

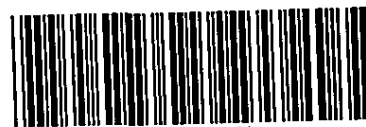
Waxman Ceramics Limited

**Directors' report and financial
statements**

Registered number 2992383

31 May 2010

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 May 2010

Principal activity

The company's principal activity is the merchanting of ceramic tiles

Business review

Financial performance, position and key performance indicators

The loss for the year amounted to £7,253 (2009 loss £187,383)

The directors do not recommend the payment of a dividend

The company has seen a very small decrease in turnover, a key performance indicator, during the year, in what are generally acknowledged to have been continued difficult trading conditions in the ceramic tile industry as a whole

The company's gross profit margin (another key performance indicator) has decreased from 37.4% to 36.15%

The company's financial position at 31 May 2010 is in line with the expectations. The company has a high level of liquidity, which is seen as a key performance indicator in the current uncertain economic conditions

In July and August 2010 the company has restructured its sales team and as a result is actively seeking to increase sales across all of its business sectors, by focusing on identified growth areas and a continual reinvestment in new product ranges. The directors consider that the company is in a robust financial position to meet the current challenges facing the industry

Principal risks and uncertainties

The principal risks and uncertainties facing the company are the quality and range of its products, foreign currency exchange movements, industry wide trading conditions and general consumer confidence

These risks are closely monitored and discussed and management have put in place appropriate controls and procedures where possible

Directors

The directors who held office during the year were as follows

RD Waxman
J Waxman
MJ Pape
DJ Garlick
M Firth (resigned 16 November 2009)

Mr M Firth resigned as a director during the year as he emigrated to Australia

Directors' report *(continued)*

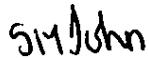
Disclosure of information to auditors

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 auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



SM John
Secretary

Grove Mills
Elland
West Yorkshire
HX5 9DZ

1 November 2010

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Waxman Ceramics Limited

We have audited the financial statements of Waxman Ceramics Limited for the year ended 31 May 2010 set out on pages 6 to 18. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2010 and of its loss 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

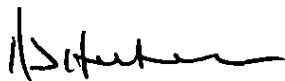
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Waxman Ceramics 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



DJ Hutchinson (Senior Statutory Auditor)

For and on behalf of
KPMG LLP
Statutory Auditor
Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW

1 November 2010

Profit and loss account
for the year ended 31 May 2010

	<i>Note</i>	2010 £	2009 £
Turnover	2	7,993,693	8,000,529
Cost of sales		(5,103,834)	(5,007,926)
		<hr/>	<hr/>
Gross profit		2,889,859	2,992,603
Distribution costs		(519,193)	(561,439)
Administrative expenses		(2,484,917)	(2 669,357)
		<hr/>	<hr/>
Operating loss		(114,251)	(238,193)
Interest receivable	6	-	5,332
Interest payable	7	(21,884)	(63,779)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(136,135)	(296,640)
Tax on loss on ordinary activities	8	128,882	109,257
		<hr/>	<hr/>
Loss for the financial year	15	(7,253)	(187,383)
		<hr/>	<hr/>

The loss on ordinary activities before taxation is the historical cost loss

All the losses derive from the continuing operations of the company

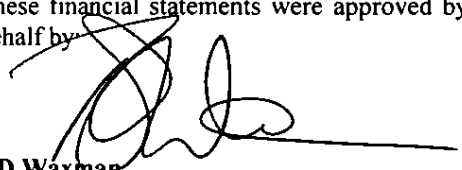
There are no recognised gains or losses other than the loss for the year stated above

Balance sheet

at 31 May 2010

	Note	2010	2009
		£	£
Fixed assets			
Tangible assets	9	349,269	299,673
Current assets			
Stocks	10	2,045,655	2,210,875
Debtors	11	1,657,539	1,331,322
Cash at bank and in hand		559,560	274,029
		<u>4,262,754</u>	<u>3,816,226</u>
Creditors' amounts falling due within one year	12	<u>(1,953,395)</u>	<u>(1,450,018)</u>
Net current assets		<u>2,309,359</u>	<u>2,366,208</u>
Total assets less current liabilities		<u>2,658,628</u>	<u>2,665,881</u>
Creditors' amounts falling due after more than one year	13	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net assets		<u><u>1,658,628</u></u>	<u><u>1,665,881</u></u>
Capital and reserves			
Called up share capital	14	16,250	16,250
Share premium account	15	493,750	493,750
Profit and loss account	15	1,148,628	1,155,881
Shareholders' funds	15	<u><u>1,658,628</u></u>	<u><u>1,665,881</u></u>

These financial statements were approved by the board of directors on 1 November 2010 and were signed on its behalf by


RD Waxman
Director

Cash flow statement
for the year ended 31 May 2010

	<i>Note</i>	2010 £	2009 £
Net cash inflow/(outflow) from operating activities	<i>19</i>	512,682	(294,062)
Returns on investments and servicing of finance	<i>20</i>	(21,884)	(55,581)
Taxation		3,798	(12,100)
Capital expenditure	<i>20</i>	(209,065)	(95,595)
Cash inflow/(outflow) before financing		285,531	(457,338)
Increase/(decrease) in cash in the year		285,531	(457,338)

Reconciliation of net cash flow to movement in net funds

	<i>Note</i>	2010 £	2009 £
Increase/(decrease) in cash in the year		285,531	(457,338)
Change in net funds resulting from cash flows		285,531	(457,338)
Net funds at 31 May 2009	<i>21</i>	274,029	731,367
Net funds at 31 May 2010	<i>21</i>	559,560	274,029

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible and intangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold improvements	-	15% - 20% on cost
Motor vehicles	-	25% on cost
Fixtures and fittings	-	15% and 33% on cost
Plant and machinery	-	25% on cost
Computer equipment	-	25% on cost

Foreign currencies

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 rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pensions and other post-retirement benefits

The company contributes to a defined contribution pension scheme operated by Waxman Holdings Limited, and two defined contribution pension schemes operated by a fellow subsidiary undertaking. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the purchase cost on a first in, first out basis is used.

Leases

Rental charges on operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred, without discounting, because of timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year

2 Analysis of turnover

	2010 £	2009 £
<i>By geographical market</i>		
United Kingdom	7,952,936	7,810,094
Europe	40,757	190,435
	<hr/> 7,993,693	<hr/> 8,000,529

3 Notes to the profit and loss account

	2010 £	2009 £
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation of tangible fixed assets	164,995	158,654
Operating leases – land and buildings	226,342	224,941
Operating leases - other	61,938	112,814
	<hr/> 5,526	<hr/> 4,851
<i>After crediting</i>		
Profit on sale of tangible fixed assets	5,526	4,851

Auditors' remuneration

	2010 £	2009 £
Audit of these financial statements	5,895	4,350
Other services	2,403	2,700

Notes (continued)

4 Remuneration of directors

	2010 £	2009 £
Total remuneration excluding pension contributions	171,225	195,831
Contributions to money purchase pension schemes	2,057	3,337
	<u>173,282</u>	<u>199,168</u>

The emoluments of the highest paid director were as follows

	2010 £	2009 £
Total remuneration excluding pension contributions	58,308	56,903
Contributions to money purchase pension scheme	891	1,331
	<u>59,199</u>	<u>58,234</u>

Retirements benefits are accruing to 4 (2009: 5) directors under money purchase pension schemes

5 Staff numbers and costs

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

	Number of employees 2010	2009
Management and administration	50	57
Warehouse	21	23
	<u>71</u>	<u>80</u>

The aggregate payroll costs (including directors) of these persons were as follows

	2010 £	2009 £
Wages and salaries	1,391,281	1,581,930
Social security costs	137,952	159,131
Other pension costs	29,811	32,965
	<u>1,559,044</u>	<u>1,774,026</u>

6 Interest receivable

	2010 £	2009 £
Bank interest	-	5,332
	<u>-</u>	<u>5,332</u>

Notes (continued)

7 Interest payable

	2010 £	2009 £
On bank loans, overdrafts and other loans wholly repayable within five years	207	4,629
Payable to group undertakings	21,677	58,814
Other	-	336
	<u>21,884</u>	<u>63,779</u>

8 Taxation

Analysis of credit for period

	2010 £	2009 £
<i>UK Corporation tax</i>		
Current tax on income for the period	(125,084)	(97,157)
Adjustments in respect of prior periods	(3,798)	(12,100)
	<u>(128,882)</u>	<u>(109,257)</u>

Reconciliation of current year tax credit

The standard rate of corporation tax for the year is 21% (2009 21%) The current year tax credit is higher (2009 higher) than 21% (2009 21%) for the reasons set out in the following reconciliation

	2010 £	2009 £
Loss on ordinary activities before taxation	(136,135)	(296,640)
	<u>(136,135)</u>	<u>(296,640)</u>
Tax on loss on ordinary activities at standard rate	(28,588)	(62,294)
Factors affecting charge		
Capital allowances in advance of depreciation	(4,981)	13,460
Group relief at non-standard rate	(98,816)	(76,755)
Disallowed expenditure	7,301	9,120
Tax adjustment on loss carry back claim	-	19,312
Adjustments to tax charge in respect of previous periods	(3,798)	(12,100)
	<u>(128,882)</u>	<u>(109,257)</u>

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At beginning of year	141,386	67,224	399,241	389,527	997,378
Additions	6,700	5,312	124,346	90,257	226,615
Disposals	-	-	-	(37,806)	(37,806)
At end of year	148,086	72,536	523,587	441,978	1,186,187
Depreciation					
At beginning of year	136,367	61,202	343,518	156,618	697,705
Charge for year	4,582	3,534	52,797	104,082	164,995
On disposals	-	-	-	(25,782)	(25,782)
At end of year	140,949	64,736	396,315	234,918	836,918
Net book value					
At 31 May 2010	7,137	7,800	127,272	207,060	349,269
At 31 May 2009	5,019	6,022	55,723	232,909	299,673

10 Stocks

	2010 £	2009 £
Goods for resale	2,045,655	2,210,875

Notes (continued)

11 Debtors

	2010 £	2009 £
Trade debtors	1,415,632	1,151,018
Amounts owed by group undertakings	159,114	88,306
Corporation tax	-	12,100
Other debtors	1,027	129
Prepayments and accrued income	81,766	79,769
	<u>1,657,539</u>	<u>1,331,322</u>

12 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	1,055,468	966,367
Amounts owed to group undertakings	498,061	195,351
Other taxes and social security	315,553	256,876
Other creditors	57,805	11,838
Accruals and deferred income	26,508	19,586
	<u>1,953,395</u>	<u>1,450,018</u>

13 Creditors: amounts falling due after more than one year

	2010 £	2009 £
Amounts owed to group undertakings	<u>1,000,000</u>	<u>1,000,000</u>

Notes (continued)

14 Called up share capital

	2010 £	2009 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	16,250	16,250
	<u> </u>	<u> </u>

15 Reconciliation of movements in shareholders' funds

	Called up share capital £	Share premium account £	Profit and loss account £	Total 2010 £	Total 2009 £
At beginning of year	16,250	493,750	1,155,881	1,665,881	1,353,264
Loss for the financial year	-	-	(7,253)	(7,253)	(187,383)
Issue of share capital	-	-	-	-	500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	16,250	493,750	1,148,628	1,658,628	1,665,881
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Contingent liabilities

The company has guaranteed any overdrafts of the following companies as part of a group cross guarantee agreement

Waxman International Limited
Waxman Fibres Limited
Waxman Energy Limited (formerly Waxman Energy Solutions Limited)

The amount outstanding at the year end was £271,999 (2009 £nil) Mr RD Waxman has an interest in the share capital of Waxman Fibres Limited and Waxman Energy Limited (formerly Waxman Energy Solutions Limited)

Notes (continued)

17 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2010 £	2009 £
<i>Land and buildings</i>		
Operating leases which expire		
Within one year	237,480	226,130
Within the second to fifth years	-	60,000
After five years	-	11,547
	<u>237,480</u>	<u>297,677</u>
<i>Other operating leases</i>		
Operating leases which expire		
Within one year		33,790
Within the second to fifth years	50,350	38,318
	<u>50,350</u>	<u>72,108</u>

18 Pension scheme

The company contributes to a defined contribution scheme operated by Waxman Holdings Limited. The pension cost charge for the year amounted to £29,811 (2009 £32,965).

A fellow subsidiary undertaking operates two defined contribution pension schemes. On the advice of the actuary no contributions have been made during the year. The pension cost charge for the year includes £nil contributed by Waxman Ceramics Limited (2009 £nil).

19 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2010 £	2009 £
Operating loss	(114,251)	(238,193)
Depreciation charge	164,995	158,654
Profit on disposal of tangible fixed assets	(5,526)	(4,851)
Decrease/(increase) in stocks	165,220	(288,330)
(Increase)/decrease in debtors	(326,217)	584,622
Increase/(decrease) in creditors	628,461	(505,964)
	<u>512,682</u>	<u>(294,062)</u>
Net cash inflow/(outflow) from operating activities		

Notes (continued)

20 Analysis of cash flows for headings netted in the cash flow statement

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	-	8,198
Interest paid	(21,884)	(63,779)
	<u> </u>	<u> </u>
Net cash outflow for returns on investments and servicing of finance	(21,884)	(55,581)
	<u> </u>	<u> </u>
Capital expenditure		
Purchase of tangible fixed assets	(226,615)	(100,446)
Sale of tangible fixed assets	17,550	4,851
	<u> </u>	<u> </u>
Net cash outflow for capital expenditure and financial investment	(209,065)	(95,595)
	<u> </u>	<u> </u>

21 Analysis of net funds

	At 31 May 2009 £	Cash flow £	At 31 May 2010 £
Cash at bank and in hand	274,029	285,531	559,560
	<u> </u>	<u> </u>	<u> </u>

22 Deferred tax

The full potential asset not recognised is as follows

	2010 £	2009 £
Capital allowances in advance of depreciation	6,591	20,976
	<u> </u>	<u> </u>

23 Related party transactions

Included in other creditors is an amount of £55,225 (2009 £11,274) owed to Waxman Holdings Limited, of which RD Waxman is a director and shareholder

The company traded on normal commercial terms with Waxman Holdings Limited during the year, the total value of such transactions being £307,055 (2009 £290,706)

In addition, included in debtors and creditors are the following amounts due from and to fellow group companies. In debtors there is £nil (2009 £39,444) due from Waxman Fibres Limited, £122,631 (2009 £48,122) due from Waxman Energy Limited (formerly Waxman Energy Solutions Limited) and £36,483 (2009 £740) due from Waxman Speciality Products Limited. In creditors is an amount of £1,416,120 (2009 £1,195,351) due to Waxman International Limited and £81,941 (2009 £nil) due to Waxman Fibres Limited. Interest of £21,677 (2009 £58,814) was paid to Waxman International Limited on these amounts during the year.

Notes *(continued)*

24 Ultimate parent undertaking

The company is a subsidiary undertaking of Waxman Group Limited, a company registered in England and Wales