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Graham & Brown Limited — 372481

Report and Financial Statements

31 December 2008

Registered No: 372481

Directors
R H Graham (Co-Chairman)
D Brown (Co-Chairman)
I A Brown
J Carter
A H Graham
P A Longinotti
G M Shepherd

Secretary
G M Shepherd

Auditors
Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Bankers
Royal Bank of Scotland
6th Floor
1 Spinningfields Square
Manchester
M3 3AP

Solicitors
Taylors LLP
Rawlings House
Exchange Street
Blackburn

Registered Office
India Mill
Harwood Street
Blackburn
BB1 3BR

Directors' Report

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

Results and dividends

The consolidated profit for the year, after taxation, amounted to £2,708,000 (2007: £3,548,000).

The directors recommend a final ordinary dividend of 207.43 pence per ordinary share (2007: 235.45 pence per ordinary share) amounting to £913,000 (2007: £1,036,000). This dividend has not been accrued in these financial statements under Financial Reporting Standard No. 21 'Events after the balance sheet date.'

There were no preference dividends paid in the year (2007: £nil).

Principal activity and review of the business

The group's principal activities during the year continued to be the manufacturing, sourcing, marketing and distribution of wall paper and wall decoration products. The board would once again like to thank all employees for their efforts during 2008 and recognises the importance of their support and commitment to embrace change positively in order to drive the business forward in the years ahead.

The group's key financial and other performance indicators during the year were as follows:

	2008	*2007*	*Movement*
	£000	*£000*	*%*
Group turnover	82,114	73,430	12%
Shareholders' funds	24,693	24,300	2%
Average number of employees	578	530	9%

Group turnover increased by 12% during the year however profit before tax has decreased to £3.7 million (2007: £4.1 million). The Group continued to invest in product innovation and the infrastructure to drive growth in the longer term. Also, continuing to experience rising commodity, raw material and engery costs during 2008, which gave rise to margin pressure.

The Directors are committed to continue to grow the wallpaper market and the Group is well placed to maximise growth opportunities in wall coverings and wall decoration internationally.

Principal risks and uncertainties

The directors believe that the principal risks and uncertainties facing the company are broadly grouped as competitive and various financial risks.

- Competitive risks

In the UK, the group's larger customers regularly review their contracts and renewal of them is based upon ongoing service levels and customer satisfaction.

- Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company uses management of cash generated by operations to help mitigate the potential for liquidity risk and also uses long term debt to finance significant purchases.

Directors' Report

Principal risks and uncertainties (continued)

- Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the group's debtors are shown in note 12 to the financial statements.

- Foreign currency risks

As well as Sterling, the group primarily trades in Euros, US Dollars and Canadian Dollars. As a result of this the values of non Sterling transactions are all subjected to fluctuations in exchange rates. In order to mitigate some of this risk the group will trade in the most favourable currency at the time of transaction and maintains bank accounts in the relevant currencies as well as utilising foreign currency hedges where appropriate.

Future developments

The directors aim to maintain the management policies which have resulted in the good performance in recent years. They consider that 2009 will continue to show improved demand for wallcoverings internationally.

Directors

The following directors have held office throughout the year:

R H Graham
D Brown
I A Brown
J Carter
A H Graham
P A Longinotti
G M Shepherd

Charitable contributions

As part of the group's wider commitment to the communities in which it operates, contributions made during the year for charitable purposes were £8,000 (2007: £6,000).

Disabled persons

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Employee involvement

During the year, the policy of providing all members of staff with accurate and relevant information about the group as an entity and its performance as a whole has been continued. Regular meetings are held between management and staff members to provide a platform for information and ideas. Discussions between employees or their representatives are held on a regular basis in order for the views and potential concerns of employees can be appreciated when high level management are making decisions which are likely to influence their interests.

Directors' Report

Directors' statement as to disclosure of information to auditors

Having made enquiries of the directors and of the company's auditors, each of the directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with s.385 of the Companies Act 1985, a resolution to reappoint Emst & Young LLP as auditors of the company will be put to the members at the Annual General Meeting.

By order of the board

G M Shepherd
Secretary

10th June 2009

Statement of Directors' Responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

to the members of Graham & Brown Limited

We have audited the group and parent company financial statements (the "financial statements") of Graham & Brown Limited for the year ended 31 December 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our 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 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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Independent Auditors' Report (continued)

to the members of Graham & Brown Limited

Opinion

In our opinion:

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

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Manchester

17th June 2009

Group Profit and Loss Account

for the year ended 31 December 2008

	Notes	*2008* *£000*	*2007* *£000*
Turnover	2	82,114	73,430
Cost of sales		(54,472)	(47,095)
Gross profit		27,642	26,335
Distribution costs		(7,991)	(7,076)
Administrative expenses		(15,911)	(15,162)
Profit on sale of fixed assets		5	59
Operating profit	3	3,745	4,156
Bank interest receivable and similar income		195	306
Interest payable and similar charges	6	(289)	(318)
Profit on ordinary activities before taxation		3,651	4,144
Tax on profit on ordinary activities	7	(943)	(596)
Profit for the financial year	19	2,708	3,548

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Group Statement of Total Recognised Gains and Losses

for the year ended 31 December 2008

	2008	*2007*
	£000	*£000*
Profit for the financial year attributable to members	2,708	3,548
Exchange differences on retranslation of net assets of subsidiary undertakings	(291)	(101)
Actuarial (loss)/gain recognised on defined benefit pension scheme	(1,372)	2,533
Movement on deferred tax relating to pension liability	384	(760)
Total recognised gains and losses relating to the year	1,429	5,220

Note of Historical Cost Profits and Losses

for the year ended 31 December 2008

	2008	*2007*
	£000	*£000*
Reported profit on ordinary activities before taxation	3,651	4,144
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	2	2
Historical cost profit on ordinary activities before taxation	3,653	4,146
Historical cost profit for the year retained after taxation and preference dividends	2,710	3,550

Balance Sheets

at 31 December 2008

		Group		*Company*	
		2008	*2007*	*2008*	*2007*
	Notes	*£000*	*£000*	*£000*	*£000*
Fixed assets					
Intangible assets	8	25	37	-	-
Tangible assets	9	16,709	17,472	16,405	17,282
Investments	10	-	-	1,246	1,135
		16,734	17,509	17,651	18,417
Current assets					
Stocks	11	13,399	12,789	9,929	9,726
Debtors	12	15,650	15,929	16,186	16,835
Cash at bank and in hand		6,309	5,909	4,646	4,336
		35,358	34,627	30,761	30,897
Creditors: amounts falling due within one year	13	(22,284)	(22,338)	(16,807)	(18,477)
Net current assets		13,074	12,289	13,954	12,420
Total assets less current liabilities		29,808	29,798	31,605	30,837
Creditors: amounts falling due after more than one year	14	(1,764)	(2,372)	(1,764)	(2,372)
Provisions for liabilities and charges	15	(1,174)	(1,487)	(1,248)	(1,514)
Accruals and deferred income	16	(121)	(123)	(121)	(123)
Defined benefit pension scheme deficit	17	(2,056)	(1,516)	(2,056)	(1,516)
		24,693	24,300	26,416	25,312
Capital and reserves					
Called up share capital	18	442	442	442	442
Capital redemption reserve	19	330	330	330	330
Revaluation reserve	19	165	167	165	167
Profit and loss account	19	23,756	23,361	25,479	24,373
Shareholders' funds	19	24,693	24,300	26,416	25,312

The financial statements were approved by the board on 10th June 2009.

A H Graham A H Graham
Director

G M Shepherd
Director

Group Cash Flow Statement

for the year ended 31 December 2008

	2008 £000	2007 £000
Net cash inflow from operating activities	4,502	6,862
Returns on investments and servicing of finance		
Interest received	195	306
Interest paid	(278)	(383)
Finance lease and hire purchase interest	(11)	(19)
Net cash outflow for returns on investments and servicing of finance	(94)	(96)
Taxation paid	(707)	(749)
Capital expenditure and financial investment		
Payments to acquire tangible assets	(1,566)	(1,536)
Receipts from sales of tangible assets	14	70
Net cash outflow for capital expenditure	(1,552)	(1,466)
Equity dividends paid	(1,036)	(374)
Net cash inflow before management of liquid resources and financing	1,113	4,177
Management of liquid resources		
Cash withdrawn from short term deposits	837	2,009
Net cash inflow from management of liquid resources	837	2,009
Financing		
Loans repaid	(555)	(630)
Capital element of hire purchase contracts and finance lease agreements	(158)	(159)
Net cash outflow from financing	(713)	(789)
Increase in cash in the year	1,237	5,397

Notes for the Group Cash Flow Statement

for the year ended 31 December 2008

1. Reconciliation of operating profit to net cash inflow from operating activities

	2008	*2007*
	£000	*£000*
Operating profit	3,745	4,156
Depreciation of tangible assets	2,383	2,282
Amortisation of intangible assets	24	19
Profit on disposal of tangible assets	(5)	(59)
(Increase)/decrease in stock	(610)	(1,808)
(Increase)/decrease in debtors	277	(3,789)
Increase/(decrease) in creditors	(324)	7,040
Increase/(decrease) in other provisions	1,370	(597)
Exchange differences	(2,358)	(382)
Net cash inflow from operating activities	4,502	6,862

2. Analysis of net debt

	1 January 2008	*Cash flow*	*Other non cash changes*	*31 December 2008*
	£000	*£000*	*£000*	*£000*
Net cash:				
Cash at bank and in hand	4,614	1,237	-	5,851
Liquid Resources	1,295	(837)	-	458
	5,909	400	-	6,309
Debt:				
Finance leases	(211)	158	-	(53)
Short term loans	(555)	555	(555)	(555)
Long term loans	(2,319)	-	555	(1,764)
	(3,085)	713	-	(2,372)
Net fund/(debt)	2,824	1,113	-	3,937

Notes to the Consolidated Cash Flow Statement

For the year ended 31 December 2008

3. Reconciliation of net cash flow to movement in net debt

	2008	*2007*
	£000	*£000*
Inflow in cash in the year	1,237	5,397
Decrease in cash from liquid resources	(837)	(2,009)
Cash outflow from decrease in debt	713	789
Movement in net funds in the year	1,113	4,177
Opening net funds/(debt)	2,824	(1,353)
Closing net funds	3,937	2,824

4. Analysis of cash at bank

	2008	*2007*
	£000	*£000*
Cash	5,851	4,614
Cash placed on short term deposits	458	1,295
	6,309	5,909

Notes to the Financial Statements

at 31 December 2008

1. Accounting policies

Basis of preparation

The financial statements of Graham & Brown Limited were approved for issue by the Board of Directors on 29th May 2009.

The financial statements are prepared under the historical cost convention as modified by revaluations of certain fixed assets and in accordance with applicable accounting standards.

Basis of consolidation

The group profit and loss account and balance sheet consolidate the financial statements of Graham & Brown Limited and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Graham & Brown Limited as permitted by section 230 of the Companies Act 1980. The profit after tax but before dividends for the company is £3,128,000 (2007: £3,284,000).

Turnover

Turnover represents amounts invoiced by the group in respect of goods supplied during the year excluding Sales Taxes.

Goodwill

Goodwill arising prior to the implementation of Financial Reporting Standard No. 10 'Goodwill and Intangible Assets', where material, has been written off directly to reserves.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets required as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value if limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings freehold	1% - 5% straight line
Buildings - long leasehold	1% straight line
Plant and machinery, fixtures and fittings	6.7% - 33% straight line
Motor vehicles	25% straight line

Land is not depreciated.

The Group has taken advantage of the transitional provisions of Financial Reporting Standard No. 15 'Tangible Fixed Assets' and has continued to include fixed assets at a combination of cost and valuations undertaken before the implementation of the Standard.

Notes to the Financial Statements

at 31 December 2008

1. Accounting policies (continued)

Leasing

Assets obtained under the hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Stock

Stock is valued on a 'first in, first out' basis at the lower of cost and net realisable value. Cost includes all direct expenditure and appropriate production overheads.

Pensions

The company operates two money purchase schemes providing benefits based on contributions made. The contributions payable are charged to the profit and loss account in the period to which they relate.

The company also operates a defined benefit scheme. The scheme funds are administered by trustees and are independent of the company's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The scheme was closed to new entrants on 31 May 2000 and to existing members for future benefits on 31 May 2002.

The service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities and a credit equivalent to the Company's long-term expected return on assets (based on the market value of the scheme assets at the start of the period), are included in the profit and loss account.

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability in the balance sheet. Deferred tax assets on the pension liability are recognised to the extent that they are considered recoverable. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences which are from experience gains and losses and changes of assumptions.

Further information is set out in note 17 to the accounts.

Notes to the Financial Statements

at 31 December 2008

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are not recognised on gains made on disposals of fixed assets where an election has been made to roll over the gain into a replacement asset, unless, at the balance sheet date, there is a commitment to dispose of the replacement assets. Deferred tax assets are only recognised to the extent that the Directors consider that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted.

Provision is made for deferred tax that would arise on remittance of retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Government grants

Grants that relate to specific capital expenditure or relate to a combination of capital expenditure and job creation are treated as deferred income which is then credited to the profit and loss account over the related assets useful life. Other grants are credited to the profit and loss account when received.

2. Turnover and segmental analysis

The total turnover of the group for the year has been derived from its principal activities. The group operates within two geographical markets, the UK and overseas.

Turnover by destination is analysed as follows:

	United Kingdom		*Overseas*		*Total*	
	2008	*2007*	*2008*	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Group Turnover	42,223	44,802	39,891	28,628	82,114	73,430

Notes to the Financial Statements

at 31 December 2008

3. Operating profit

This is stated after charging/(crediting):

	2008	*2007*
	£000	*£000*
Amortisation of intangible assets	22	19
Depreciation of owned assets	2,298	2,197
Depreciation of assets held under finance leases	85	85
Operating lease rentals		
- plant and machinery	734	515
- land and buildings	617	380
Auditors' remuneration	120	111
Government grants	(2)	(3)

The remuneration of the auditors is analysed further as follows:

	2008	*2007*
	£'000	*£'000*
Audit of the financial statements*	33	32
Other fees to auditors:		
Local statutory audits for subsidiaries	56	41
Taxation services	25	32
Other services	6	6
	120	111

*: £ 25,000 (2007: £24,000) of this relates to the company.

4. Directors emoluments

	2008	*2007*
	£000	*£000*
Emoluments for qualifying services	1,193	1,311
Company pension contributions to money purchase schemes	186	176
	1,379	1,487

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2007: 4). The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 3 (2007: 3). Emoluments disclosed above include the following amounts paid to the highest paid director:

	2008	*2007*
	£000	*£000*
Emoluments for qualifying services	220	246
Company pension contributions to money purchase schemes	50	48

No share options were exercised during the year by the highest paid director.

Notes to the Financial Statements

at 31 December 2008

5. Staff costs

	2008	2007
	£000	£000
Wages and salaries	16,367	15,740
Social security costs	1,993	1,742
Other pension costs	1,244	1,173
	19,604	18,655

The average weekly number of employees (including directors) during the year was:

	No.	No.
Office, management and selling	225	189
Manufacturing and warehousing	353	341
	578	530

6. Interest payable and similar charges

	2008	2007
	£000	£000
On bank loans and overdrafts	401	383
Hire purchase interest	11	19
Finance cost on defined benefit pension scheme	(123)	(84)
	289	318

Notes to the Financial Statements

at 31 December 2008

7. Tax on profit on ordinary activities

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008	*2007*
	£000	*£000*
Current year tax:		
UK Corporation tax	1,121	1,310
Adjustment for prior year	(29)	(54)
Double taxation relief	(422)	(251)
	670	1,005
Foreign tax	422	203
Adjustment for prior year	(10)	-
Total current tax charge (note 7 (b))	1,082	1,208
Deferred tax:		
Deferred tax credit for current year	(100)	(87)
Deferred tax over provision in prior year	-	(4)
Reversal of provision on IBAs	(39)	(521)
Group deferred tax	(139)	(612)
Tax on profit on ordinary activities	943	596

Finance Act 2007 removed balancing charges and allowances on the disposal of buildings on which Industrial Buildings Allowances ('IBAs') had been claimed. As a result the IBAs are no longer a timing difference so the deferred tax liability relating to IBAs has been reversed. Included within the deferred tax credit is £210,000 (2007: £212,000) relating to the defined benefit pension liability, of which £nil (2007: £42,000) relates to the change in tax rate.

b) Factors affecting the tax charge for the year

	2008	*2007*
	£000	*£000*
Profit on ordinary activities before taxation	3,651	4,144
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.5% (2007: 30%)	1,040	1,243
Effects of:		
Expenses not deductible for tax purposes	12	59
Capital allowances in excess of depreciation	248	164
Small companies relief	(4)	(4)
Other timing differences	(165)	19
Overseas tax (utilised)/unrelieved	(11)	(49)
Adjustment in respect of prior years	(38)	(54)
Pension liability	-	(170)
Total current tax (note 7(a))	1,082	1,208

Notes to the Financial Statements

at 31 December 2008

8. Intangible fixed assets

Group

	Patents	*Goodwill*	*Start up costs*	*Total*
	£000	*£000*	*£000*	*£000*
Cost				
At 1 January 2008	22	84	17	123
Exchange differences	5	27	2	34
At 31 December 2008	27	111	19	157
Amortisation				
At 1 January 2008	19	50	17	86
Exchange differences	3	17	2	22
Charge for the year	2	22	-	24
At 31 December 2008	24	89	19	132
Net book value				
At 31 December 2008	3	22	-	25
At 31 December 2007	3	34	-	37

Goodwill is being amortised over its estimated useful life of 5 years.

Notes to the Financial Statements

at 31 December 2008

9. Tangible fixed assets

Group

	Land and buildings Freehold	*Land and buildings Long leasehold*	*Plant and machinery, fixtures and fittings*	*Total*
	£000	*£000*	*£000*	*£000*
Cost or valuation				
At 1 January 2008	6,555	3,949	32,537	43,041
Exchange differences	-	-	437	437
Additions	70	55	1,441	1,566
Disposals	-	-	(27)	(27)
At 31 December 2008	6,625	4,004	34,388	45,017
Depreciation				
At 1 January 2008	1,815	278	23,476	25,569
Exchange differences	-	-	374	374
On disposals	-	-	(18)	(18)
Charge for the year	182	41	2,160	2,383
At 31 December 2008	1,997	319	25,992	28,308
Net book value				
At 31 December 2008	4,628	3,685	8,396	16,709
At 31 December 2007	4,740	3,671	9,061	17,472

A valuation of certain assets at 31 March 1990 was performed by Singletons, a firm of Chartered Surveyors, on an open market value basis. The valuation has not been updated since as the directors are not aware of any material change in value.

Land valued at £591,000 (2007: £591,000) is not depreciated.

The historical cost of the freehold land and buildings included at valuation is as follows:

	2008	*2007*
	£000	*£000*
Cost	1,462	1,462
Accumulated depreciation	(241)	(239)
Net book value	1,221	1,223

The cost of plant, machinery and fixtures and fittings held under finance leases for both the group and the company at 31 December 2008 was £850,000 (2007: £850,000). The accumulated depreciation charge for such assets at 31 December 2008 was £418,000 (2007: £333,000).

Notes to the Financial Statements

at 31 December 2008

9. Tangible fixed assets (continued)

Company

	Land and buildings Freehold £000	*Land and buildings Long leasehold £000*	*Plant and machinery, fixtures and fittings £000*	*Total £000*
Cost or valuation				
At 1 January 2008	6,555	3,949	31,085	41,589
Additions	70	55	1,277	1,402
Disposals	-	-	(27)	(27)
At 31 December 2008	6,625	4,004	32,335	42,964
Depreciation				
At 1 January 2008	1,815	278	22,214	24,307
On disposals	-	-	(18)	(18)
Charge for the year	182	41	2,047	2,270
At 31 December 2008	1,997	319	24,243	26,559
Net book value				
At 31 December 2008	4,628	3,685	8,092	16,405
At 31 December 2007	4,740	3,671	8,871	17,282

The valuation at 31 March 1990 was performed by Singletons, a firm of Chartered Surveyors on an open market basis. The valuation has not been updated since as the directors are not aware of any material change in value

Land valued at £591,000 (2007: £591,000) is not depreciated.

The historical cost of the freehold land and buildings included at valuation is as follows:

	2008 £000	*2007 £000*
Cost	1,462	1,462
Accumulated depreciation	(241)	(239)
Net book value	1,221	1,223

Notes to the Financial Statements

at 31 December 2008

10. Fixed asset investments

Company

	Shares in group undertakings £000	Loans to group undertakings £000	Total £000
Cost or valuation			
At 1 January 2008	3,308	1,463	4,771
Exchange differences	-	337	337
Additional investments/loans	207	-	207
Amounts repaid	-	(149)	(149)
At 31 December 2008	3,515	1,651	5,166
Provisions for diminution in value			
At 1 January 2008	2,437	1,199	3,636
Charge for the year	-	284	284
At 31 December 2008	2,437	1,483	3,920
Net book value			
At 31 December 2008	1,078	168	1,246
At 31 December 2007	871	264	1,135

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amounts included in the balance sheet.

The investments held by the company are in the following companies:

	Class of Shares held	*% of shares held*
Subsidiary:		
Graham & Brown Inc	Ordinary	100
Graham & Brown BV	Ordinary	100
Graham & Brown SARL	Ordinary	100
Graham & Brown Wallcoverings Ltd	Ordinary	100
Category Merchandising Limited	Ordinary	100
Graham & Brown Shanghai Trading Co. Ltd	Ordinary	100
Graham & Brown Deutschland GMBH	Ordinary	100
Graham & Brown LLC	Ordinary	100

The principal activity of all the subsidiary undertakings except Category Merchandising Limited is the marketing and distribution of wallcoverings.

The principal activity of Category Merchandising Limited is to act as a merchandiser.

Notes to the Financial Statements

at 31 December 2008

11. Stocks and work in progress

	Group		*Company*	
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Raw materials and consumables	2,547	2,380	2,547	2,380
Work in progress	37	17	37	17
Finished goods and goods for resale	10,815	10,392	7,345	7,329
	13,399	12,789	9,929	9,726

12. Debtors

	Group		*Company*	
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Trade debtors	13,836	14,510	8,638	9,952
Amounts owed by group undertakings	-	-	6,681	5,922
Corporation tax	1	3	-	-
Prepayments and accrued income	1,813	1,416	867	961
	15,650	15,929	16,186	16,835

13. Creditors: amounts falling due within one year

	Group		*Company*	
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Bank loans and overdrafts (note 14)	555	555	555	555
Net obligations under finance lease and hire purchase contracts (note 14)	53	158	53	158
Trade creditors	17,270	16,640	14,338	14,629
Amounts owed to Group undertakings	-	-	-	280
Corporation tax	755	382	329	282
Taxes and social security costs	959	993	392	580
Accruals and other creditors	2,692	3,610	1,140	1,993
	22,284	22,338	16,807	18,477

The bank borrowings are secured by a fixed and floating charge over the company's assets.

The Graham & Brown BV overdraft is secured on that company's debtors.

Notes to the Financial Statements

at 31 December 2008

14. Creditors: amounts falling due after more than one year

	Group		*Company*	
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Bank loans	1,764	2,319	1,764	2,319
Net obligations under finance leases and hire purchase agreements	-	53	-	53
	1,764	2,372	1,764	2,372
Analysis of loans				
Not wholly repayable within five years by instalments:				
Bank loans	2,319	2,874	2,319	2,874
Included in current liabilities (note 13)	(555)	(555)	(555)	(555)
	1,764	2,319	1,764	2,319
Loan maturity analysis				
Between one and two years	555	555	555	555
Between two and five years	1,209	1,667	1,209	1,667
In five years or more	-	97	-	97

The bank loans are secured by a fixed and floating charge over the assets of that company.

Obligations under finance lease and hire purchase contracts are secured by the related assets.

One of the bank loans, of which part is repayable after five years, is repayable by quarterly instalments and interest is charged at 1.75% above National Westminster Bank's base rate.

The other bank loan, of which part is repayable after five years, is repayable by quarterly instalments, commencing December 2002 over a ten year period. Interest is charged at 1.5% above National Westminster Bank's base rate.

Net obligations under finance leases and hire purchase contracts

	Group		*Company*	
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Net obligations:				
Repayable within one year	53	158	53	158
Repayable between one and five years	-	53	-	53
	53	211	53	211

Notes to the Financial Statements

at 31 December 2008

15. Provisions for liabilities and charges

Deferred Taxation

	Group *£'000*	*Company* *£'000*
At 1 January 2008	1,487	1,514
Prior year adjustment	5	5
Utilisation of provision	(318)	(271)
Balance at 31 December 2008	1,174	1,248

Deferred tax is provided at 28% (2007: 28%) analysed over the following timing differences:

Group

	Not provided		*Fully provided*	
	2008 *£000*	*2007* *£000*	*2008* *£000*	*2007* *£000*
Accelerated capital allowances	(57)	(84)	1,282	1,569
Other timing differences	(8)	(23)	(908)	(82)
Tax losses available	(27)	(27)	-	-
Others	47	47	-	-
	(45)	(87)	374	1,487

Company

	Not provided		*Fully provided*	
	2008 *£000*	*2007* *£000*	*2008* *£000*	*2007* *£000*
Accelerated capital allowances	-	-	1,282	1,569
Other timing differences	47	47	(834)	(55)
Tax losses available	(3)	(3)	-	-
	44	44	448	1,514

No deferred tax has been provided on the revaluation surpluses as there is either no intention to dispose of the properties or any gain would be rolled over.

Notes to the Financial Statements

at 31 December 2008

16. Accruals and deferred income

Group and Company

	Government grants
	£000
Balance at 1 January 2008	123
Amortisation in the year	(2)
Balance at 31 December 2008	121

17. Pension costs

The company currently operates a defined contribution pension scheme for all permanent employees with service of more than three months. In addition there is a separate defined contribution scheme for certain directors.

Prior to 31 May 2002 the company operated a defined benefit scheme for employees with service of three or more years. This scheme was closed to new entrants on 31 May 2000 and to existing members for future benefits on 31 May 2002.

Defined Contribution Schemes (Money Purchase)

The pensions cost charge, in respect of the money purchase schemes, represents contributions payable by the company to the funds and amounted to a combined total of £811,000 (2007: £785,000). At 31 December 2008 there were no outstanding contributions (2007: £nil).

Defined Benefit Scheme (Final Salary)

The pension cost figures included in the accounts relating to the defined benefit scheme are stated in accordance with Financial Reporting Standard No 17 (FRS 17) 'Retirement Benefits'. The pension costs are based on the most recent actuarial assumptions of the scheme which were complete for the purposes of FRS17 with an effective date of 31 December 2008. The calculations were carried out by Xafinity Limited using the projected unit method. The most significant assumptions are given below.

The pension contributions during the year were £499,000 (2007: £480,000).

The above actuarial valuation shows that the market value of the scheme's assets is £15,761,000 (2007: £19,198,000) and that the actuarial value of those assets represented 85% of the benefits that had accrued to members of the scheme. The scheme was frozen on 31 May 2002 and therefore members no longer make contributions as of this date. From the 1 January 2008 the company has contributed £41,600 per month with the amount increasing by 4% per annum and payable for 10 years. During the year the company made no one off additional voluntary contributions to the scheme (2007: £nil).

The scheme is closed to new entrants and therefore, under the projected unit method the current service cost will increase as the members of the plan approach retirement.

Members of the defined benefit pension scheme have been notified that benefits up to 31 May 2002 have been calculated on a leaving service basis and future service benefits will be on a money purchase basis from June 2002.

Notes to the Financial Statements

at 31 December 2008

17. Pension costs (continued)

A full actuarial valuation was carried out at 31 May 2007 and updated to 31 December 2008 by a qualified independent actuary.

The assumptions used by the actuary are as follows:

	2008	*2007*
Rate of increase in salaries	n/a	n/a
Rate of increase in pension payments	2.9%	3.2%
Rate of increase in pension deferment	2.9%	3.2%
Discount rate	6.5%	5.8%
Inflation assumption	2.9%	3.2%
Post retirement mortality		
Current pensioners at 65 – male	20.3	20.2
Current pensioners at 65 – female	23.1	23.1
Future pensioners at 65 – male	21.3	21.6
Future pensioners at 65 – female	24.0	24.3

The post-mortality mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2036.

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31/12/2008	*Value at 31/12/2008 £000*	*Long-term rate of return expected at 31/12/2007*	*Value at 31/12/2007 £000*
Equities	7.2%	10,981	7.9%	13,352
Bonds	4.6%	4,676	5.8%	1,886
Gilts and cash	3.8%	104	4.5%	3,960
Total market value of assets		15,761		19,198
Present value of scheme liabilities		(18,617)		(21,304)
Deficit in the scheme		(2,856)		(2,106)
Related deferred tax asset		800		590
Net pension liability		(2,056)		(1,516)

Notes to the Financial Statements

at 31 December 2008

17. Pension costs (continued)

Analysis of the amount debited to interest payable and similar charges

	2008	2007
	£000	£000
Expected return on pension scheme assets	1,342	1,262
Interest on pension liabilities	(1,219)	(1,178)
Net interest cost	123	84

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2008	2007
	£000	£000
Actual return less expected return on assets	(4,712)	(161)
Experience gains and losses on liabilities	-	-
Changes in assumptions	3,340	2,694
Actuarial (loss)/gain recognised in STRGL	(1,372)	2,533

Movement in deficit in the year

	2008	2007
	£000	£000
Deficit in scheme at the beginning of the year	(2,106)	(5,203)
Contributions	499	480
Net interest cost	123	84
Actuarial (loss)/gain	(1,372)	2,533
Deficit in the scheme at the end of the year	(2,856)	(2,106)

History of experience gains and losses

	2008	2007	2006	2005
	£000	£000	£000	£000
Difference between expected and actual return on scheme assets:				
Amount	(4,712)	(161)	820	2,036
Percentage of the scheme assets	30%	1%	5%	12%
Experience gains & losses on scheme liabilities:				
Amount	-	-	914	(200)
Percentage of the scheme liabilities	0%	0%	4%	(1%)
Total amount recognised in statement of total recognised gains & losses:				
Amount	(1,372)	2,533	645	(580)
Percentage of the scheme liabilities	9%	12%	3%	(3%)

Notes to the Financial Statements

at 31 December 2008

17. Pension costs (continued)

In preparing the 2008 FRS 17 valuation, the Group actuary assumed experience was in line with actuarial assumptions.

18. Share capital

	2008	2007
	£000	£000
Authorised		
450,000 Ordinary shares of £1 each	450	450
237,000 'A' Ordinary shares of 1p each	2	2
	452	452
Allotted, called up and fully paid		
440,000 Ordinary shares of £1 each	440	440
237,000 'A' Ordinary shares of 1p each	2	2
	442	442

The 'A' ordinary shares confer no entitlement to capital and dividend and do not have any voting rights.

Notes to the Financial Statements

at 31 December 2008

19. Statement of movement on reserves and reconciliation of shareholders funds

Group

	Share Capital	*Capital Redemption Reserve*	*Revaluation Reserve*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 1 January 2007	442	330	169	18,513	19,454
Profit for the year	-	-	-	3,548	3,548
Transfer from revaluation reserve	-	-	(2)	2	-
Currency translation difference	-	-	-	(101)	(101)
Actuarial gain	-	-	-	2,533	2,533
Deferred tax on actuarial gain	-	-	-	(760)	(760)
Dividend declared and paid	-	-	-	(374)	(374)
At 31 December 2007	442	330	167	23,361	24,300
Profit for the year	-	-	-	2,708	2,708
Transfer from revaluation reserve	-	-	(2)	2	-
Currency translation difference	-	-	-	(291)	(291)
Actuarial loss	-	-	-	(1,372)	(1,372)
Deferred tax on actuarial loss	-	-	-	384	384
Dividend declared and paid	-	-	-	(1,036)	(1,036)
At 31 December 2008	442	330	165	23,756	24,693

Cumulative goodwill written off to reserves is £2,219,000 (2007: £2,219,000).

Notes to the Financial Statements

at 31 December 2008

19. Statement of movement on reserves and reconciliation of shareholders funds (continued)

Company

	Share Capital £000	*Capital Redemption Reserve £000*	*Revaluation Reserve £000*	*Profit and loss account £000*	*Total £000*
At 1 January 2007	442	330	169	19,688	20,629
Profit for the year before	-	-	-	3,284	3,284
Transfer from revaluation reserve	-	-	(2)	2	-
Actuarial gain	-	-	-	2,533	2,533
Deferred tax on actuarial gain	-	-	-	(760)	(760)
Dividend declared and paid	-	-	-	(374)	(374)
At 31 December 2007	442	330	167	24,373	25,312
Profit for the year before	-	-	-	3,128	3,128
Transfer from revaluation reserve	-	-	(2)	2	-
Actuarial loss	-	-	-	(1,372)	(1,372)
Deferred tax on actuarial loss	-	-	-	384	384
Dividend declared and paid	-	-	-	(1,036)	(1,036)
At 31 December 2008	442	330	165	25,479	26,416

Cumulative goodwill written off to reserves is £2,219,000 (2007: £2,219,000).

20. Financial commitments

At 31 December 2008 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		*Other*	
	2008 £000	*2007 £000*	*2008 £000*	*2007 £000*
Expiry date:				
Within one year	227	48	123	80
Between two and five years	351	257	531	531
	578	305	654	611

Notes to the Financial Statements

at 31 December 2008

20. Financial commitments (continued)

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

	Land and buildings		*Other*	
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Expiry date:				
Within one year	-	-	100	63
Between two and five years	-	-	306	391
Greater than five years	-	-	-	-
	-	-	406	454

21. Dividends and other appropriations

	2008	*2007*
	£'000	*£'000*
Declared and paid during the year:		
Preference dividends	-	-
Equity dividends	1,036	374
	1,036	374
Proposed for approval by shareholders at the AGM:		
Final Dividend for 2008: 207.43 per share (2007: 235.45p)	913	1,036