equity dividends paid		<u>(106,396)</u>	<u>-</u>
Cash inflow before management of liquid resources and financing		444,092	920,766
Financing			
Repayment of loans and borrowings		(150,000)	(200,000)
Amounts withdrawn by directors		<u>(206,134)</u>	<u>(76,698)</u>
		(356,134)	(276,698)
Net cash flow		<u><u>87,958</u></u>	<u><u>644,068</u></u>

Reconciliation of net cash flow to movement in net funds

		2009	2008
	Note	£	£
Increase in cash in the year	24	87,958	644,068
Cash outflow from decrease in debt and lease financing		<u>150,000</u>	<u>200,000</u>
Change in net funds resulting from cash flows		237,958	844,068
Net funds at the start of the year	24	<u>1,487,884</u>	<u>643,816</u>
Net funds at the end of the year	24	<u><u>1,725,842</u></u>	<u><u>1,487,884</u></u>

The notes on pages 11 to 25 form an integral part of these financial statements

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies are set out below.

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.

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)
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 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.

Operating leases

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 for the Year Ended 31 December 2009

continued

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/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 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	<u>12,189,537</u>	<u>20,356,303</u>	<u>32,545,840</u>
Overseas sales			
Sales - Europe	<u>128,768</u>	<u>-</u>	<u>128,768</u>
Geographical turnover	<u>12,318,305</u>	<u>20,356,303</u>	<u>32,674,608</u>
2008	<u>18,785,057</u>	<u>20,471,719</u>	<u>39,256,776</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

continued

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging

	2009		2008	
	£	£	£	£
Operating leases - property		202,404		198,778
Auditors' remuneration				
The audit of the company's annual accounts	14,200		14,000	
Tax services	4,410		7,920	
Corporate finance services	8,720		-	
Other services	6,750		6,710	
		34,080		28,630
Loss on sale of fixed assets		20		36,681
Depreciation of owned tangible fixed assets		1,946,247		1,862,237

4 Particulars of employees

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

	2009 No.	2008 No.
Production	385	363
Sales and administration	14	13
	<u>399</u>	<u>376</u>

The aggregate payroll costs of these persons were as follows

	2009 £	2008 £
Wages and salaries	8,243,198	9,024,174
Social security	647,382	762,708
Other pension costs	100,713	106,051
	<u>8,991,293</u>	<u>9,892,933</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

continued

5 Directors' remuneration

The directors' remuneration for the year are as follows

	2009 £	2008 £
Directors' remuneration (including benefits in kind)	411,191	370,415
Directors' pension contributions	3,250	-
	<u>414,441</u>	<u>370,415</u>

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

	2009 No.	2008 No.
Money purchase	<u>3</u>	<u>2</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £181,754 (2008 - £189,292)

6 Interest payable and similar charges

	2009 £	2008 £
Bank interest payable	3,127	773
Invoice discounting interest	9,364	68,572
Pension scheme loan interest	2,708	24,051
Directors' loan interest	3,255	12,734
Pension scheme finance costs	(4,000)	2,000
	<u>14,454</u>	<u>108,130</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

continued

7 Taxation

Analysis of current period tax credit

	2009 £	2008 £
Current tax		
Corporation tax charge	155,698	232,711
(Over)/under provision in previous year	(20,593)	16,324
UK Corporation tax	<u>135,105</u>	<u>249,035</u>
Deferred tax		
Origination and reversal of timing differences	(214,810)	(202,940)
Deferred tax adjustment relating to previous years and changes in rates	(71,006)	(107,100)
Total deferred tax	<u>(285,816)</u>	<u>(310,040)</u>
Total tax on (loss)/profit on ordinary activities	<u>(150,711)</u>	<u>(61,005)</u>

Factors affecting current period tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2008 - higher than) the standard rate of corporation tax in the UK of 28.00% (2008 - 28.50%)

The differences are reconciled below

	2009 £	2008 £
(Loss)/profit on ordinary activities before taxation	<u>(192,543)</u>	<u>115,788</u>
Standard rate corporation tax (credit)/charge	(53,912)	33,000
Expenses not deductible for tax purposes	10,349	5,563
Deferred tax timing differences as provided	240,010	226,460
Timing differences as provided re defined pension liabilities	(25,200)	(23,520)
Marginal and small companies relief	(15,549)	(12,392)
Rate differences	-	3,600
Adjustments relating to prior years	(20,593)	16,324
Total current tax for the year	<u>135,105</u>	<u>249,035</u>

8 Dividends

	2009 £	2008 £
Equity dividends		
Ordinary dividend paid - Prior period final dividend	<u>300,000</u>	<u>-</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

continued

9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
As at 1 January 2009	2,660,110	24,022,821	621,713	27,304,644
Additions	383,469	1,162,304	42,200	1,587,973
Disposals	-	-	(52,000)	(52,000)
As at 31 December 2009	<u>3,043,579</u>	<u>25,185,125</u>	<u>611,913</u>	<u>28,840,617</u>
Depreciation				
As at 1 January 2009	585,735	16,492,246	359,570	17,437,551
Eliminated on disposals	-	-	(49,980)	(49,980)
Charge for the year	69,013	1,772,122	105,112	1,946,247
As at 31 December 2009	<u>654,748</u>	<u>18,264,368</u>	<u>414,702</u>	<u>19,333,818</u>
Net book value				
As at 31 December 2009	<u>2,388,831</u>	<u>6,920,757</u>	<u>197,211</u>	<u>9,506,799</u>
As at 31 December 2008	<u>2,074,375</u>	<u>7,530,575</u>	<u>262,143</u>	<u>9,867,093</u>

10 Stocks

	2009 £	2008 £
Raw materials	854,268	1,240,713
Work in progress	1,170,860	1,007,273
	<u>2,025,128</u>	<u>2,247,986</u>

11 Debtors

	2009 £	2008 £
Trade debtors	5,282,355	5,811,310
Other debtors	-	451
Director current accounts	-	802
Prepayments and accrued income	467,155	374,078
	<u>5,749,510</u>	<u>6,186,641</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

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12 Creditors: Amounts falling due within one year

	2009 £	2008 £
Pension scheme loan	-	150,000
Trade creditors	4,360,628	4,044,542
Corporation tax	155,698	232,711
Social security and other taxes	806,960	966,871
Other creditors	6,302	6,554
Director current accounts	85,716	99,048
Accruals and deferred income	745,522	875,777
	<u>6,160,826</u>	<u>6,375,503</u>

13 Creditors: Amounts falling due after more than one year

	2009 £	2008 £
Preference Shares	<u>28,030</u>	<u>28,030</u>

Included in the creditors are the following amounts due after more than five years

	2009 £	2008 £
After more than five years not by instalments	<u>28,030</u>	<u>28,030</u>

14 Maturity of borrowings

Amounts repayable

	Preference Shares £	Pension scheme loan £	Total £
As at 31 December 2009			
After more than five years not by instalments	<u>28,030</u>	-	<u>28,030</u>
	<u>28,030</u>	-	<u>28,030</u>
As at 31 December 2008			
In one year or less on demand	-	150,000	150,000
After more than five years not by instalments	<u>28,030</u>	-	<u>28,030</u>
	<u>28,030</u>	<u>150,000</u>	<u>178,030</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

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15 Provisions for liabilities

	Deferred tax provision £
As at 1 January 2009	1,272,949
Deferred tax provision utilised in the period	(311,016)
As at 31 December 2009	<u>961,933</u>

Deferred tax

Deferred tax is provided at 28.00% (2008 - 28.00%)

	2009 £	2008 £
Accelerated capital allowances	965,505	1,276,586
Other short term timing differences	(3,572)	(3,637)
	<u>961,933</u>	<u>1,272,949</u>

16 Share capital

	2009 £	2008 £
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 £14,717 (2008 - £13,735). 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

Notes to the Financial Statements for the Year Ended 31 December 2009

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17 Reserves

	Capital redemption reserve £	Profit and loss account £	Total £
Balance at 1 January 2009	9,829	12,251,923	12,261,752
Other recognised losses re pension scheme liability	-	(25,920)	(25,920)
Transfer from profit and loss account for the year	-	(41,832)	(41,832)
Dividends	-	(300,000)	(300,000)
Balance at 31 December 2009	<u>9,829</u>	<u>11,884,171</u>	<u>11,894,000</u>

The closing balance on the profit and loss reserve includes a £24,480 credit (2008 - £14,400 debit) stated after deferred tax of £9,520 (2008 - £5,600), in respect of the pension scheme asset (2008 liability) of the company's defined benefit pension scheme

18 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
(Loss)/profit attributable to members of the company	(41,832)	176,793
Dividends	<u>(300,000)</u>	<u>-</u>
	(341,832)	176,793
Other recognised (losses)/gains for the year	<u>(25,920)</u>	<u>134,120</u>
Net (reduction)/addition to shareholders' funds	(367,752)	310,913
Opening shareholders' funds	<u>12,276,752</u>	<u>11,965,839</u>
Closing shareholders' funds	<u>11,909,000</u>	<u>12,276,752</u>

19 Capital commitments

As at 31 December 2009 the company had capital commitments as follows

	2009 £	2008 £
Contracted but not provided for in the financial statements	<u>85,846</u>	<u>-</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

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20 Operating lease commitments

As at 31 December 2009 the company had annual commitments under non-cancellable operating leases as follows

	Land and Buildings	
	2009	2008
	£	£
Over five years	<u>200,000</u>	<u>200,000</u>

21 Pension scheme

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 £100,713 (2008 - £106,051).

Contributions totalling £6,301 (2008 - £6,554) 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 (2008 - £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 2009 by a qualified independent actuary.

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

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Reconciliation of scheme liabilities and scheme assets to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows

	2009 £	2008 £
Present value of scheme liabilities	2,135,000	2,003,000
Fair value of scheme assets	(2,169,000)	(1,983,000)
	<u>(34,000)</u>	<u>20,000</u>
(Surplus)/deficit	(34,000)	20,000
Related deferred tax liability/(asset)	9,520	(5,600)
Net (asset)/liability	<u>(24,480)</u>	<u>14,400</u>

Amounts recognised in the balance sheet

Liability (including related deferred tax liability)	2,144,520	2,003,000
Asset (including related deferred tax asset)	(2,169,000)	(1,988,600)
Net (asset)/liability	<u>(24,480)</u>	<u>14,400</u>

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

Amounts recognised in the Statement of Total Recognised Gains and Losses

The total amount recognised in the Statement of Total Recognised Gains and Losses is

	2009 £	2008 £
Actual return less expected return on scheme assets	37,000	(271,000)
Experience gains and losses arising on scheme liabilities	98,000	70,000
Changes in assumptions underlying the present value of scheme liabilities	(171,000)	395,000
(Loss)/gain as at end of year	<u>(36,000)</u>	<u>194,000</u>

Amounts recognised in (Loss)/profit

The amounts recognised in (loss)/profit are as follows

	2009 £	2008 £
Interest on obligation	(118,000)	(112,000)
Expected return on scheme assets	<u>122,000</u>	<u>110,000</u>
Actual return on scheme assets	<u>159,000</u>	<u>(161,000)</u>

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

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Scheme liabilities

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

	2009 £	2008 £
Opening defined benefit obligation	2,003,000	2,369,000
Interest cost	118,000	112,000
Actuarial losses/(gains)	73,000	(465,000)
Benefits paid	(59,000)	(13,000)
Closing defined benefit obligation	<u>2,135,000</u>	<u>2,003,000</u>

Scheme assets

Changes in the fair value of scheme assets are as follows

	2009 £	2008 £
Opening fair value of scheme assets	1,983,000	2,071,000
Expected return	122,000	110,000
Actuarial gains/(losses)	37,000	(271,000)
Contributions by employer	86,000	86,000
Benefits paid	(59,000)	(13,000)
Closing fair value of scheme assets	<u>2,169,000</u>	<u>1,983,000</u>

Future contributions

The company expects to contribute £86,400 to this defined benefit pension scheme in the next accounting period

Analysis of assets

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

	2009	2008
Equity instruments	20.61%	20.73%
Bonds	9.91%	9.68%
Cash	7.01%	6.10%
Annuities re pensions in payment	62.47%	63.49%

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

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Principal actuarial assumptions

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

	2009	2008
Discount rate at end of year	5.40%	6.00%
Expected return on scheme assets	5.50%	5.20%
Future salary increases	0.00%	0.00%
Inflation	3.25%	3.00%
Rate of revaluation of deferred pensions during deferment	3.25%	3.00%
Rate of increases to pension in payment (LPI)	3.25%	3.00%
Rate of increase to pensions secured with L&G pensions	5.00%	5.00%

The mortality rates of members of the scheme have been calculated in accordance with PA92mc. The 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.

	2009	2008
Longevity at age 65 for current pensioners		
Men	22.0 years	22.1 years
Women	25.0 years	25.0 years
Longevity at age 65 for future pensioners		
Men	23.0 years	23.2 years
Women	26.0 years	26.0 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 as follows

	2009	2008
Equities	6.90%	7.50%
Bonds	5.40%	6.00%
Cash	2.50%	2.00%

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

continued

History of experience adjustments on scheme liabilities and scheme assets

Amounts for the current and previous four periods are as follows

	2009 £	2008 £	2007 £	2006 £	2005 £
Present value of scheme liabilities	(2,135,000)	(2,003,000)	(2,369,000)	(2,778,000)	(2,688,000)
Fair value of scheme assets	2,169,000	1,983,000	2,071,000	2,314,000	2,115,000
Surplus / (deficit) in the scheme	34,000	(20,000)	(298,000)	(464,000)	(573,000)
Experience adjustments arising on scheme liabilities	98,000	70,000	(110,000)	52,000	158,000
Experience adjustments arising on scheme assets	37,000	(271,000)	20,000	57,000	46,000

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

	2009 £	2008 £
Operating (loss)/profit	(179,495)	214,485
Depreciation, amortisation and impairment charges	1,946,247	1,862,237
Loss on disposal of fixed assets	20	36,681
Decrease/(increase) in stocks	222,858	(710,862)
Decrease in debtors	436,329	143,359
(Decrease)/increase in creditors	(94,722)	136,911
FRS17 items included in operating profit	(86,000)	(86,000)
Net cash inflow from operating activities	2,245,237	1,596,811

23 Analysis of cash flows

	2009 £	2008 £
Returns on investment and servicing of finance		
Other interest paid	(18,454)	(134,887)
Interest received	1,406	9,433
	(17,048)	(125,454)
Taxation		
Taxation paid	(212,117)	-
Taxation refund	-	269,708
	(212,117)	269,708

William S Graham Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

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24 Analysis of net funds

	At start of period £	Cash flow £	At end of period £
Cash at bank and in hand	1,665,914	87,958	1,753,872
Debt due within one year	(150,000)	150,000	-
Debt due after one year	-	-	-
Preference shares	(28,030)	-	(28,030)
Change in debt	(178,030)	150,000	(28,030)
Net funds	1,487,884	237,958	1,725,842

25 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

During the year the company made payments of £150,000 to clear a loan that existed with the pension fund at 31 December 2008. Interest payable for the year on this loan amounted to £2,708 (2008 - £24,051)

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 (2008 - £198,778). Included in prepayments and accrued income is £50,000 (2008 - £46,154) relating to rent in advance at the year end.

Directors' loan accounts

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

	Maximum Balance £	2009 £	2008 £
J S Graham	(6,949)	9,262	(802)
N Graham	-	76,454	99,048
	(6,949)	85,716	98,246

Interest payable to the directors on loan balances in credit amounted to £3,255 (2008 - £12,734)