

Graham & Brown Holdings Limited

Annual report and consolidated
financial statements
For the year ended 31 December 2022

Registered number 13148034



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Company information

Directors

J Carter
A H Graham
K S Graham
R H Graham

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Strategic report

The directors present their annual report and financial statements for the year ended 31 December 2022.

Results

Group loss before finance charges and tax amounted to (£0.3m) (2021: profit £5.5m). Group loss after tax amounted to (£0.4m) (2021: profit £3.9m).

Principal activity and review of the business

The principal activity of the Company is that of a holding company. The group's principal activities are the manufacturing, sourcing, marketing and distribution of design-led wall decoration products to consumers in the UK and overseas.

Its' range of products includes wallpaper, wall art, children's décor, home accessories, paints and soft furnishings which are developed under a portfolio of brands, including the group's own Graham & Brown, Super Fresco, Super Fresco Easy, Boutique, Fresco and Contour brands, and several Retailer own brand programmes.

Its products are sold in over 75 countries worldwide through major DIY and Home retailers in UK, Europe, North America, Australia and New Zealand, as well as a network of key distributors across other overseas markets, supported by sales offices in the UK, North America and Europe.

The group operates as a strategic partner to its retail and distribution customer base, delivering full category management support including data analysis, range development, instore environment consultancy, e-commerce development and instore merchandising support.

The group is developing a growing e-commerce distribution channel globally, via its own websites and partner retail websites, to further expand its distribution.

Key performance indicators during the year were:

	2022	2021
	£m	£m
• Group turnover	59.9	74.3
• Cash generated from operating activities	(0.2)	(0.2)
• (Loss) / profit before finance charges and taxation	(£0.3)	5.5

After a strong 2020 and first half of 2021 during the pandemic the easing of social lockdown measures and the re-opening of the wider economy, together with changes in consumer spending patterns reduced demand for home decoration products. This trend continued into 2022 and as a result the market remained volatile and the adverse impact on demand continued throughout the year.

Raw material price inflation also continued and end of year costs reached an all-time high alongside extreme energy prices. The exceptionally high energy prices coupled with the outbreak of war in Ukraine, began impacting the wider economy, reducing disposable income and negatively affecting consumer confidence. These external factors adversely impacted revenue and gross profit and caused significant uncertainty.

In e-commerce, significant investment in its business-to-consumer and business-to-business platforms continued to drive strong growth, with online sales growing significantly over the period. This channel has been valuable and continued to perform well during 2022.

The directors do not expect these conditions to reverse quickly and although we are hopeful that raw material costs are beginning to plateau, we certainly haven't yet observed any reductions of significance.

Strategic report (Continued)

The directors are pleased with the results for the period despite the difficult conditions. Turnover decreased by £14.4m (19.4%) in year but importantly new products introduced are performing well.

The market remained volatile throughout 2022 and the adverse impact on demand continued throughout the year. Raw material price inflation also continued and end of year costs reached an all-time high alongside extreme energy prices. The exceptionally high energy prices coupled with the outbreak of war in Ukraine, began impacting the wider economy, reducing disposable income and negatively affecting consumer confidence. These external factors adversely impacted revenue and gross profit and caused significant uncertainty.

The directors do not expect these conditions to reverse quickly and although we are hopeful that raw material costs are beginning to plateau, we certainly haven't yet observed any reductions of significance.

The directors are pleased with the results for the period despite the difficult conditions. Turnover decreased by £14.4m (19.4%) in year but importantly new products introduced are performing well.

The operating loss of (£0.3m) (2021: £5.5m profit) achieved in the year was positive and includes £0.5m exceptional costs relating to restructuring. This restructuring programme reduced headcount by 31.

Despite the slowdown in demand, the directors have focussed to actively reduce stock levels and at the end of 2022, inventory levels have reduced substantially by £2.0m (2021: increase £3.7m) and this also supported the group cash position.

Following the shareholder transaction on 2 March 2021 the overall group net assets excluding pension reduced and is reported at the end of 2022 as £16.2m (2021: £17.2m). The resultant balance sheet is strong and more than sufficient to support future plans and any potential sustained downturn as a consequence of economic uncertainty. The group continued to operate well within banking facilities throughout 2022 and into 2023. During 2022 the group repaid its bank loan which was replaced by a revolving credit facility of £15m expiring 31 May 2026.

The group would particularly like to recognise the commitment of its people in helping it get through a challenging year in an unpredictable and ever-changing environment.

Alongside the activities in year, the group has continued to implement its long-term growth strategy, which is based on its commitment to excellent design, product quality and service to our retail partners, and the development and investment in our brands and e-commerce capability.

Future prospects

The Board expects trading conditions in its larger markets to remain challenging during 2023 and anticipates a potential downturn in demand as large retailers continue to revise their store locations and footprint. We believe that the company will strengthen its supply position in key markets as the extreme volatility will streamline competitors and the profile of the supplier base will continue to be rationalised and consolidated.

Also, the group's successful consolidation of the overseas subsidiaries, the expertise of its local teams and the strength of its brands gives the Board confidence in its international development strategy.

Indications from the e-commerce platform are also encouraging and further investment and focus will be committed to these channels to capitalise on the accelerated progress in 2022. An increasing number of customers are requesting support and expertise to further enhance their online offerings.

Strategic report (Continued)

The group has developed the Graham & Brown brand significantly over the period as a premium wallpaper and paint proposition. We launched our soft furnishings offer in January 2022 with bedding soon afterwards and initial indications are very promising. We will continue to broaden our product offer and distribution with targeted online and offline retail partners in the coming year.

In September 2022 the Group disposed of its shares in Category Merchandising Ltd for £10,000.

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

The group's larger customers regularly review their contracts and renewal of them is based upon ongoing service levels, design and product excellence, price competitiveness and customer satisfaction.

Group raw materials are supplied by large multi-national companies holding significant pricing power who are affected by movements in key raw material commodities traded globally. The group is aware of rising commodity and energy prices at this time and the likelihood that this will continue as the global economy recovers from the Covid 19 pandemic and the impact of the Russia and Ukraine conflict takes effect.

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. In June 2022, the group renegotiated and agreed new borrowing facilities of £15m with National Westminster Bank plc - see Note 16.

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 14 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 subject 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.

Political / economic risks

Following the decision to leave the EU there has been exchange rate volatility, further economic uncertainty and an adverse impact on consumer confidence in the UK market. The group believes this will continue and have considered the impact of the EU exit throughout the business. The group have focused on measures to control supply chains and in addition have envisaged different scenarios and solutions. The group is confident that they have the financial support to manage the business through any worsening of the current economic climate. The group has limited exposure to the Russia and Ukraine region.

Strategic report (Continued)

Going concern

These financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and multiple scenarios, the group and the company will have sufficient funds to meet its liabilities as they fall due for that period. Particular attention has been paid to potential volatility because of the reduction in demand as a result of the impact of the Russia Ukraine conflict. After the application of demand sensitivities and increased raw material prices due to pulp, chemical and energy indices rising, the forecasted bank facility headroom remains more than adequate.

Consequently, the directors are confident that the group and the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Charitable contributions

As part of the group's wider commitment to the communities in which it operates, contributions made by the group during the year for charitable purposes were £36,000 (2021: £51,000). The group are particularly pleased to support a diverse group of charities including Blackburn Youth Zone.

Disabled persons

The group considers applications for employment from disabled persons where the candidate's 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 colleagues 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.

Directors approach to Section 172(1) and decision-making

The directors perform their duties with a strong regard for matters set out in section 172(1) Companies Act 2006 and decisions are taken for the benefit of the company's members as a whole. In doing so the Directors consider (amongst other matters):

- a. the likely consequences of any decision in the long term;
- b. the interests of the company's employees;
- c. the need to foster the company's business relationships with suppliers, customers and others;
- d. the impact of the company's operations on the community and the environment;
- e. the desirability of the company in maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly between members of the company.

Strategic report (Continued)

Directors approach to Section 172(1) and decision-making (Continued)

To demonstrate the consideration of key stakeholders and details considered in key decision making the actions taken by the directors during the restructuring programme is highlighted.

The restructuring and subsequent headcount reduction had the potential to distract both individuals impacted and the wider business. Any disruption to the group's supply chain had the potential to adversely impact customers service levels and supplier relationships.

Shareholders were regularly informed of the status of the project and the financial impact of the events.

Employees were also communicated with appropriate frequency at work to ensure adequate contact was maintained and appropriate support given.

Sustainability

The group has always been at the forefront of sustainability within the industry, having pioneered water-based inks 20 years ago, and led the introduction of FSC and PEFC certification of paper in its supply chain, ensuring paper comes from a well-managed source. In light of the heightened consumer interest in sustainability and government targets to get to net zero carbon footprint by 2050, the group formed an employee led sustainability stakeholder group in February 2020. This group will ensure that group strategy to remain at the forefront of sustainability and to reach our goal of net zero carbon is met as soon as possible. We are delighted to announce that from April 2022, we have agreed contracts to buy electricity from renewal sources which will reduce our carbon footprint by 30%. We see this as a good start but we are committed to doing more.

The group ESG document can be found on our website www.grahambrown.com

Greenhouse gas emission data for the year is set out for scope 1 and 2 below:

	2022	2022	2021	2021
	kWh	tCO2	kWh	tCO2
Emissions from electricity purchased	6,433,693	1,244	8,808,182	1,870
Emissions from gas purchased	18,351,729	3,350	28,393,844	5,201
Emissions from combustion of fuels	10,013	2	17,187	5
Emissions from company managed transport	93,352	19	83,550	17
Total	24,888,787	4,615	37,302,763	7,093
Intensity per £'000 revenue	514.41	0.08	502.31	0.09

Strategic report (Continued)

Sustainability (Continued)

Intensity Measurement

The methodologies used to measure and collect data includes utility data sourced from suppliers through HH data or NHH consumption reports, other fuels obtained from supplier deliveries and invoices and company managed transport from fuel card providers and authorised travel and expense reports.

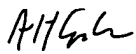
The carbon conversion was performed utilising government conversion factors found here: <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

Identified Opportunities

Audits have been conducted in accordance with BS EN 16247-1-2012 and potential energy efficiency opportunities have been identified. The opportunities with significant impact will be initially focussed upon and includes procuring renewable energy contracts, solar and CHP energy generation opportunities and installing sub metering on high energy consuming assets.

The directors believe the group has a reputation for high standards and both business and community participation is evidenced through contributions to charity and other corporate social responsibility initiatives.

By order of the Board



Andrew H Graham
Director

14 August 2023

Directors' report

The directors present their report and financial statements for the year ended 31 December 2022.

Results and dividends

The directors paid a final Ordinary dividend of 12.51p per share in respect of year ended 31 December 2021 in June 2022. The directors do not recommend the payment of a final Ordinary dividend in respect of year ended 31 December 2022.

Directors

The directors who held office in the Company during the year or subsequently were as follows:

J Carter
A H Graham
K S Graham
R H Graham

Information included in the Strategic report

The company has chosen, in accordance with s414C(11) of the Companies Act 2006, to set out in the company's strategic report information in respect of risk management and employee involvement which would otherwise be required by schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' to be contained in the directors' report. It has done this for information relating to employee involvement, the employment of disabled persons and likely future developments in the business

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

RSM UK Audit LLP offer themselves for re-appointment as auditors in accordance with section 485 of the Companies Act 2006.

By order of the Board



Andrew H Graham
Director

14 August 2023

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 Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAHAM & BROWN HOLDINGS LIMITED

Opinion

We have audited the financial statements of Graham & Brown Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the group profit and loss account and other comprehensive income, the group and company balance sheets, the group statement of changes in equity, the company statement of changes in equity, the group cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAHAM & BROWN HOLDINGS LIMITED (CONTINUED)

or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAHAM & BROWN HOLDINGS LIMITED (CONTINUED)

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to environmental permits and in relation to health and safety. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence with regulatory authorities

The group audit engagement team identified the risk of management override of controls and revenue recognition as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. In addition the audit team performed tests

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAHAM & BROWN HOLDINGS LIMITED (CONTINUED)

of controls, substantive analytical procedures and substantive tests of details in respect of revenue recognition.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

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.

Michael Oates

Michael Oates CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
PR2 5PE

14/08/23

Group Profit and Loss Account

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Turnover	3	59,914	74,263
Cost of sales		(31,912)	(39,256)
Gross profit		28,002	35,007
Distribution costs		(7,663)	(8,339)
Administrative expenses		(20,018)	(21,294)
Other operating income	7	-	66
Profit on disposal of assets		-	11
Exceptional items	8	(665)	-
Operating (Loss) / Profit		(344)	5,451
Bank interest receivable and similar income		1	1
Interest payable and similar charges	9	(220)	(120)
(Loss) / Profit on ordinary activities before taxation		(563)	5,332
Taxation	10	176	(1,437)
(Loss) / Profit after taxation for the financial year		(387)	3,895

Other Comprehensive Income

for the year ended 31 December 2022

	2022 £000	2021 £000
(Loss) / Profit for the financial year	(387)	3,895
Other comprehensive income		
Foreign exchange differences on translation of foreign operations	408	(333)
Re-measurement of the net defined benefit liability (Note 21)	(2,105)	3,252
Deferred tax on the net defined benefit liability	-	(73)
Decrease / (Increase) in pension surplus not recognised	1,712	(3,570)
Other comprehensive income for the year, net of income tax	15	(724)
Total comprehensive (expense) / income for the year	(372)	3,171

All operations are continuing.

The notes on pages 20 to 39 form part of these financial statements.

Group and Company Balance Sheets at 31 December 2022


	Notes	Group		Company	
		2022 £000	2021 £000	2022 £000	2021 £000
Fixed assets					
Intangible assets	11	-	91	-	-
Tangible assets	12	14,450	13,705	-	-
Investments	13	-	-	6,884	6,884
		<u>14,450</u>	<u>13,796</u>	<u>6,884</u>	<u>6,884</u>
Current assets					
Stocks	14	13,465	15,528	-	-
Debtors	15	12,537	13,817	6,468	7,546
Cash at bank and in hand	16	4,739	4,927	10	10
		<u>30,741</u>	<u>34,272</u>	<u>6,478</u>	<u>7,556</u>
Current liabilities					
Creditors: amounts falling due within one year	17	(22,347)	(22,538)	(1,087)	(1,086)
Net current assets		<u>8,394</u>	<u>11,734</u>	<u>5,391</u>	<u>6,470</u>
Total assets less current liabilities		<u>22,844</u>	<u>25,530</u>	<u>12,275</u>	<u>13,354</u>
Creditors: amounts falling due after more than one year	18/20	(5,637)	(6,866)	(5,390)	(6,468)
Provisions for liabilities					
Deferred tax liability	19	(969)	(1,450)	-	-
Net assets excluding pension asset		<u>16,238</u>	<u>17,214</u>	<u>6,885</u>	<u>6,886</u>
Pension asset	21	1,215	1,215	-	-
Net assets including pension asset		<u>17,453</u>	<u>18,429</u>	<u>6,885</u>	<u>6,886</u>

Group and Company Balance Sheets
at 31 December 2022 (continued)

		Group		Company	
	<i>Notes</i>	2022	2021	2022	2021
		£000	£000	£000	£000
Capital and Reserves					
Called up share capital	22	6,884	6,884	6,884	6,884
Capital redemption reserve	23	-	-	-	-
Merger reserve	23	(4,215)	(4,213)	-	-
Revaluation reserve	23	-	-	-	-
Profit and loss account	23	14,784	15,758	1	2
Shareholders' funds		17,453	18,429	6,885	6,886

The Company's profit for the year was £546,000 (2021: £593,000)

These financial statements were approved and authorised for issue by the Board of Directors on 14 August 2023 and were signed on its behalf by:



Andrew H Graham
Director

The notes on pages 20 to 39 form part of these financial statements. Registered number: 13148034

Group Statement of Changes in Equity

	Called up share capital £000	Merger reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	6,884	(4,213)	25,835	28,506
Total comprehensive income for the period				
Profit or loss	-	-	3,895	3,895
Other comprehensive income	-	-	(724)	(724)
Total comprehensive income for the period	-	-	3,171	3,171
Transactions with owners in their capacity as owners				
Own shares acquired	-	-	(12,576)	(12,576)
Dividends	-	-	(672)	(672)
Other	-	-	-	-
Total contributions by and distributions to owners	-	-	(13,248)	(13,248)
Balance at 31 December 2021	6,884	(4,213)	15,758	18,429

	Called up share capital £000	Merger reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022	6,884	(4,213)	15,758	18,429
Total comprehensive income for the period				
Profit or loss	-	-	(387)	(387)
Other comprehensive income	-	-	15	15
Total comprehensive income for the period	-	-	(372)	(372)
Transactions with owners in their capacity as owners				
Own shares acquired (Note 22)	-	-	-	-
Dividends	-	-	(614)	(614)
Other	-	(2)	12	10
Total contributions by and distributions to owners	-	(2)	(602)	(604)
Balance at 31 December 2022	6,884	(4,215)	14,784	17,453

The notes on pages 20 to 39 form part of these financial statements

Company Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 01 January 2021	-	-	-
Total comprehensive income for the period			
Profit or loss	-	593	593
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	593	593
	<hr/>	<hr/>	<hr/>
Transactions with owners in their capacity as owners			
Shares issued	6,884	-	6,884
Dividends	-	(591)	(591)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	6,884	(591)	6,293
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	6,884	2	6,886

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022	6,884	2	6,886
Total comprehensive income for the period			
Profit or loss	-	546	546
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	546	546
	<hr/>	<hr/>	<hr/>
Transactions with owners in their capacity as owners			
Dividends	-	(547)	(547)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(547)	(547)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	6,884	1	6,885

The notes on pages 20 to 39 form part of these financial statements

Group Cash Flow Statement
for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Cash flows from operating activities			
(Loss) / Profit for the year		(387)	3,895
Adjustments for:			
Depreciation, amortisation and impairment		2,216	2,958
Interest receivable and similar income		(1)	(1)
Interest payable and similar charges	9	220	120
(Profit) on sale of tangible fixed assets		-	(11)
Taxation		(176)	1,437
		<u>1,872</u>	<u>8,398</u>
Decrease in trade and other debtors	15	1,652	2,869
Decrease / (increase) in stocks	14	2,063	(3,698)
(Decrease) in trade and other creditors	17	(4,770)	(5,133)
(Decrease) in provisions and employee benefits	21	(290)	(300)
Tax paid		<u>(677)</u>	<u>(2,314)</u>
Net cash (outflow) / inflow from operating activities		<u>(150)</u>	<u>(178)</u>
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	12	45	25
Interest received		1	1
Acquisition of tangible fixed assets	12	(2,879)	(2,692)
Acquisition of other intangible assets	11	-	-
		<u>(2,833)</u>	<u>(2,666)</u>
Net cash (outflow) from investing activities		<u>(2,833)</u>	<u>(2,666)</u>
Cash flows from financing activities			
Repurchase of own shares	22	(150)	(5,630)
Interest paid	9	(313)	(138)
Repayment of borrowings		(2,800)	(400)
Dividends paid	25	<u>(614)</u>	<u>(672)</u>
Net cash (outflow) from financing activities		<u>(3,877)</u>	<u>(6,840)</u>
Net (decrease) / increase in cash and cash equivalents		(6,860)	(9,684)
Cash and cash equivalents at 1 January 2022		2,427	12,394
Foreign exchange gains and losses on cash and cash equivalents		<u>372</u>	<u>(283)</u>
Cash and cash equivalents at 31 December 2022	16	<u>(4,061)</u>	<u>2,427</u>

Analysis of changes in net debt

	At 1 Jan 2022 £000	Cash Flows £000	Non-Cash Movements £000	At 31 Dec 2022 £000
Cash and cash equivalents				
Cash	4,927	(188)	-	4,739
Overdrafts / RCF borrowings	<u>(2,500)</u>	<u>(6,300)</u>	-	<u>(8,800)</u>
	2,427	(6,488)	-	(4,061)
Borrowings				
Debt due within one year	(2,800)	2,800	-	-
Debt due after more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net debt	<u>(373)</u>	<u>(3,688)</u>	<u>-</u>	<u>(4,061)</u>

Notes

(forming part of the financial statements)

1 Accounting policies

Graham & Brown Holdings Ltd (the "Company") is a private company limited by shares and incorporated, domiciled and registered in England in the UK.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included;
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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 consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. In the separate accounts of the Company, interests in subsidiaries are initially measured at transaction price. In the case of a share for share exchange, the value of the shares issued is used as the transaction price. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Turnover

Turnover represents amounts invoiced by the group in respect of goods or services supplied during the year excluding sales taxes and rebates. Title of goods passes on delivery with exception of specific customers where the company holds retention of title.

Goodwill

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 which ranges between 3 and 20 years with all remaining and recently acquired goodwill being 3 years.

Intangible assets

Intangible fixed assets purchased separately from a business are capitalised at their cost. 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. Investments in contracts are amortised to nil by equal annual instalments over their useful economic lives of 5 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.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Lease payments are accounted for as described below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|--|----------------|
| • Freehold buildings | 20 - 100 years |
| • Buildings – long leasehold | 100 years |
| • Plant and machinery, fixtures and fittings | 3 - 10 years |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

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

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Notes (continued)

1 Accounting policies (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Foreign currency translation

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Pensions

The group operates a 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 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 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 other comprehensive income along with differences which are from experience gains and losses and changes of assumptions.

Further information is set out in note 21 to the financial statements.

Government grants

Government grants are accounted for using the accrual model. Grants relating to assets are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate. Grants relating to revenue are recognised in income in periods in which the related costs are incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern

These financial statements have been prepared on a going concern basis which the directors consider to be appropriate. The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and multiple scenarios, the group and the company will have sufficient funds to meet its liabilities as they fall due for that period. Particular attention has been paid to potential volatility because of the reduction in demand as a result of the impact of the Russia Ukraine conflict. After the application of demand sensitivities and increased raw material prices due to pulp, chemical and energy indices rising, the forecasted bank facility headroom remains more than adequate.

Consequently, the directors are confident that the group and the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern 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.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Impairment excluding stock and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates

Notes (continued)

1 Accounting policies (continued)

that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand, and the utilised part of the revolving credit facility both form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the company.

2 Estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Stock provision – an assessment of the appropriateness of finished goods stock valuation is made on a sku by sku basis by comparing the realisable value of obsolete product at clearances prices. The lower of cost and net realisable value is adopted through use of the provision.

Impairment of group balances and investments – an appraisal of group subsidiaries financial performance and future expectation is completed to evaluate any necessary impairment activity (note 13).

Pension - The present value of the defined benefit pension asset or liability depends on factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost are disclosed in note 21, which will impact the carrying amount of the asset or liability. Any differences between the figures derived from the roll forward approach, projecting results from the latest full actuarial valuation performed at 31 May 2021, and a full actuarial valuation would impact on the carrying amount of the pension asset.

The actuarial valuation at 31 December 2022 indicated a defined benefit asset of £3,073,000. However the directors have not recognised the full value of the pension surplus due to the volatility and unpredictability of asset performance. The directors have recognised an asset as, having considered scheme documentation, they consider the company to have a right to benefit from the present value through refunds or reductions in future contributions to the plan.

Merger accounting – the directors have adopted merger accounting based on a substance over form approach and have treated the share restructure as two separate transactions i.e. the repurchase of shares from the exiting shareholders and a share for share exchange.

Recognition of associate – having considered the requirements of FRS102 and accompanying guidance, the 20% investment in Graham & Brown Shanghai Trading is not considered to meet the definition of an associate and has not been accounted for as such in the financial statements.

Notes (continued)

3 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	
	2022	2021	2022	2021	2022	2021
	£000	£000	£000	£000	£000	£000
Sale of goods and merchandising activities	<u>30,002</u>	<u>37,805</u>	<u>29,912</u>	<u>36,458</u>	<u>59,914</u>	<u>74,263</u>

4 Auditor's remuneration

Included in profit/loss are the following:

	2022	2021
	£000	£000
Auditor's remuneration	<u>129</u>	<u>94</u>

The remuneration of the auditor is analysed further as follows:

	2022	2021
	£000	£000
Audit of the financial statements	63	41
Other fees to auditors:		
Local statutory audits for subsidiaries	33	32
Taxation services	21	20
Other services	<u>12</u>	<u>1</u>
	<u>129</u>	<u>94</u>

5 Directors' emoluments

	2022	2021
	£000	£000
Emoluments for qualifying services	<u>335</u>	<u>409</u>
Company pension contributions to money purchase schemes	<u>-</u>	<u>149</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to one (2021: one). The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to none (2021: none).

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

	2022	2021
	£000	£000
Emoluments for qualifying services	<u>311</u>	<u>377</u>
Company pension contributions to money purchase schemes	<u>-</u>	<u>-</u>

Notes (continued)

6 Staff costs

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Wages and salaries	13,569	10	14,831	7
Social security costs	1,581	-	1,785	-
Other pension costs	759	-	904	149
	<u>15,909</u>	<u>10</u>	<u>17,520</u>	<u>156</u>

The above amounts do not include redundancy payments made as part of the restructuring, these are included in Note 8

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

	Group 2022	Company 2022	Group 2021	Company 2021
Office, management and selling	210	4	222	4
Manufacturing and warehousing	208	-	249	-
	<u>418</u>	<u>4</u>	<u>471</u>	<u>4</u>

7 Other operating income

	2022 £000	2021 £000
Government grants	<u>-</u>	<u>66</u>

Government grants in the previous year included amounts received from one of the UK Government Covid 19 support schemes, the Coronavirus Job Retention Scheme (CJRS). They also included an amount received from the French equivalent of the CJRS

8 Exceptional Items

	2022 £000	2021 £000
Restructuring costs	<u>665</u>	<u>-</u>

Restructuring costs were incurred during the year as a result of the reduction of the number of employees across the group. These activities were completed in the year.

9 Interest payable and similar charges

	2022 £000	2021 £000
On bank loans, overdrafts and other bank borrowings	313	138
Finance cost/(income) on defined benefit pension scheme	<u>(93)</u>	<u>(18)</u>
	<u>220</u>	<u>120</u>

Notes (continued)

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2022		2021	
	£000	£000	£000	£000
<i>Current tax</i>				
UK Current tax on income for the period	384		930	
Adjustments in respect of prior periods	(145)		12	
Double taxation relief	(384)		(448)	
Foreign taxation	449		475	
Total current tax		304		969
<i>Deferred tax (see note 19)</i>				
Origination and reversal of timing differences	(360)		225	
Adjustment in respect of prior periods	(6)		-	
Change in tax rate	(114)		316	
Total deferred tax		(480)		541
Total tax		(176)		1,510

	2022			2021		
	£000	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	304	(480)	(176)	969	468	1,437
Recognised in other comprehensive income	-	-	-	-	73	73
Total tax	304	(480)	(176)	969	541	1,510

Notes (continued)

10 Taxation (continued)

Reconciliation of effective tax rate

	2022 £000	2021 £000
(Loss) / Profit for the year	(387)	3,895
Total tax expense	<u>(176)</u>	<u>1,437</u>
(Loss) / Profit excluding taxation	(563)	5,332
Tax using the UK corporation tax rate of 19% (2021: 19%)	(107)	1,013
Defined benefit scheme timing differences		-
Effect of deferred tax rate change	(114)	246
Difference between capital allowances and depreciation	(78)	82
Non-deductible expenses	7	2
Tax exempt revenues	-	6
Other timing differences	51	49
Overseas tax unrelieved	65	27
Under provided in prior years	-	12
Total tax expense included in profit or loss	<u>(176)</u>	<u>1,437</u>

Factors that may affect future current and total tax charges

The deferred tax liability at 31 December 2022 has been calculated at the substantively enacted rate of 25%. The corporation tax rate will increase to 25% from 1st April 2023 and this is now considered to be substantively enacted.

Notes (continued)

11 Intangible fixed assets

Group	Patents £000	Goodwill £000	Start up costs £000	Brand/ licence £000	Investment in contracts £000	Total £000
Cost						
At 1 January 2022	143	2,630	19	360	535	3,687
Exchange differences	-	-	-	-	-	-
Additions	-	-	-	-	-	-
At 31 December 2022	143	2,630	19	360	535	3,687
Amortisation						
At 1 January 2022	143	2,539	19	360	535	3,596
Exchange differences	-	-	-	-	-	-
Charge for the year	-	91	-	-	-	91
Disposals	-	-	-	-	-	-
At 31 December 2022	143	2,630	19	360	535	3,687
Net book value						
At 31 December 2022	-	-	-	-	-	-
At 1 January 2022	-	91	-	-	-	91

The historic goodwill balance includes the acquisition of certain trade and assets of Multicomm NV in 2010 and the acquisition of certain business and assets of Fine Décor Wallcoverings Limited in 2019, largely the benefit of non-contractual customer relationships.

Notes (continued)

12 Tangible fixed assets Group

	Land and Buildings freehold £000	Land and buildings long leasehold £000	Plant and machinery, fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2022	9,215	4,642	45,603	773	60,233
Exchange differences	-	3	153	-	156
Additions	90	255	2,094	440	2,879
Disposals	-	-	(621)	-	(621)
Reclassification		524	249	(773)	-
At 31 December 2022	9,305	5,424	47,478	440	62,647
Depreciation					
At 1 January 2022	4,534	942	41,052	-	46,528
Exchange differences	-	1	119	-	120
On disposals	-	-	(576)	-	(576)
Charge for the year	157	146	1,822	-	2,125
At 31 December 2022	4,691	1,089	42,417	-	48,197
Net book value					
At 31 December 2022	4,614	4,335	5,061	440	14,450
At 1 January 2022	4,681	3,700	4,551	773	13,705

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

Notes (continued)

13 Fixed asset investments Company

	Shares in group undertakings £000	Total £000
Cost or valuation:		
At 1 January 2022	6,884	6,884
Additions	-	-
Revaluation	-	-
Exchange differences	-	-
At 31 December 2022	6,884	6,884
Provisions for diminution in value:		
At 1 January 2022	-	-
Reversal of impairment loss	-	-
Impairment losses	-	-
At 31 December 2022	-	6,884
Net book value:		
At 31 December 2022	6,884	6,884
At 1 January 2022	6,884	6,884

On 2 March 2021 the Company acquired 100% of the share capital of Graham & Brown Ltd via a share for share exchange.

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

<i>Subsidiary:</i>	<i>Address of Registered Office:</i>	<i>Class of shares held</i>	<i>% of shares held direct</i>	<i>% of shares held indirect</i>
Graham & Brown Ltd	PO Box 39, Harwood St, Blackburn, UK	Ordinary	100	
Graham & Brown Inc	50 Millstone Road, Building 300, Suite 115 East Windsor, NJ, United States	Ordinary		100
Graham & Brown BV	Agriport 99, 1775 Middenmeer, Netherlands	Ordinary		100
Graham & Brown SARL	Port Fluvial, 1ere avenue, Santes, France	Ordinary		100
Graham & Brown Wallcoverings	226 Sth Service Rd East, Oakville, Canada	Ordinary		100
GB Technical Coatings Ltd	PO Box 39, Harwood St, Blackburn, UK	Ordinary		100
Graham & Brown Deutschland	Friedrichsgaber Weg 370, 22846 Norderstedt, DE	Ordinary		100
Graham & Brown Shanghai Trading	Rm 2005, World Trade Tower, 500 Guandong Road, Shanghai, China	Ordinary		20

The principal activity of all the subsidiary undertakings except GB Technical Coatings Limited is the marketing and distribution of wallpaper and wall decoration products.

The principal activity of GB Technical Coatings Limited is the manufacture of PVC plastisol and coating of vinyl base.

During the year the Graham & Brown Ltd Group disposed of its shares in Category Merchandising Ltd.

Notes (continued)

14 Stocks

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Raw materials and consumables	2,431	2,618	-	-
Finished goods and goods for sale	11,034	12,910	-	-
	<u>13,465</u>	<u>15,528</u>	<u>-</u>	<u>-</u>

15 Debtors

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade debtors	10,462	12,323	-	-
Amounts owed by group undertakings	-	-	6,468	7,546
Corporation Tax	698	326	-	-
Prepayments and accrued income	1,377	1,168	-	-
	<u>12,537</u>	<u>13,817</u>	<u>6,468</u>	<u>7,546</u>

16 Cash and cash equivalents/bank overdrafts

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Cash at bank and in hand	4,739	4,927	10	10
Bank borrowing RCF (included within note 17)	-	(2,500)	-	-
Cash and cash equivalents per cash flow statements	<u>4,739</u>	<u>2,427</u>	<u>10</u>	<u>10</u>

Notes (continued)

17 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2021	2020
	£000	£000	£000	£000
Bank loans and RCF borrowings (note 16)	8,800	5,300	-	-
Trade creditors	9,107	11,063	-	-
Amounts owed to group undertakings	-	-	9	8
Corporation tax	-	-	-	-
Taxes and social security costs	584	799	-	-
Accruals and other creditors	3,856	5,376	1,078	1,078
	22,347	22,538	1,087	1,086

At the year end the company had in place a revolving credit facility (RCF) of £15,000,000 which expires on 31 May 2026. Interest is charged at 1.8% per annum over the Sterling Relevant Reference Rate and is secured by a charge over the assets of the company. As at 31 December 2022 £8,800,000 of the amount was utilised (2021: £2,500,000).

Graham & Brown BV has in place a debt factoring facility of €4,000,000 and an overdraft facility of €1,000,000 both repayable on demand. Interest is charged respectively at 2.2% and 2.35% above EURIBOR and are secured by a charge over the assets of the company. As at 31 December 2022 none of the amount was utilised (2021: none).

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Bank loan	-	-	-	-
<i>Analysis of loans:</i>				
Bank loan	-	2,800	-	-
Included in current liabilities (note 17)	-	(2,800)	-	-
	-	-	-	-
<i>Loan maturity analysis:</i>				
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-

This loan was repaid in June 2022 and replaced by a new revolving credit facility

Notes (continued)

19 Deferred tax assets and liabilities

Deferred tax is provided at 25 % (2021: 25%) and is analysed as follows:

Group	Assets		Liabilities		Net	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Accelerated capital allowances	-	-	(1,381)	(1,030)	(1,381)	(1,030)
Other timing differences	-	41	(47)	-	(47)	41
Others	1,013	93	(250)	(250)	763	(157)
Defined benefit pension	-	-	(304)	(304)	(304)	(304)
	<u>1,013</u>	<u>134</u>	<u>(1,982)</u>	<u>(1,584)</u>	<u>(969)</u>	<u>(1,450)</u>

20 Creditors falling due more than one year

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Bank loans and RCF borrowings (notes 16 & 17)	-	-	-	-
Commitment for share repurchase	5,540	6,768	5,390	6,468
Amounts owed to group undertakings	-	-	-	-
Deferred income – government grants	97	98	-	-
	<u>5,637</u>	<u>6,866</u>	<u>5,390</u>	<u>6,468</u>

Commitment for share repurchase represents the remaining deferred consideration for the share buy backs, of which £150,000 is payable in 1-2 years and £5,390,000 is payable in 1-6 years.

Included in the above amount for share repurchase is a balance of £2,266,000 which relate to preference shares which grant to the holder a put option in line with a redemption schedule over a period of 6 years on a quarterly basis and as such the instruments have been classified as a liability. The preference shares hold a dividend rate of 0.01p per share payable in March each year.

21 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.

Notes (continued)

21 Pension costs (continued)

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 £561,000 (2021: £735,000). At 31 December 2022 there were no outstanding contributions (2021: £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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The pension costs are based on the most recent actuarial assumptions of the scheme which were complete for the purposes of FRS 102 with an effective date of 31 December 2022. The calculations were carried out by XPS Pensions Group using the projected unit method. The most significant assumptions are given on page 37.

The pension contributions during the year were £300,000 (2021: £300,000).

The above actuarial valuation shows that the market value of the scheme's assets is £26,652,000 (2021: £39,001,000). The scheme was frozen on 31 May 2002 and therefore members no longer make contributions as of this date. On 29 September 2021 the Company agreed with the Trustees of the pension scheme that the Company will make contributions for the next 3 years based on the financial year pre-tax profits of the Company as follows; Pre-tax profit less than £1.5m – no contributions and pre-tax profit greater than £1.5m – 10% of pre-tax profit up to a maximum of £300,000 in any financial year. During the year the group did not make any one off additional voluntary contributions to the scheme (2021: £nil).

The scheme is closed to new entrants.

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 2014, 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 2015. 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

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits for the effect of unequal GMPs accrued between 1990 and 1997. A further judgment in November 2020 concluded that GMP equalisation should also apply to transfers out of schemes. We have continued to work with the trustee of our pension scheme, and our actuarial and legal advisers, to understand the extent to which the judgment crystallises additional liabilities for the pension scheme.

The true impact of GMP equalisation on the scheme will not be known until individual members' benefits have been calculated, which could take over a year. However, we understand that it is necessary under the relevant accounting standard, to make allowance for the estimated impact of GMP equalisation based on both judgments.

The estimated impact of the equalisation of GMP benefits has been recognised in the statement of other comprehensive income. This amounted to an increase in liabilities of £0.8m in respect of current scheme members and £0.3m in respect of transferred out members. Both of these amounts have been included in the pension scheme liability at 31 December 2022.

Current service costs and past service costs are charged to the profit and loss account in arriving at operating profit. Interest income on scheme assets and the interest cost on scheme liabilities are included within finance costs.

A full actuarial valuation was carried out at 31 May 2021 and updated to 31 December 2022 by a qualified independent actuary.

Notes (continued)

21 Pension costs (continued)

Net pension liability

	2022 £000	2021 £000
Defined benefit obligation	(23,759)	(34,216)
Plan assets	26,652	39,001
Surplus in plan	3,073	4,785
Unrecognised surplus	(1,858)	(3,570)
Net pension asset to be recognised	1,215	1,215

Movements in present value of defined benefit obligation

	2022 £000	2021 £000
At 1 January	34,216	38,294
Interest expense	640	527
Liabilities extinguished on settlement	-	-
Remeasurement: actuarial (gains) / losses	(10,244)	(3,363)
(Gain) on Scheme introductions and changes	-	-
Benefits paid	(1,033)	(1,242)
At 31 December	23,579	34,216

Movements in fair value of plan assets

	2022 £000	2021 £000
At 1 January	39,001	39,509
Interest income	733	545
Remeasurement: return on plan assets less interest income	(12,195)	59
Contributions by employer	300	300
Benefits and admin costs paid	(1,187)	(1,412)
At 31 December	26,652	39,001

Expense recognised in the profit and loss account

	2022 £000	2021 £000
Losses on curtailments and settlements	-	-
Net interest on net defined benefit liability	(93)	(18)
Total expense recognised in profit or loss	(93)	(18)

Notes (continued)

21 Pension costs (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2022	2021
	£000	£000
Return Seeking Assets	9,700	17,481
Matching Assets	8,091	9,856
Cash	739	926
Insured Assets	8,122	10,738
Outstanding Policy Premiums	-	-
Total market value of assets	<u>26,652</u>	<u>39,001</u>
Actual return on plan assets	<u>(11,462)</u>	<u>604</u>

The principal assumptions used by the actuary at the year-end are as follows:

	2022	2021
	%	%
Rate of increase in pension payments	3.00	3.00
Rate of increase in pension deferment	2.40	2.35
Discount rate	4.85	1.90
Inflation assumption - RPI	3.20	3.15
-CPI	2.40	2.35
Post retirement mortality:		
Current pensioners at 65 – male	20.1	20.1
Current pensioners at 65 – female	22.7	22.7
Future pensioners at 65 – male	21.0	21.0
Future pensioners at 65 – female	24.0	24.0

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 2042.

22 Issued share capital

	2022		2021	
	No.	£000	No.	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	4,369,680	4,370	4,369,680	4,370
'A' Ordinary shares of £1 each	2,513,840	2,514	2,513,840	2,514
	<u>6,883,520</u>	<u>6,884</u>	<u>6,883,520</u>	<u>6,884</u>

Ordinary share rights

The Company's Ordinary shares which carry rights to dividends after the payment of any preference dividends due, each carry the right to one vote at general meetings of the Company.

'A' Ordinary share rights

The Company's 'A' Ordinary shares carry no rights to fixed income and there is no right to vote at general meetings of the Company.

Notes (continued)

23 Reserves

Capital redemption reserve – the nominal value of own shares that have been acquired by the Company and cancelled

Merger reserve – this reserve relates to the application of merger accounting with regard to the acquisition of Graham & Brown Ltd

Revaluation reserve – arises on the historic revaluation of land and buildings

Profit and loss account – cumulative profit and loss net of distributions to owners

24 Other financial commitments

Group

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2022	2021	2022	2021
	£000	£000	£000	£000
Within one year	488	522	484	529
Between two and five years	318	812	975	850
Over five years	17	-	26	-
	<u>823</u>	<u>1,334</u>	<u>1,485</u>	<u>1,379</u>

Company

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2022	2021	2022	2021
	£000	£000	£000	£000
Within one year	-	-	-	-
Between two and five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

25 Dividends and other appropriations

	2022	2021
	£000	£000
Interim paid in relation to December 2022:		
Group		
Equity dividends	<u>614</u>	<u>672</u>
Company		
Equity dividends	<u>547</u>	<u>591</u>

In respect of the current year, the directors do not recommend the payment of a dividend

Notes *(continued)*

26 Related Parties

AH Graham, who is a Director, is a Trustee of Blackburn Youth Zone. During the year, the group made donations of £26,540 (2021: £25,000)

27 Ultimate Controlling Party

The ultimate controlling party is Andrew Graham