

Waxman International Limited

**Directors' report and financial
statements**

Registered number 1403332

31 May 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2005.

Principal activities

The company's principal activity is that of merchanting synthetic fibres.

Result and dividend

The profit retained in the company amounted to £43,524 (2004: £65,105).

The directors do not recommend the payment of a dividend.

Business review

The directors are satisfied with the result for the year given the difficult trading conditions.

Directors and directors' interests

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

AA Waxman
RD Waxman
J Waxman
WG Wallace
IL Hastwell


None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

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

Donations

During the year the company made charitable donations of £3,705 (2004: £4,342).

By order of the board



M Firth
Secretary

Grove Mills
Elland
West Yorkshire
HX5 9DZ

11 October 2005

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 International Limited

We have audited the financial statements on pages 4 to 12.

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.

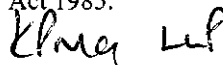
Basis of opinion

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 2005 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

11 October 2005

Profit and loss account
for the year ended 31 May 2005

	<i>Note</i>	2005 £	2004 £
Turnover	2	3,580,774	3,038,895
Cost of sales		(2,879,986)	(2,460,797)
		<hr/>	<hr/>
Gross profit		700,788	578,098
Distribution costs		(69,498)	(68,647)
Administrative expenses		(666,978)	(482,031)
		<hr/>	<hr/>
Operating (loss)/profit		(35,688)	27,420
Interest receivable	6	128,545	84,925
Interest payable	7	(37,333)	(31,198)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	55,524	81,147
Tax on profit on ordinary activities	8	(12,000)	(16,042)
		<hr/>	<hr/>
Retained profit for the financial year	14	43,524	65,105
		<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.

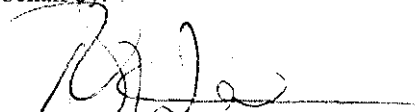
There are no recognised gains or losses other than the profit for the year stated above.

Balance sheet

at 31 May 2005

	Note	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	9		81,545		64,176
Current assets					
Stocks	10	634,793		707,978	
Debtors	11	4,147,895		2,802,716	
Cash at bank and in hand		150		5,338	
		<u>4,782,838</u>		<u>3,516,032</u>	
Creditors: amounts falling due within one year	12	<u>(2,218,102)</u>		<u>(977,451)</u>	
Net current assets			<u>2,564,736</u>		<u>2,538,581</u>
Net assets			<u>2,646,281</u>		<u>2,602,757</u>
Capital and reserves					
Called up share capital	13		1,520		1,520
Capital redemption reserve	14		480		480
Profit and loss account	14		2,644,281		2,600,757
Shareholders' funds	14		<u>2,646,281</u>		<u>2,602,757</u>

These financial statements were approved by the board of directors on 11 October 2005 and were signed on its behalf by:


RD Waxman
Director

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.

Under Financial Reporting Standard 1 (Revised), the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking.

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	-	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 three defined contribution pension schemes. 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 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.

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

<i>By geographical market</i>	2005 £	2004 £
United Kingdom	883,363	797,100
Europe	2,697,411	2,241,795
	<u>3,580,774</u>	<u>3,038,895</u>

3 Profit on ordinary activities before taxation

	2005 £	2004 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	3,700	3,600
Depreciation of tangible fixed assets	33,135	24,174
Operating leases – land and buildings	53,912	55,938
Operating leases – other	3,015	2,278
	<u>93,762</u>	<u>85,990</u>
<i>after crediting</i>		
Profit on sale of tangible fixed assets	750	-
	<u>94,512</u>	<u>85,990</u>

4 Remuneration of directors

	2005 £	2004 £
Total remuneration excluding pension contributions	218,191	107,710
Contributions to money purchase pension scheme	31,120	1,214
	<u>249,311</u>	<u>108,924</u>

The emoluments of the highest paid director were as follows:

	2005 £	2004 £
Total remuneration excluding pension contributions	101,485	46,416
Contributions to money purchase pension scheme	24,000	1,123
	<u>125,485</u>	<u>47,539</u>

Retirement benefits are accruing to 4 (2004: 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	
	2005	2004
Management and administration	6	7
Warehouse	2	2
	<hr/>	<hr/>
	8	9
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£	£
Wages and salaries	322,705	230,024
Social security costs	38,705	25,181
Other pension costs	39,603	6,027
	<hr/>	<hr/>
	401,013	261,232
	<hr/>	<hr/>

6 Interest receivable

	2005	2004
	£	£
Group interest	128,420	68,430
Bank interest	111	16,495
Other interest	14	-
	<hr/>	<hr/>
	128,545	84,925
	<hr/>	<hr/>

7 Interest payable

	2005	2004
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years:		
Short term loans	23,874	7,426
Bank overdraft	13,459	23,772
	<hr/>	<hr/>
	37,333	31,198
	<hr/>	<hr/>

Notes (continued)

8 Taxation

	2005 £	2004 £
UK corporation tax at 19% (2004: 19%) on the profit for the year on ordinary activities	12,000	18,000
Adjustment relating to an earlier year	-	(1,958)
	<u>12,000</u>	<u>16,042</u>

Reconciliation of current year tax charge

The standard rate of corporation tax for the year is 19% (2004: 19%). The current year tax charge is higher (2004: higher) than 19% (2004: 19%) for the reasons set out in the following reconciliation:

	2005 £	2004 £
Profit on ordinary activities before taxation	55,524	81,147
Tax on profit on ordinary activities at standard rate	10,550	15,418
Factors affecting charge:		
Capital allowances in advance of depreciation	(502)	(273)
Other timing differences	-	100
Disallowed expenditure	1,651	1,677
Rounding	301	1,078
Adjustment relating to an earlier year	-	(1,958)
Current tax charge	<u>12,000</u>	<u>16,042</u>

9 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of year	3,646	325,644	36,247	365,537
Additions	1,485	12,367	36,652	50,504
Disposals	-	-	(3,254)	(3,254)
At end of year	<u>5,131</u>	<u>338,011</u>	<u>69,645</u>	<u>412,787</u>
<i>Depreciation</i>				
At beginning of year	3,646	273,975	23,740	301,361
Charge for year	223	15,772	17,140	33,135
On disposals	-	-	(3,254)	(3,254)
At end of year	<u>3,869</u>	<u>289,747</u>	<u>37,626</u>	<u>331,242</u>
<i>Net book value</i>				
At 31 May 2005	<u>1,262</u>	<u>48,264</u>	<u>32,019</u>	<u>81,545</u>
At 31 May 2004	<u>-</u>	<u>51,669</u>	<u>12,507</u>	<u>64,176</u>

Notes (continued)

10 Stocks

	2005 £	2004 £
Goods for resale	634,793	707,978

11 Debtors

	2005 £	2004 £
Trade debtors	696,327	655,284
Amounts owed by group undertakings	3,341,143	2,010,505
Other debtors	96,410	130,279
Prepayments and accrued income	14,015	6,648
	4,147,895	2,802,716

12 Creditors: amounts falling due within one year

	2005 £	2004 £
Amounts owed to group undertakings	2,050	2,050
Short term loans	364,978	52,563
Bank overdraft	803,381	-
Trade creditors	251,688	173,585
Corporation tax	13,329	18,000
Other taxes and social security	41,677	91,987
Other creditors	716,922	612,010
Accruals and deferred income	24,077	27,256
	2,218,102	977,451

Other creditors include £659,973 (2004: £578,104) owed by the company to Waxman Holdings Limited, of which AA Waxman and RD Waxman are directors and shareholders. £159,443 (2004: £50,075), £526 (2004: £984) and £445 (2004: £1,504) is owed by the company to Mr RD Waxman, Mr S Waxman and Mr J Waxman respectively upon which the company is paying interest at 1.5% above base rate.

The company traded on normal commercial terms with Waxman Holdings Limited during the year, the total value of such transactions being £102,665 (2004 : £115,180).

Notes (continued)

13 Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
Ordinary shares of £1 each	10,000	10,000
Deferred shares of £1 each	1,000	1,000
	<u>11,000</u>	<u>11,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	520	520
Deferred shares of £1 each	1,000	1,000
	<u>1,520</u>	<u>1,520</u>

14 Reconciliation of movements in shareholders' funds

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total 2005 £	Total 2004 £
At beginning of year	1,520	480	2,600,757	2,602,757	2,537,652
Retained profit for the year	-	-	43,524	43,524	65,105
	<u>1,520</u>	<u>480</u>	<u>2,644,281</u>	<u>2,646,281</u>	<u>2,602,757</u>

15 Deferred tax

The full potential asset not recognised is as follows:

	2005 £	2004 £
Capital allowances in advance of depreciation	4,173	4,675

16 Contingent liabilities

The company has guaranteed the overdrafts of the following companies:

Waxman Ceramics Limited
Waxman Fibres Limited

The amount outstanding at the year end was £nil (2004: £nil). Mr RD Waxman has an interest in the share capital of Waxman Ceramics Limited and Waxman Fibres Limited.

Notes (continued)

17 Commitments

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

	2005 £	2004 £
<i>Land and buildings</i>		
Operating leases which expire:		
After five years	<u>50,184</u>	<u>58,263</u>

18 Pension scheme

The company 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 represents contributions payable by the company to the funds and amounted to £30,000 (2004: £nil).

The company also contributes to a defined contribution scheme operated by Waxman Holdings Limited. The pension cost charge for the year amounted to £9,603 (2004: £6,027).

19 Ultimate parent undertaking

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