

SIGNED COPY

Waxman Ceramics Limited

**Directors' report and financial
statements**

Registered number 2992383

31 May 2000



Contents

Directors' report	1
Auditors' report 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 2000.

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.

Principal activity

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

Results and dividends

The profit for the year retained in the company is £223,375.

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' report *(continued)*

Directors and directors' interests

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

RD Waxman
A Lax
J Waxman
MJ Pape

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 end of year	Interest at beginning of year
RD Waxman	2,500	2,500
J Waxman	-	-
A Lax	-	-
MJ Pape	-	-

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 £100.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Michael Firth

M Firth
Secretary

Grove Mills
Elland
West Yorkshire
HX5 9DZ

20 November 2000



1 The Embankment
Neville Street
Leeds
LS1 4DW

Auditors' report to the members of Waxman Ceramics Limited

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1, 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. 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

*Chartered Accountants
Registered Auditors*

20 November 2000

Profit and loss account

for the year ended 31 May 2000

	<i>Note</i>	2000 £	1999 £
Turnover	2	4,976,621	3,860,762
Cost of sales		(2,952,487)	(2,391,210)
Gross profit		2,024,134	1,469,552
Distribution costs and administrative expenses		(1,697,346)	(1,043,231)
Operating profit		326,788	426,321
Interest receivable	6	120	304
Interest payable	7	(8,927)	(15,230)
Profit on ordinary activities before taxation	3	317,981	411,395
Tax on profit on ordinary activities	8	(94,606)	(128,052)
Retained profit for the financial year	14	223,375	283,343

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

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

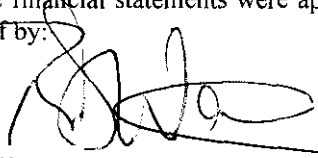
There are no recognised gains or losses other than the profit for the year stated above.

Balance sheet

at 31 May 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible assets	9	66,064	55,558
Current assets			
Stocks	10	846,700	681,673
Debtors	11	917,682	782,578
Cash at bank and in hand		232,118	149,294
		<u>1,996,500</u>	<u>1,613,545</u>
Creditors: amounts falling due within one year	12	<u>(1,082,812)</u>	<u>(912,726)</u>
Net current assets		<u>913,688</u>	<u>700,819</u>
Net assets		<u>979,752</u>	<u>756,377</u>
Capital and reserves			
Called up share capital	13	10,000	10,000
Profit and loss account	14	969,752	746,377
Shareholders' funds	14	<u>979,752</u>	<u>756,377</u>

These financial statements were approved by the board of directors on 20 November 2000 and were signed on its behalf by:


RD Waxman
Director

Cash flow statement

for the year ended 31 May 2000

	<i>Note</i>	2000 £	1999 £
Cash flow from operating activities	18	248,440	235,174
Returns on investments and servicing of finance	19	(8,807)	(14,926)
Taxation		(127,606)	(125,052)
Capital expenditure	19	(29,203)	(51,115)
Increase in cash in the year		82,824	44,081

Reconciliation of net cash flow to movement in net funds

	<i>Note</i>	2000 £	1999 £
Increase in cash in the year		82,824	44,081
Net funds at 1 June 1999	20	149,294	105,213
Net funds at 31 May 2000	20	232,118	149,294

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 fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	25% on cost
Fixtures and fittings	-	15% on cost
Plant and machinery	-	15% - 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. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme 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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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

	2000 £	1999 £
<i>By geographical market</i>		
United Kingdom	4,802,010	3,755,066
Europe and Africa	174,611	105,696
	<hr/> 4,976,621	<hr/> 3,860,762

3 Profit on ordinary activities before taxation

	2000 £	1999 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	2,500	2,400
Depreciation of tangible fixed assets	18,947	14,645
Operating leases - cars and fork lift trucks	75,666	60,870
<i>after crediting</i>		
Exchange gains	47,070	12,184
Profit on sale of tangible fixed assets	250	3,915

4 Remuneration of directors

	2000 £	1999 £
Total remuneration excluding pension contributions	414,161	118,211
Contributions to money purchase pension schemes	14,099	3,847

The emoluments of the highest paid director amounted to £249,459. Contributions to money purchases pension schemes amounted to £8,000.

Retirements benefits are accruing to 4 (1999: 4) 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	
	2000	1999
Management and administration	22	15
Warehouse	15	11
	<hr/>	<hr/>
	37	26

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	962,106	531,853
Social security costs	102,333	53,691
Other pension costs	20,178	9,920
	<hr/>	<hr/>
	1,084,617	595,464

6 Interest receivable

	2000	1999
	£	£
bank interest	-	183
trade interest	120	121
	<hr/>	<hr/>
	120	304

Notes (continued)

7 Interest payable

	2000 £	1999 £
On bank loans, overdrafts and other loans wholly repayable within five years:		
Group	8,908	15,224
Bank overdraft	19	6
	<hr/> 8,927	<hr/> 15,230

8 Taxation

	2000 £	1999 £
UK corporation tax at 30% (1999 : 31%) on the profit for the year on ordinary activities	97,000	130,000
Adjustment relating to an earlier year	(2,394)	(1,948)
	<hr/> 94,606	<hr/> 128,052

9 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At beginning of year	31,587	76,064	107,651
Additions	1,040	28,413	29,453
Disposals	(8,000)	(4,959)	(12,959)
	<hr/> 24,627	<hr/> 99,518	<hr/> 124,145
Depreciation			
At beginning of year	19,681	32,412	52,093
Charge for year	4,228	14,719	18,947
On disposals	(8,000)	(4,959)	(12,959)
	<hr/> 15,909	<hr/> 42,172	<hr/> 58,081
Net book value			
At 31 May 2000	8,718	57,346	66,064
At 31 May 1999	11,906	43,652	55,558

Notes (continued)

10 Stocks

	2000 £	1999 £
Goods for resale	846,700	681,673

11 Debtors

	2000 £	1999 £
Trade debtors	893,000	767,464
Other debtors	557	-
Prepayments and accrued income	24,125	15,114
	<hr/> 917,682	<hr/> 782,578

Other debtors represent an amount owed by 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 £207,598 (1999 : £153,532).

Waxman International Limited has a fixed charge over the company's trade and other debtors in respect of the balance due to the company.

12 Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	475,208	473,070
Amounts owed to group undertakings	174,708	200,987
Corporation tax	97,000	130,000
Other taxes and social security	117,520	66,404
Other creditors	554	101
Accruals and deferred income	217,822	42,164
	<hr/> 1,082,812	<hr/> 912,726

Notes (continued)

13 Called up share capital

	2000 £	1999 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	10,000	10,000

14 Reconciliation of movements in shareholders' funds

	Called up share capital £	Profit and loss account £	Total 2000 £	Total 1999 £
At beginning of year	10,000	746,377	756,377	473,034
Retained profit for the year	-	223,375	223,375	283,343
At end of year	10,000	969,752	979,752	756,377

15 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 £1,216,436 (1999: £980,930). Mr RD Waxman has an interest in the share capital of Waxman Fibres Limited.

Notes (continued)

16 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	2000 £	1999 £
Contracted	-	2,673

- (ii) Annual commitments under non-cancellable operating leases in respect of motor vehicles are as follows:

	2000 £	1999 £
Operating leases which expire:		
Within one year	25,236	7,488
Within the second to fifth years	52,296	52,812

17 Pension scheme

The company contributes to a defined contribution scheme operated by Waxman Holdings Limited. The pension cost charge amounted to £10,178 (1999 : £9,920).

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 £10,000 contributed by Waxman Ceramics Limited (1999: £nil).

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

	2000 £	1999 £
Operating profit	326,788	426,321
Depreciation charge	18,947	14,645
Profit on sale of tangible fixed assets	(250)	(3,915)
Increase in stocks	(165,027)	(109,309)
Increase in debtors	(135,104)	(160,055)
Increase in creditors	203,086	67,487
Net cash inflow from operating activities	248,440	235,174

Notes (continued)

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

	2000 £	1999 £
Returns on investments and servicing of finance		
Interest received	120	304
Interest paid	(8,927)	(15,230)
	<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance	(8,807)	(14,926)
 Capital expenditure		
Purchase of tangible fixed assets	(29,453)	(55,030)
Sale of tangible fixed assets	250	3,915
	<hr/>	<hr/>
Net cash outflow for capital expenditure	(29,203)	(51,115)

20 Analysis of net funds

	At 1 June 1999 £	Cash flow £	At 31 May 2000 £
Cash at bank and in hand	149,294	82,824	232,118

21 Ultimate parent undertaking

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