

Waxman Ceramics Limited

**Directors' report and financial
statements**

Registered number 2992383

31 May 2004



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of Waxman Ceramics Limited	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2004.

Principal activity

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

Result and dividend

The profit retained in the company amounted to £16,661 (2003: £285,548).

The directors do not recommend the payment of a dividend.

Business review

The company has continued to expand and the directors see opportunities for further growth.

Directors and directors' interests

The directors who held office during the year were as follows:

RD Waxman
J Waxman
MJ Pape
DJ Garlick
AD Martindale

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company as recorded in the register of directors' share interests:

	Interest at beginning and end of year
RD Waxman	2,500
J Waxman	-
MJ Pape	-
DJ Garlick	-
AD Martindale	-

Mr RD Waxman is also a director and shareholder of the ultimate holding company, Waxman Group Limited. His interests in the share capital of other group companies are shown in the financial statements of that company.

Donations

During the year the company made charitable donations of £1,026 (2003: £590).

By order of the board



M Firth
Secretary

Grove Mills
Elland
West Yorkshire
HX5 9DZ

6 September 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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

Report of the independent auditors to the members of Waxman Ceramics Limited

We have audited the financial statements on pages 4 to 14.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 May 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

6 September 2004

Profit and loss account

for the year ended 31 May 2004

	<i>Note</i>	2004 £	2003 £
Turnover	2	8,482,139	7,833,588
Cost of sales		(5,261,013)	(4,781,074)
		<hr/>	<hr/>
Gross profit		3,221,126	3,052,514
Distribution costs		(567,699)	(525,487)
Administrative expenses		(2,565,558)	(2,054,153)
		<hr/>	<hr/>
Operating profit		87,869	472,874
Interest receivable	6	-	18
Interest payable	7	(53,950)	(34,064)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	33,919	438,828
Tax on profit on ordinary activities	8	(17,258)	(153,280)
		<hr/>	<hr/>
Retained profit for the financial year	15	16,661	285,548
		<hr/> <hr/>	<hr/> <hr/>

The profit on ordinary activities before taxation is the historical cost profit.

All the profits derive from the continuing operations of the company.

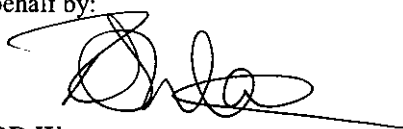
There are no recognised gains or losses other than the profit for the year stated above.

Balance sheet

at 31 May 2004

	Note	2004	2003
		£	£
Fixed assets			
Intangible assets	9	16,472	25,461
Tangible assets	10	314,094	244,687
		<hr/>	<hr/>
Current assets		330,566	270,148
Stocks	11	2,835,867	1,743,484
Debtors	12	1,514,007	1,315,749
Cash at bank and in hand		128,805	262,575
		<hr/>	<hr/>
		4,478,679	3,321,808
Creditors: amounts falling due within one year	13	(3,273,856)	(2,073,228)
		<hr/>	<hr/>
Net current assets		1,204,823	1,248,580
		<hr/>	<hr/>
Net assets		1,535,389	1,518,728
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	10,000	10,000
Profit and loss account	15	1,525,389	1,508,728
		<hr/>	<hr/>
Shareholders' funds	15	1,535,389	1,518,728
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 6 September 2004 and were signed on its behalf by:


RD Waxman
Director

Cash flow statement

for the year ended 31 May 2004

	<i>Note</i>	2004 £	2003 £
Net cash inflow from operating activities	19	242,874	312,024
Returns on investments and servicing of finance	20	(53,950)	(34,046)
Taxation		(145,486)	(62,258)
Capital expenditure	20	(177,208)	(208,491)
(Decrease)/increase in cash in the year		<u>(133,770)</u>	<u>7,229</u>

Reconciliation of net cash flow to movement in net funds

	<i>Note</i>	2004 £	2003 £
(Decrease)/increase in cash in the year		(133,770)	7,229
Net funds at 1 June 2003	21	<u>262,575</u>	<u>255,346</u>
Net funds at 31 May 2004	21	<u><u>128,805</u></u>	<u><u>262,575</u></u>

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 company's 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% 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.

Taxation

The charge for taxation is based on the result for the period 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.

Turnover

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

Notes (continued)

2 Analysis of turnover

	2004 £	2003 £
<i>By geographical market</i>		
United Kingdom	8,350,912	7,712,322
Europe	131,227	121,266
	<u>8,482,139</u>	<u>7,833,588</u>

3 Profit on ordinary activities before taxation

	2004 £	2003 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	3,600	3,435
Amortisation of intangible fixed assets	8,989	8,987
Depreciation of tangible fixed assets	107,801	76,510
Operating leases – land and buildings	362,246	231,879
Operating leases - other	171,784	127,962
Loss on sale of tangible fixed assets	-	13,126
	<u> </u>	<u> </u>

4 Remuneration of directors

	2004 £	2003 £
Total remuneration excluding pension contributions	233,464	375,196
Contributions to money purchase pension schemes	3,454	51,904
	<u> </u>	<u> </u>

The emoluments of the highest paid director were as follows:

	2004 £	2003 £
Total remuneration excluding pension contributions	67,365	116,041
Contributions to money purchase pension scheme	1,120	28,000
	<u> </u>	<u> </u>

Retirements benefits are accruing to 5 (2003: 6) 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	
	2004	2003
Management and administration	49	37
Warehouse	36	27
	<hr/>	<hr/>
	85	64
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£	£
Wages and salaries	1,556,269	1,254,458
Social security costs	155,218	125,603
Other pension costs	28,677	73,238
	<hr/>	<hr/>
	1,740,164	1,453,299
	<hr/>	<hr/>

6 Interest receivable

	2004	2003
	£	£
Other interest	-	18
	<hr/>	<hr/>

7 Interest payable

	2004	2003
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years:		
Group	47,732	32,356
Bank overdraft	6,218	1,708
	<hr/>	<hr/>
	53,950	34,064
	<hr/>	<hr/>

Notes (continued)

8 Taxation

	2004 £	2003 £
UK corporation tax at 19% (2003: 30%) on the profit for the year on ordinary activities	19,000	155,000
Adjustment relating to an earlier year	(1,742)	(1,720)
	<u>17,258</u>	<u>153,280</u>

Reconciliation of current year tax charge

The standard rate of corporation tax for the year is 19% (2003: 30%). The current year tax charge is higher (2003: higher) than 19% (2003: 30%) for the reasons set out in the following reconciliation:

	2004 £	2003 £
Profit on ordinary activities before taxation	33,919	438,828
Tax on profit on ordinary activities at standard rate	6,445	131,648
Factors affecting charge:		
Capital allowances in advance of depreciation	2,207	(1,992)
Other timing differences	-	(852)
Small companies relief	(809)	(326)
Disallowed expenditure	9,883	17,639
Rounding	1,274	8,883
Adjustment relating to an earlier year	(1,742)	(1,720)
Current tax charge	<u>17,258</u>	<u>153,280</u>

9 Intangible fixed assets

	Goodwill £
Cost	
At beginning and end of year	44,933
Amortisation	
At beginning of year	19,472
Charge for year	8,989
At end of year	28,461
Net book value	
At 31 May 2004	16,472
At 31 May 2003	25,461

Notes (continued)

10 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At beginning of year	115,713	47,418	254,632	11,211	428,974
Additions	23,457	10,128	98,418	45,205	177,208
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	139,170	57,546	353,050	56,416	606,182
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	23,546	28,341	126,795	5,605	184,287
Charge for year	22,914	12,009	58,774	14,104	107,801
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	46,460	40,350	185,569	19,709	292,088
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 May 2004	92,710	17,196	167,481	36,707	314,094
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2003	92,167	19,077	127,837	5,606	244,687
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

11 Stocks

	2004 £	2003 £
Goods for resale	2,835,867	1,743,484
	<hr/>	<hr/>

12 Debtors

	2004 £	2003 £
Trade debtors	1,407,677	1,207,891
Other debtors	291	316
Prepayments and accrued income	106,039	107,542
	<hr/>	<hr/>
	1,514,007	1,315,749
	<hr/>	<hr/>

Notes (continued)

13 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	1,177,882	907,886
Amounts owed to group undertakings	1,559,615	616,146
Corporation tax	28,514	156,742
Other taxes and social security	388,771	307,100
Other creditors	1,598	8,120
Accruals and deferred income	117,476	77,234
	<u>3,273,856</u>	<u>2,073,228</u>

Included in other creditors is an amount of £1,375 (2003: £1,612) 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 £276,682 (2003: £237,040).

14 Called up share capital

	2004 £	2003 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

15 Reconciliation of movements in shareholders' funds

	Called up share capital £	Profit and loss account £	Total 2004 £	Total 2003 £
At beginning of year	10,000	1,508,728	1,518,728	1,233,180
Retained profit for the year	-	16,661	16,661	285,548
	<u>10,000</u>	<u>1,525,389</u>	<u>1,535,389</u>	<u>1,518,728</u>

16 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 (2003: £69,262). Mr RD Waxman has an interest in the share capital of Waxman Fibres Limited.

Notes (continued)

17 Commitments

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

	2004 £	2003 £
<i>Land and buildings</i>		
Operating leases which expire:		
Within the second to fifth years	31,450	31,450
After five years	342,794	338,660
	<u>374,244</u>	<u>370,110</u>
<i>Other operating leases</i>		
Operating leases which expire:		
Within one year	22,836	39,408
Within the second to fifth years	119,376	110,892
	<u>142,212</u>	<u>150,300</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 £28,677 (2003: £38,238).

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 (2003: £35,000).

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

	2004 £	2003 £
Operating profit	87,869	472,874
Amortisation charge	8,989	8,987
Depreciation charge	107,801	76,510
Loss on sale of tangible fixed assets	-	13,126
Increase in stocks	(1,092,383)	(224,875)
(Increase)/decrease in debtors	(198,258)	58,807
Increase/(decrease) in creditors	1,328,856	(93,405)
	<u>242,874</u>	<u>312,024</u>
Net cash inflow from operating activities		

Notes (continued)

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

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	-	18
Interest paid	(53,950)	(34,064)
	<u>(53,950)</u>	<u>(34,064)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(53,950)</u>	<u>(34,064)</u>
Capital expenditure		
Purchase of tangible fixed assets	(177,208)	(208,491)
	<u>(177,208)</u>	<u>(208,491)</u>

21 Analysis of net funds

	At 31 May 2003 £	Cash flow £	At 31 May 2004 £
Cash at bank and in hand	262,575	(133,770)	128,805
	<u>262,575</u>	<u>(133,770)</u>	<u>128,805</u>

22 Deferred tax

The full potential asset not recognised is as follows:

	2004 £	2003 £
Capital allowances in advance of depreciation	818	878
	<u>818</u>	<u>878</u>

23 Ultimate parent undertaking

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