

Waxman Ceramics Limited

**Directors' report and financial
statements**

Registered number 2992383

31 May 2008

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Directors' report

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

Principal activity

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

Business review

Financial performance, position and key performance indicators

The profit for the year amounted to £85,405 (2007: loss £90,817)

The directors do not recommend the payment of a dividend.

The company has seen a 10% increase in turnover, a key performance indicator, during the year, despite what are generally acknowledged to be difficult trading conditions in the ceramic tile industry as a whole.

The company's gross profit margin (another key performance indicator) has increased from 36.3% to 37.3%. The current strength of the Euro against Sterling is expected to put pressure on the company's gross margin during the current year.

The company's financial position at 31 May 2008 is in line with the expectations, following the early repayment in full of long term bank loans during the year.

The company anticipates difficult trading conditions in the current period, due to a general decline in business and consumer confidence. It 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

Donations

During the year the company made charitable donations of £410 (2007: £180)

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.

By order of the board



M Firth
Secretary

Grove Mills
Elland
West Yorkshire
HX5 9DZ

3 December 2008

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).

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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

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 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Independent auditors' report to the members of Waxman Ceramics Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

3 December 2008

Profit and loss account

for the year ended 31 May 2008

	<i>Note</i>	2008 £	2007 £
Turnover	2	9,349,620	8,498,861
Cost of sales		(5,860,885)	(5,417,806)
Gross profit		3,488,735	3,081,055
Distribution costs		(583,382)	(486,401)
Administrative expenses		(2,733,009)	(2,637,372)
Operating profit/(loss)		172,344	(42,718)
Interest receivable	6	14,755	19,850
Interest payable	7	(138,966)	(147,815)
Profit on sale of tangible fixed assets		49,372	-
Profit/(loss) on ordinary activities before taxation	3	97,505	(170,683)
Tax on profit/(loss) on ordinary activities	8	(12,100)	79,866
Profit/(loss) for the financial year	16	85,405	(90,817)

The profit/(loss) on ordinary activities before taxation is the historical cost profit/(loss).

All the profits/(losses) derive from the continuing operations of the company.


There are no recognised gains or losses other than the profit/(loss) for the year stated above.

Balance sheet

at 31 May 2008

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	9	357,881	905,308
Current assets			
Stocks	10	1,922,545	1,897,125
Debtors	11	1,836,513	1,641,797
Cash at bank and in hand		731,367	727,809
		<u>4,490,425</u>	<u>4,266,731</u>
Creditors: amounts falling due within one year	12	<u>(2,495,042)</u>	<u>(3,424,205)</u>
Net current assets		<u>1,995,383</u>	<u>842,526</u>
Total assets less current liabilities		<u>2,353,264</u>	<u>1,747,834</u>
Creditors: amounts falling due after more than one year	13	<u>(1,000,000)</u>	<u>(342,704)</u>
Provision for liabilities and charges	14	-	(137,271)
Net assets		<u>1,353,264</u>	<u>1,267,859</u>
Capital and reserves			
Called up share capital	15	10,000	10,000
Profit and loss account	16	1,343,264	1,257,859
Equity shareholders' funds	16	<u>1,353,264</u>	<u>1,267,859</u>

These financial statements were approved by the board of directors on 3 December 2008 and were signed on its behalf by:



RD Waxman
Director

Cash flow statement
for the year ended 31 May 2008

	<i>Note</i>	2008 £	2007 £
Net cash inflow from operating activities	20	44,751	685,939
Returns on investments and servicing of finance	21	(122,315)	(130,227)
Taxation		(3,797)	83,663
Capital expenditure	21	446,823	(84,835)
Cash inflow before financing		365,462	554,540
Financing – (decrease)		(361,904)	(217,086)
Increase in cash in the year		3,558	337,454

Reconciliation of net cash flow to movement in net funds

	<i>Note</i>	2008 £	2007 £
Increase in cash in the year		3,558	337,454
Cash outflow from decrease in debt		361,904	217,086
Change in net funds resulting from cash flows		365,462	554,540
Net funds at 1 June 2007	22	365,905	(188,635)
Net funds at 31 May 2008	22	731,367	365,905

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:

Freehold land and buildings	-	4% on cost
Leasehold improvements	-	15% - 20% on cost
Motor vehicles	-	25% on cost
Fixtures and fittings	-	15% on cost
Plant and machinery	-	25% on cost
Computer equipment	-	25% on cost
Goodwill	-	20% 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.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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

	2008 £	2007 £
<i>By geographical market</i>		
United Kingdom	9,181,144	8,353,703
Europe	168,476	145,158
	<u>9,349,620</u>	<u>8,498,861</u>

Notes (continued)

3 Notes to the profit and loss account

	2008 £	2007 £
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging:</i>		
Depreciation of tangible fixed assets	149,976	127,811
Operating leases – land and buildings	253,105	249,857
Operating leases - other	159,727	217,880
	<u> </u>	<u> </u>
<i>After crediting:</i>		
Profit on sale of tangible fixed assets	49,372	-
	<u> </u>	<u> </u>
<i>Auditors' remuneration:</i>		
	2008 £	2007 £
Audit of these financial statements	4,400	5,050
Other services	1,600	1,600
	<u> </u>	<u> </u>

4 Remuneration of directors

	2008 £	2007 £
Total remuneration excluding pension contributions	218,398	193,015
Contributions to money purchase pension schemes	3,485	2,955
	<u> </u>	<u> </u>
 The emoluments of the highest paid director were as follows:		
	2008 £	2007 £
Total remuneration excluding pension contributions	61,895	58,319
Contributions to money purchase pension scheme	1,357	-
	<u> </u>	<u> </u>

Retirements benefits are accruing to 5 (2007: 5) directors under money purchase pension schemes.

Notes (continued)

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	
	2008	2007
Management and administration	58	55
Warehouse	29	28
	<u>87</u>	<u>83</u>

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

	2008	2007
	£	£
Wages and salaries	1,687,528	1,550,474
Social security costs	161,002	147,494
Other pension costs	32,010	27,484
	<u>1,880,540</u>	<u>1,725,452</u>

6 Interest receivable

	2008	2007
	£	£
Bank interest	14,748	19,850
Other interest	7	-
	<u>14,755</u>	<u>19,850</u>

7 Interest payable

	2008	2007
	£	£
On bank loans repayable partly over five years	15,711	24,208
On bank loans, overdrafts and other loans wholly repayable within five years:		
Group	<u>123,255</u>	<u>123,607</u>
	<u>138,966</u>	<u>147,815</u>

Notes (continued)

8 Taxation

	2008 £	2007 £
UK corporation tax at 21% (2007: 19%) on the profit/(loss) for the year on ordinary activities	12,100	3,797
Group relief receivable at 100%	-	(83,663)
	<u>12,100</u>	<u>(79,866)</u>

Reconciliation of current year tax charge

The standard rate of corporation tax for the year is 21% (2007: 19%). The current year tax charge is lower (2007: lower) than 21% (2007: 19%) for the reasons set out in the following reconciliation:

	2008 £	2007 £
Profit/(loss) on ordinary activities before taxation	97,505	(170,683)
Tax on profit/(loss) on ordinary activities at standard rate	20,476	(32,430)
Factors affecting charge:		
Capital allowances in advance of depreciation	(1,902)	11,606
Non-taxable income	(9,717)	-
UK tax not at standard rate	(500)	33
Group relief at non-standard rate	(6,711)	(67,767)
Disallowed expenditure	11,962	8,692
Additional allowances	(1,508)	-
Current tax charge	<u>12,100</u>	<u>(79,866)</u>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
At beginning of year	734,280	150,564	67,789	494,150	118,515	1,565,298
Additions	2,755	1,606	5,901	19,131	226,884	256,277
Disposals	-	(10,784)	(6,466)	(125,153)	(11,210)	(153,613)
Transfers to group undertakings	(737,035)	-	-	-	-	(737,035)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	141,386	67,224	388,128	334,189	930,927
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At beginning of year	58,743	115,137	60,143	373,697	52,270	659,990
Charge for year	24,564	18,003	4,035	47,542	55,832	149,976
On disposals	-	(10,784)	(6,466)	(125,153)	(11,210)	(153,613)
On transfers to group undertakings	(83,307)	-	-	-	-	(83,307)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	122,356	57,712	296,086	96,892	573,046
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 May 2008	-	19,030	9,512	92,042	237,297	357,881
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2007	675,537	35,427	7,646	120,453	66,245	905,308
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

10 Stocks

	2008 £	2007 £
Goods for resale	1,922,545	1,897,125
	<hr/>	<hr/>

Notes (continued)

11 Debtors

	2008 £	2007 £
Trade debtors	1,706,650	1,563,518
Amounts owed by group undertakings	36,733	-
Other debtors	6,449	1,002
Prepayments and accrued income	86,681	77,277
	<u>1,836,513</u>	<u>1,641,797</u>

12 Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loan	-	19,200
Trade creditors	1,221,675	1,096,742
Amounts owed to group undertakings	854,606	1,925,212
Corporation tax	12,100	3,797
Other taxes and social security	354,336	342,052
Other creditors	8,195	6,819
Accruals and deferred income	44,130	30,383
	<u>2,495,042</u>	<u>3,424,205</u>

Included in other creditors is an amount of £7,717 (2007: £6,667) 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 £339,990 (2007: £349,558).

13 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bank loan payable between two and five years	-	76,800
Bank loan payable after five years	-	265,904
Amounts owed to group undertakings	1,000,000	-
	<u>1,000,000</u>	<u>342,704</u>

Notes (continued)

14 Provisions for liabilities and charges

	Onerous lease £
At beginning of year	137,271
Expenditure during the year	(137,271)
	<hr/>
At end of year	-
	<hr/>

15 Called up share capital

	2008 £	2007 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>

16 Reconciliation of movements in shareholders' funds

	Called up share capital £	Profit and loss account £	Total 2008 £	Total 2007 £
At beginning of year	10,000	1,257,859	1,267,859	1,358,676
Profit/(loss) for the financial year	-	85,405	85,405	(90,817)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	10,000	1,343,264	1,353,264	1,267,859
	<hr/>	<hr/>	<hr/>	<hr/>

17 Contingent liabilities

The company has guaranteed the overdrafts of the following companies:

Waxman International Limited
Waxman Fibres Limited

The amount outstanding at the year end was £nil (2007: £nil). Mr RD Waxman has an interest in the share capital of Waxman Fibres Limited.

Notes (continued)

18 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2008 £	2007 £
<i>Land and buildings</i>		
Operating leases which expire:		
Within the second to fifth years	275,248	263,570
After five years	50,000	-
	<u>325,248</u>	<u>263,570</u>
<i>Other operating leases</i>		
Operating leases which expire:		
Within one year	16,476	102,804
Within the second to fifth years	86,291	74,208
	<u>102,767</u>	<u>177,012</u>

19 Pension scheme

The company contributes to a defined contribution scheme operated by Waxman Holdings Limited. The pension cost charge for the year amounted to £32,010 (2007: £27,484).

A fellow subsidiary undertaking operates two defined contribution pension schemes. On the advice of the actuary additional contributions have been made during the year. The pension cost charge for the year includes £nil contributed by Waxman Ceramics Limited (2007: £nil).

20 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2008 £	2007 £
Operating profit/(loss)	221,716	(42,718)
Depreciation charge	149,976	127,811
Profit on disposal of tangible fixed assets	(49,372)	-
(Increase)/decrease in stocks	(25,420)	56,894
(Increase)/decrease in debtors	(196,612)	30,443
Increase in creditors	81,734	666,474
Decrease in provisions	(137,271)	(152,965)
	<u>44,751</u>	<u>685,939</u>
Net cash inflow from operating activities		

Notes (continued)

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

	2008 £	2007 £
Returns on investments and servicing of finance		
Interest received	16,651	17,588
Interest paid	(138,966)	(147,815)
	<u> </u>	<u> </u>
Net cash outflow for returns on investments and servicing of finance	(122,315)	(130,227)
	<u> </u>	<u> </u>
Capital expenditure		
Purchase of tangible fixed assets	(253,177)	(86,835)
Sale of tangible fixed assets	-	2,000
Transfer of tangible fixed assets to group undertakings	700,000	-
	<u> </u>	<u> </u>
Net cash inflow/(outflow) for capital expenditure and financial investment	446,823	(84,835)
	<u> </u>	<u> </u>
Financing		
Repayment of loans	(361,904)	(217,086)
	<u> </u>	<u> </u>

22 Analysis of net funds

	At 31 May 2007 £	Cash flow £	At 31 May 2008 £
Cash at bank and in hand	727,809	3,558	731,367
Debt within one year	(19,200)	19,200	-
Debt due after one year	(342,704)	342,704	-
	<u> </u>	<u> </u>	<u> </u>
	365,905	365,462	731,367
	<u> </u>	<u> </u>	<u> </u>

23 Deferred tax

The full potential asset not recognised is as follows:

	2008 £	2007 £
Capital allowances in advance of depreciation	2,380	19,667
	<u> </u>	<u> </u>

24 Ultimate parent undertaking

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