Graham & Brown Limited

Directors' report and financial statements

Registered number 00372481

31 December 2013

Contents

Directors

R H Graham
D Brown
I A Brown
J Carter
A H Graham
G M van Laarhoven

Secretary

G M van Laarhoven

Auditor

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Strategic report

Strategic report

The directors present their report and financial statements for the year ended 31 December 2013.

Results and dividends

The group EBITDA for the year, before exceptional items, amounted to £7.5m (*2012: £8.4m*). Group operating profit amounted to £4.9m (*2012: £6.0m*). Group profit after taxation and including exceptional items amounted to £3.5m (*2012: £6.1m*).

Principal activity and review of the business

The group's principal activities are the manufacturing, sourcing, marketing and distribution of designer-led wall decoration products to consumers in the UK and overseas.

Its range includes wallpaper, wall art, children's décor and paints, which are developed under a portfolio of brands, including Graham & Brown, Superfresco, Superfresco EASY and Contour.

The group also develops exclusive collections in partnership with the world's leading interior designers, such as Wayne Hemmingway, Kelly Hoppen, Barbara Hulanicki, Marcel Wanders, Steve Leung and Laurence Llewlyn-Bowen.

Its products are retailed through major DIY multiples in the UK, North America, Australia and Europe, as well as over 150 Graham & Brown-branded distributor outlets across high-growth overseas markets, supported by sales offices in the US, France, Holland, Russia, Canada and China.

The group operates as a strategic partner to its retailer and distributor customer base, delivering full category management support from merchandising, in-store environment and marketing/consultancy.

Key performance indicators during the year were:

	2013	2012
	£m	£m
• Group turnover	**82.8**	87.8
• Cash generated from operating activities	**6.3**	11.4
• Pre exceptional items EBITDA	**7.5**	8.4

Like the wider home interiors sector, the group's performance is affected by the prevailing consumer sentiment, which has remained subdued across many of its markets as a result of weak economic growth.

Given the continuing weakness of the UK & WE economies in 2013, the group continued in the implementation of its international development strategy, which is focussed upon consolidating its position in established countries and targeting sales in new, faster-growing emerging markets.

These international initiatives include new strategic partnerships in North Africa, the Middle East, India, Asia and Australia/New Zealand.

The group also continued to focus on strong cash management, and continued to further invest in people, plant, machinery and a new IS infrastructure.

The group would like to recognise the commitment of its people in the delivery of a strong underlying performance against such a challenging market backdrop.

Strategic report *(continued)*

Future prospects

The Board expects a slow recovery of consumer confidence in its established markets of UK, WE and NA, but believes that this will only feed into consumer sales in the last quarter of 2014 if the recovery is sustained. The Board will continue to pursue vigorously with its strategy of growing sales into emerging markets, where its Graham & Brown brand and Made in Britain heritage creates significant opportunities, such as China, Russia and EE, Middle East, North Africa, Australia, where the Group has established key strategic partnerships.

Principal risks and uncertainties

The directors believe that the principal risks and uncertainties facing the group 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 group 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.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the 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.

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 £35,608 (*2012: £36,335*).

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.

Strategic report *(continued)*

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 that the views and potential concerns of employees can be appreciated when high level management are making decisions which are likely to influence their interests.

By order of the Board

GM van Laarhoven
Secretary

23 May 2014

Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

Results and dividends

The Directors recommend a final ordinary dividend of 66.02 pence per ordinary share based on the shareholding as at 22 May 2014 (*2012: 84.93 pence per ordinary share*) amounting to £1,135,500 (*2012: £1,460,796*). The directors also recommend a final ordinary dividend of 153.32 pence per 'A' ordinary share (*2012: 246.54 pence per share*) amounting to £363,368 (*2012: £584,300*).

The above dividend payments have not been accrued in these financial statements under FRS 21 'Events after the balance sheet date'.

Repurchase of ordinary share capital

During the year the Company purchased 240,000 of its own shares, which represented 12.2% of the called up share capital. The nominal value of each share was £1 and the total consideration paid was £2,988,960. The shares were subsequently cancelled.

On 14 April 2014 the Company purchased a further 105,000 of its own shares, which represented 6.1% of the called up share capital. The nominal value of each share was £1 and the total consideration paid was £1,307,670. The shares were subsequently cancelled.

Directors

The directors who served the company during the year were as follows:
R H Graham
D Brown
I A Brown
J Carter
A H Graham
G M van Laarhoven

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

A resolution to reappoint KPMG LLP as auditor will be put to the members at the Annual General Meeting.

By order of the Board

GM van Laarhoven
Secretary

23 May 2014

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Director's 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

KPMG LLP
Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

Independent auditor's report to the members of Graham & Brown Limited

We have audited the financial statements of Graham & Brown Limited for the year ended 31 December 2013 set out on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 6, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Graham & Brown Limited
(continued)

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

Richard Evans (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Edward VII Quay
Navigation Way
Preston
PR2 2YF

23 May 2014

Group profit and loss account
for the year ended 31 December 2013

	Notes	**2013**	2012
		£000	£000
Turnover	*2*	**82,750**	87,760
Cost of sales		**(50,333)**	(52,685)
Gross profit		**32,417**	35,075
Distribution costs		**(7,885)**	(7,702)
Administrative expenses		**(19,652)**	(21,332)
Operating profit	*3*	**4,880**	6,041
Exceptional item	*23*	**-**	2,100
Bank interest receivable and similar income		**48**	37
Interest payable and similar charges	*6*	**(386)**	(235)
Profit on ordinary activities before taxation		**4,542**	7,943
Taxation	*7*	**(1,089)**	(1,831)
Profit after taxation for the financial year	*19*	**3,453**	6,112

All operations are continuing.

The notes on pages 14 to 32 form part of these financial statements.

Group statement of total recognised gains and losses
for the year ended 31 December 2013

	2013 £000	2012 £000
Profit for the financial year	**3,453**	6,112
Exchange differences on retranslation of net assets of subsidiary undertakings	**114**	183
Actuarial loss recognised on defined benefit pension scheme	**(829)**	(4,868)
Movement on deferred tax relating to pension liability	**36**	1,120
Total recognised gains and losses relating to the year	**2,774**	2,547

Note of historical cost profits and losses
for the year ended 31 December 2013

	2013 £000	2012 £000
Reported profit on ordinary activities before taxation	**4,542**	7,943
Difference between 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	**4,544**	7,945
Historical cost profit for the year retained after taxation	**3,455**	6,114

The notes on pages 14 to 32 form part of these financial statements.

Group and Company balance sheets
at 31 December 2013

	Notes	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Fixed assets					
Intangible assets	8	**8**	354	-	344
Tangible assets	9	**18,484**	17,481	**17,502**	16,740
Investments	10	-	-	**1,095**	1,095
		18,492	17,835	**18,597**	18,179
Current assets					
Stocks	11	**14,092**	14,735	**10,139**	10,161
Debtors	12	**14,874**	16,145	**13,012**	12,441
Cash at bank and in hand		**10,221**	11,919	**6,987**	10,395
		39,187	42,799	**30,138**	32,997
Creditors: amounts falling due within one year	13	**(22,100)**	(24,921)	**(16,812)**	(19,359)
Net current assets		**17,087**	17,878	**13,326**	13,638
Total assets less current liabilities		**35,579**	35,713	**31,923**	31,817
Creditors: amounts falling due after more than one year	14	**(6,051)**	(4,223)	**(6,051)**	(4,223)
Provisions for liabilities	15	**(697)**	(805)	**(791)**	(880)
Accruals and deferred income	16	**(112)**	(114)	**(112)**	(114)
Net assets excluding pension liability		**28,719**	30,571	**24,969**	26,600
Defined benefit pension scheme deficit	17	**(3,779)**	(3,371)	**(3,779)**	(3,371)
Net assets		**24,940**	27,200	**21,190**	23,229
Capital and reserves					
Called up share capital	18	**1,722**	1,962	**1,722**	1,962
Capital redemption reserve	19	**810**	570	**810**	570
Revaluation reserve	19	**155**	157	**155**	157
Profit and loss account	19	**22,253**	24,511	**18,503**	20,540
Shareholders' funds	19	**24,940**	27,200	**21,190**	23,229

A H Graham
Director
A H Graham

G M van Laarhoven
Director

23 May 2014

The notes on pages 14 to 32 form part of these financial statements.

Registered number: 00372481

Group statement of cash flows
for the year ended 31 December 2013

	2013 £000	2012 £000
Net cash inflow from operating activities	**6,128**	11,429
Returns on investments and servicing of finance		
Interest received	**48**	37
Interest paid	**(247)**	(235)
Net cash outflow from returns on investments and servicing of finance	**(199)**	(198)
Taxation paid	**(1,334)**	(555)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(3,206)**	(2,523)
Payments to acquire intangible fixed assets	**(17)**	(12)
Exceptional item (note 23)	**-**	2,100
Receipts from sales of tangible fixed assets	**5**	126
Net cash outflow from capital expenditure	**(3,218)**	(309)
Equity dividends paid	**(2,045)**	(294)
Net cash (outflow)/inflow before financing	**(668)**	10,073
Financing		
New borrowings	**3,000**	3,000
Loans repaid	**(1,041)**	(1,305)
Repurchase of share capital	**(2,989)**	(2,989)
Capital element of hire purchase contracts and finance lease agreements	**-**	(23)
Net cash outflow from financing	**(1,030)**	(1,317)
(Decrease)/increase in cash in the year	**(1,698)**	8,756

Notes to the group statement of cash flows

For the year ended 31 December 2013

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

	2013	2012
	£000	£000
Operating profit	**4,880**	6,041
Depreciation of tangible assets	**2,215**	1,905
Amortisation of intangible assets	**363**	423
Profit on disposal of tangible assets	**-**	(4)
Decrease/(increase) in stock	**643**	(110)
Decrease in debtors	**1,271**	3,539
Decrease in creditors	**(2,720)**	(258)
Increase in other provisions	**-**	70
Exchange differences	**98**	200
Defined benefit pension cash payment	**(622)**	(377)
Net cash inflow from operating activities	**6,128**	11,429

2 Analysis of net funds

	1 January 2013	Cash flow	**31 December 2013**
	£000	£000	**£000**
Net cash			
Cash at bank and in hand	11,919	(1,698)	**10,221**
Debt:			
Short term loans	(1,064)	(131)	**(1,195)**
Long term loans	(4,223)	(1,828)	**(6,051)**
	(5,287)	(1,959)	**(7,246)**
Net funds	6,632	(3,657)	**2,975**

3 Reconciliation of net cash flow to movement in net funds

	2013	2012
	£000	£000
(Decrease)/increase in cash in the year	**(1,698)**	8,756
Cash flow from increase in debt	**(1,959)**	(1,672)
Movement in net funds in the year	**(3,657)**	7,084
Opening net funds	**6,632**	(452)
Closing net funds	**2,975**	6,632

4 Analysis of cash at bank

	2013	2012
	£000	£000
Cash	**10,221**	11,919

Notes
(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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 408 of the Companies Act 2006. The profit after tax, but before dividends, for the company is £3,788,000 (*2012: £5,719,000*).

Turnover

Turnover represents amounts invoiced by the group in respect of goods supplied during the year excluding sales taxes and rebates.

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.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

Intangible assets

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Brands and licences purchased by the Group are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of 3 years.

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

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:

Freehold buildings	–	1% – 5% straight line per annum
Buildings - long leasehold	–	1% straight line per annum
Plant and machinery, fixtures and fittings	–	6.7% – 33% straight line per annum

Land is not depreciated.

The group has taken advantage of the transitional provisions of FRS 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.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

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

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stock is stated 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.

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

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Pensions

The group 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 group also operates a defined benefit scheme. The scheme funds are administered by trustees and are independent of the group'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.

Notes *(continued)*

1 Accounting policies *(continued)*

Pensions (continued)

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 group'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 only 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 financial statements.

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.

Going concern

The Directors, having considered the current trading prospects, identifiable risks, working capital requirements and the availability of finance, are of the opinion that the Group and Company is a going concern. The accounts have been prepared on this basis.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Related parties

The Group has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group.

2 Turnover

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**	
	2013	2012	**2013**	2012	**2013**	2012
	£000	£000	**£000**	£000	**£000**	£000
Group turnover	**39,783**	42,112	**42,967**	45,648	**82,750**	87,760

Notes *(continued)*

3 Operating profit

This is stated after charging/(crediting):

	2013 £000	2012 £000
Auditor's remuneration	**154**	132
Amortisation of intangible assets	**363**	423
Depreciation of owned tangible fixed assets	**2,215**	1,907
Government grants	**(2)**	(2)
Operating lease rentals – plant and machinery	**881**	826
– land and buildings	**675**	746

The remuneration of the auditor is analysed further as follows:

	2013 £000	2012 £000
Audit of the financial statements*	**35**	35
Other fees to auditors:		
Local statutory audits for subsidiaries	**33**	33
Taxation services	**49**	42
Other services	**37**	22
	154	132

* £30,000 (*2012: £30,000*) of this relates to the company.

4 Directors' emoluments

	2013 £000	2012 £000
Emoluments for qualifying services	**1,169**	1,559
Company pension contributions to money purchase schemes	**49**	84

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to four (*2012: four*). The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to three (*2012: three*).

Emoluments disclosed above include the following amounts paid to the highest paid director:

	2013 £000	2012 £000
Emoluments for qualifying services	**293**	357
Company pension contributions to money purchase schemes	**-**	-

Notes *(continued)*

5 Staff costs

	2013	2012
	£000	£000
Wages and salaries	17,045	18,950
Social security costs	2,362	2,556
Other pension costs	1,059	1,265
	20,466	22,771

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

	2013	2012
	£000	£000
Office, management and selling	259	268
Manufacturing and warehousing	305	319
	564	587

6 Interest payable and similar charges

	2013	2012
	£000	£000
On bank loans and overdrafts	247	121
Finance cost on defined benefit pension scheme	139	114
	386	235

7 Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2013	2012
	£000	£000
Current tax:		
UK corporation tax	1,118	1,607
Adjustment for prior year	(85)	(113)
Double taxation relief	(441)	(283)
	592	1,211
Foreign tax	507	424
Adjustment for prior year	-	13
Total current tax	1,099	1,648
Deferred tax:		
Deferred tax (credit)/charge for current year	(10)	183
Tax on profit on ordinary activities	1,089	1,831

Notes *(continued)*

7 Tax *(continued)*

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% *(2012: 24.5%)*. The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before taxation	**4,542**	7,943
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.25 % *(2012: 24.5%)*	**1,056**	1,946
Effects of:		
Expenses not deductible for tax purposes	**87**	118
Difference between depreciation and capital allowances	**81**	124
Income not taxable – exceptional item	**-**	(514)
Defined benefit scheme timing differences	**(92)**	(120)
Other timing differences	**10**	53
Overseas tax unrelieved	**66**	141
Research and development relief	**(24)**	-
Adjustment in respect of prior years	**(85)**	(100)
Current tax for the year (note 7(a))	**1,099**	1,648

Corporation tax rate changes – Impact on deferred tax

Reductions in the UK corporation tax rate from 26% to 24% (effective 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future tax charge accordingly. The deferred tax liability at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

Notes *(continued)*

8 Intangible fixed assets

Group

	Patents £000	Goodwill £000	Start up costs £000	Brand/ licence £000	Total £000
Cost					
At 1 January 2013	49	985	19	360	1,413
Exchange differences	1	-	-	-	1
Additions	17	-	-	-	17
At 31 December 2013	67	985	19	360	1,431
Amortisation					
At 1 January 2013	39	754	19	247	1,059
Exchange differences	1	-	-	-	1
Charge for the year	19	231	-	113	363
At 31 December 2013	59	985	19	360	1,423
Net book value					
At 31 December 2013	**8**	**-**	**-**	**-**	**8**
At 1 January 2013	10	231	-	113	354

Company

	Goodwill £000	Brand/ licence £000	Total £000
Cost			
At 1 January 2013 and 31 December 2013	**882**	**360**	**1,242**
Amortisation			
At 1 January 2013	651	247	898
Charge for the year	231	113	344
At 31 December 2013	882	360	1,242
Net book value			
At 31 December 2013	-	-	-
At 1 January 2013	231	113	344

Goodwill is being amortised over its estimated useful life of 3 years.

The brand/licence is being amortised over its estimated useful life of 3 years.

Notes *(continued)*

9 Tangible fixed assets

Group	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 2013	7,744	5,142	40,803	53,689
Exchange differences	-	2	35	37
Additions	105	444	2,657	3,206
Disposals	-	-	(22)	(22)
At 31 December 2013	7,849	5,588	43,473	56,910
Depreciation				
At 1 January 2013	2,564	502	33,142	36,208
Exchange differences	-	-	20	20
On disposals	-	-	(17)	(17)
Charge for the year	161	77	1,977	2,215
At 31 December 2013	2,725	579	35,122	38,426
Net book value				
At 31 December 2013	**5,124**	**5,009**	**8,351**	**18,484**
At 1 January 2013	5,180	4,640	7,661	17,481

A valuation of freehold land and buildings at 31 March 1990 was performed by Singletons, a firm of Chartered Surveyors, on an open market value basis.

There are no tangible fixed assets held under finance leases and similar hire purchase contracts in the current or previous financial year.

Land valued at £591,000 (*2012: £591,000*) is not depreciated.

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

	2013 £000	2012 £000
Cost	**1,462**	1,462
Accumulated depreciation	**(309)**	(287)
Net book value	**1,153**	1,175

Notes *(continued)*

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 2013	7,744	5,054	37,897	50,695
Additions	105	439	2,215	2,759
At 31 December 2013	**7,849**	**5,493**	**40,112**	**53,454**
Depreciation:				
At 1 January 2013	2,564	503	30,888	33,955
Charge for the year	161	67	1,769	1,997
At 31 December 2013	**2,725**	**570**	**32,657**	**35,952**
Net book value:				
At 31 December 2013	**5,124**	**4,923**	**7,455**	**17,502**
At 1 January 2013	5,180	4,551	7,009	16,740

The valuation at 31 March 1990 was performed by Singletons, a firm of Chartered Surveyors on an open market basis.

Land valued at £591,000 *(2012: £591,000)* is not depreciated.

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

	2013 £000	2012 £000
Cost	**1,462**	1,462
Accumulated depreciation	**(309)**	(287)
Net book value	**1,153**	1,175

Notes *(continued)*

10 Fixed asset investments

Company

	Shares in group undertakings £000	Loans to group undertakings £000	Total £000
Cost or valuation:			
At 1 January 2013	3,377	2,849	6,226
Exchange differences	-	(231)	(231)
Additional investments/loans	-	363	363
At 31 December 2013	**3,377**	**2,981**	**6,358**
Provisions for diminution in value:			
At 1 January 2013	2,282	2,849	5,131
Charge for the year	-	132	132
At 31 December 2013	**2,282**	**2,981**	**5,263**
Net book value:			
At 31 December 2013	**1,095**	-	**1,095**
At 1 January 2013	1,095	-	1,095

In the opinion of the directors, the 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:

Subsidiary:	*Country of incorporation*	*Class of shares held*	*% of shares held*
Graham & Brown Inc	United States	Ordinary	100
Graham & Brown BV	Holland	Ordinary	100
Graham & Brown SARL	France	Ordinary	100
Graham & Brown Wallcoverings Limited	Canada	Ordinary	100
Category Merchandising Limited	United Kingdom	Ordinary	100
Graham & Brown Shanghai Trading Co. Limited	China	Ordinary	100
Graham & Brown Deutschland GmbH	Germany	Ordinary	100
Graham & Brown LLC	Russia	Ordinary	100
Graham & Brown FZC	UAE	Ordinary	100
Graham & Brown PTY Ltd	Australia	Ordinary	100

The principal activity of all the subsidiary undertakings except Category Merchandising Limited is the marketing and distribution of wallpaper and wall decoration products.

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

Notes *(continued)*

11 Stocks

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Raw materials and consumables	**1,945**	1,974	**1,945**	1,974
Work in progress	**12**	16	**-**	-
Finished goods and goods for resale	**12,135**	12,745	**8,194**	8,187
	14,092	14,735	**10,139**	10,161

12 Debtors

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Trade debtors	**13,242**	14,912	**8,808**	9,243
Amounts owed by group undertakings	**-**	-	**3,161**	2,520
Prepayments and accrued income	**1,632**	1,233	**1,043**	678
	14,874	16,145	**13,012**	12,441

13 Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Bank loans (note 14)	**1,195**	1,064	**1,195**	1,064
Trade creditors	**15,143**	16,385	**13,083**	14,599
Amounts owed to group undertakings	**-**	-	**149**	166
Corporation tax	**1,170**	1,415	**800**	1,080
Taxes and social security costs	**1,571**	1,072	**507**	346
Accruals and other creditors	**3,021**	4,985	**1,078**	2,104
	22,100	24,921	**16,812**	19,359

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

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Bank loans	**6,051**	4,223	**6,051**	4,223
Analysis of loans:				
Bank loans	**7,246**	5,287	**7,246**	5,287
Included in current liabilities (note 13)	**(1,195)**	(1,064)	**(1,195)**	(1,064)
	6,051	4,223	**6,051**	4,223
Loan maturity analysis:				
Between one and two years	**-**	1,267	**-**	1,267
Between two and five years	**6,051**	2,956	**6,051**	2,956

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

One of the bank loans is repayable by quarterly instalments over a five year period and interest is charged at 2.9% above the LIBOR rate.

The other bank loan is repayable in monthly instalments with the instalments over a five year period at which interest is charged at 1.85% above base rate.

Notes *(continued)*

15 Provisions for liabilities

Deferred tax:

	Group £000	Company £000
At 1 January 2013	805	880
Prior year adjustment	(52)	(46)
Utilisation of provision	(56)	(43)
At 31 December 2013	**697**	**791**

Deferred tax is provided at 20% (*2012: 23%*) analysed over the following timing differences:

Group	**Fully provided**		**Not provided**	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Accelerated capital allowances	**604**	665	**(70)**	(106)
Other timing differences	**(116)**	(75)	-	-
Revaluation surpluses	-	-	-	(36)
Others	**209**	215	-	-
	697	805	**(70)**	(142)

Company	**Fully provided**		**Not provided**	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Accelerated capital allowances	**604**	665	-	(106)
Other timing differences	**(22)**	-	-	-
Revaluation surpluses	-	-	-	(36)
Other	**209**	215	-	-
	791	880	-	(142)

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.

16 Accruals and deferred income

Group and Company	**Government grants £000**
At 1 January 2013	114
Amortisation in the year	(2)
At 31 December 2013	**112**

Notes *(continued)*

17 Pension costs

The group 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 group 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 group to the funds and amounted to a combined total of £801,000 *(2012: £781,000)*. At 31 December 2013 there were no outstanding contributions *(2012: £nil)*.

Defined benefit scheme (Final salary)

The pension cost figures included in the financial statements 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 FRS 17 with an effective date of 31 December 2013. 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 £622,000 *(2012: £604,000)*.

The above actuarial valuation shows that the market value of the scheme's assets is £24,348,000 *(2012: £24,308,000)*. The scheme was frozen on 31 May 2002 and therefore members no longer make contributions as of this date. From the 1 January 2012 the company has contributed £586,000 per annum with the amount increasing by 4% per annum and payable for 10 years. During the year the group made no one off additional voluntary contributions to the scheme *(2012: £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.

During 2012, an insurance agreement was entered into with a third party to cover all future payments in respect of Scheme's pensioner members who had retired prior to 15 July 2013. Following completion of the pensioner buy in agreement the Scheme holds a number of annuity policies in respect of the members who were pensioners at that time

A full actuarial valuation was carried out at 31 May 2012 and updated to 31 December 2013 by a qualified independent actuary.

The assumptions used by the actuary are as follows:

	2013	2012
	%	%
Rate of increase in pension payments	**3.50%**	3.00%
Rate of increase in pension deferment	**2.30%**	2.10%
Discount rate	**4.65%**	4.70%
Inflation assumption - RPI	**3.50%**	3.10%
-CPI	**2.30%**	2.10%
Post retirement mortality:		
Current pensioners at 65 – male	**21.8**	21.9
Current pensioners at 65 – female	**24.0**	24.2
Future pensioners at 65 – male	**23.1**	23.2
Future pensioners at 65 – female	**25.5**	25.7

Notes *(continued)*

17 Pension costs *(continued)*

The post retirement 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 31/12/2013	**Value at 31/12/2013 £000**	Long-term rate of return expected at 31/12/2012	Value at 31/12/2012 £000
Equities	**6.90%**	**12,440**	6.40%	11,469
Bonds	**3.70%**	**5,485**	3.10%	7,004
Cash	**3.50%**	**117**	3.00%	524
Insured Assets	**4.65%**	**11,634**	4.70%	11,937
Outstanding Policy Premiums	**5.90%**	**(5,328)**	5.10%	(6,626)
Total market value of assets		**24,348**		24,308
Present value of scheme liabilities		**(29,072)**		(28,686)
Deficit in the scheme		**(4,724)**		(4,378)
Related deferred tax asset		**945**		1,007
Net pension deficit (Group and Company)		**(3,779)**		(3,371)

Analysis of the amount debited to interest payable and similar charges

	2013 £000	2012 £000
Expected return on pension scheme assets	**1,179**	1,091
Interest on pension liabilities	**(1,318)**	(1,205)
Profit and loss charge (net interest charge)	**(139)**	(114)

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

	2013 £000	2012 £000
Actual return less expected return on assets	**(723)**	(2,626)
Experience gains and losses on liabilities	**(106)**	(3,326)
Effect of asset limit (FRS17 para 67 (d))	**-**	1,084
Total loss recognised in STRGL	**(829)**	(4,868)

Notes *(continued)*

17 Pension costs *(continued)*

Movement in deficit in the year

	2013	2012
	£000	£000
Deficit in scheme at the beginning of the year	**(4,378)**	-
Contributions	**622**	604
Net interest cost	**(139)**	(114)
Actuarial loss	**(829)**	(5,952)
Effect of asset limit (FRS17 para 67d)	-	1,084
Deficit in the scheme at the end of the year	**(4,724)**	(4,378)

History of experience gains and losses

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Difference between expected and actual return on scheme assets:					
Amount	(723)	(2,626)	4,220	946	2,405
Percentage of the scheme assets	3%	11%	16%	4%	13%
Experience gains and losses on scheme liabilities:					
Amount	(106)	(3,326)	(1,423)	1,794	-
Percentage of the scheme liabilities	0%	12%	6%	8%	0%
Total amount recognised in statement of total recognised gains and losses:					
Amount	(829)	(4,868)	1,713	2,740	(2,949)
Percentage of the scheme liabilities	3%	17%	7%	12%	12%

In preparing the 2013 FRS 17 valuation, the group actuary assumed experience was in line with actuarial assumptions.

18 Issued share capital

	2013		2012	
Allotted, called up and fully paid	**No**	**£000**	No	£000
Ordinary shares of £1 each	**1,720,000**	**1,720**	1,960,000	1,960
'A' Ordinary shares of 1p each	**237,000**	**2**	237,000	2
	1,957,000	**1,722**	2,197,000	1,962

Notes *(continued)*

19 Reconciliation of shareholders' funds and movements on reserves

Group

	Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2012	442	330	159	27,005	27,936
Profit for the year	-	-	-	6,112	6,112
Transfer from revaluation reserve	-	-	(2)	2	-
Currency translation difference	-	-	-	183	183
Actuarial loss	-	-	-	(4,868)	(4,868)
Deferred tax on actuarial loss	-	-	-	1,120	1,120
Bonus share issue	1,760	-	-	(1,760)	-
Repurchase of ordinary shares	(240)	240	-	(2,989)	(2,989)
Dividend declared and paid	-	-	-	(294)	(294)
At 31 December 2012	1,962	570	157	24,511	27,200
At 1 January 2013	1,962	570	157	24,511	27,200
Profit for the year	-	-	-	3,453	3,453
Transfer from revaluation reserve	-	-	(2)	2	-
Currency translation difference	-	-	-	114	114
Actuarial loss	-	-	-	(829)	(829)
Deferred tax on actuarial loss	-	-	-	36	36
Repurchase of ordinary shares	(240)	240	-	(2,989)	(2,989)
Dividend declared and paid	-	-	-	(2,045)	(2,045)
At 31 December 2013	**1,722**	**810**	**155**	**22,253**	**24,940**

Notes *(continued)*

19 Reconciliation of shareholders' funds and movements on reserves *(continued)*

Cumulative goodwill written off to reserves is £2,219,000 *(2012: £2,219,000)*.

Company

	Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2012	442	330	159	23,610	24,541
Profit for the year	-	-	-	5,719	5,719
Transfer from revaluation reserve	-	-	(2)	2	-
Actuarial loss	-	-	-	(4,868)	(4,868)
Deferred tax on actuarial loss	-	-	-	1,120	1,120
Bonus share issue	1,760	-	-	(1,760)	-
Repurchase of ordinary shares	(240)	240	-	(2,989)	(2,989)
Dividend declared and paid	-	-	-	(294)	(294)
At 31 December 2012	1,962	570	157	20,540	23,229
At 1 January 2013	1,962	570	157	20,540	23,229
Profit for the year	-	-	-	3,788	3,788
Transfer from revaluation reserve	-	-	(2)	2	-
Actuarial loss	-	-	-	(829)	(829)
Deferred tax on actuarial loss	-	-	-	36	36
Repurchase of ordinary shares	(240)	240	-	(2,989)	(2,989)
Dividend declared and paid	-	-	-	(2,045)	(2,045)
At 31 December 2013	**1,722**	**810**	**155**	**18,503**	**21,190**

Cumulative goodwill written off to reserves is £2,219,000 *(2012: £2,219,000)*.

During the year 240,000 ordinary shares were repurchased by the company for a consideration of £2,988,960.

Notes *(continued)*

20 Other financial commitments

At 31 December 2013, the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Expiry date:				
Within one year	**208**	422	**127**	188
Between two and five years	**97**	195	**618**	680
Over five years	**345**		**2**	
	650	617	**747**	868

At 31 December 2013, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Expiry date:				
Within one year	-	-	**41**	81
Between two and five years	-	-	**378**	346
	-	-	**419**	427

21 Dividends and other appropriations

	2013	2012
	£000	£000
Declared and paid during the year:		
Equity dividends	**2,045**	294
Proposed for approval by shareholders at the AGM:		
Final dividend for 2013 – 66.02 pence per ordinary share *(2012: 84.93p)*	**1,136**	1,461
Final dividend for 2013 –153.32 pence per 'A' class ordinary share *(2012: 246.54p)*	**363**	584

The final dividend per ordinary share is based on the shareholding as at 21 May 2014..

22 Post Balance Sheet Event

On 14 April 2014 the Company purchased a further 105,000 of its own shares, which represented 6.1% of the called up share capital. The nominal value of each share was £1 and the total consideration paid was £1,307,670. The shares were subsequently cancelled.

23 Exceptional item

The exception item in 2012 of £2,100,000 represents an insurance settlement for equipment held at a third party's premises that was destroyed in a fire.