

Company Registration No. 4339104 (England and Wales)

DENNIS RUABON TILES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003



Hamilton-Burke Dufau Limited
Chartered Accountants
Liverpool

DENNIS RUABON TILES LIMITED

COMPANY INFORMATION

Directors	C Gibb J Paton
Secretary	DWF Secretarial Services Limited
Company number	4339104
Registered office	Gladstone House 2 Church Road Liverpool L15 9EG
Auditors	Hamilton-Burke Dufau Limited Gladstone House 2 Church Road Liverpool L15 9EG
Bankers	Bank of Scotland Beaucherc House 3 Queens Road Reading RG1 4AR
Solicitors	Davies Wallis Foyster 5 Castle Street Liverpool L2 4XE

DENNIS RUABON TILES LIMITED

CONTENTS

	Page
Directors' report	1
Independent auditors' report	2 - 3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 15

DENNIS RUABON TILES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

The principal activity of the company continued to be that of the manufacture and sale of ceramic tiles, pavers and associated products.

The results for the year and the financial position at the year end were as expected by the directors who have budgeted for losses in the early years of establishing and developing the business.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 January 2003:

C Gibb
J Paton

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary £1 shares of £ 1 each	
	31 December 2003	1 January 2003
C Gibb	35	35
J Paton	30	30

Auditors

Malthouse & Co have resigned as auditors and the directors have appointed Messrs Hamilton-Burke Dufau Limited who have expressed their willingness to continue in office. A resolution to re-appoint them as auditors will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

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 of the company 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

J Paton

Director

28 October 2004

DENNIS RUABON TILES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DENNIS RUABON TILES LIMITED

We have audited the financial statements of Dennis Ruabon Tiles Limited on pages 4 to 15 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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 the directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

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 United Kingdom 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1.1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facility. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

DENNIS RUABON TILES LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF DENNIS RUABON TILES LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hamilton-Burke Dufau Ltd

Hamilton-Burke Dufau Limited

28 October 2004

Chartered Accountants

Registered Auditor

Gladstone House
2 Church Road
Liverpool
L15 9EG

DENNIS RUABON TILES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	2,103,322	2,391,873
Cost of sales		(2,339,250)	(2,169,762)
Gross (loss)/profit		(235,928)	222,111
Administrative expenses		(155,630)	(645,142)
Operating loss	3	(391,558)	(423,031)
Interest payable and similar charges	4	(112,793)	(87,553)
Loss on ordinary activities before taxation		(504,351)	(510,584)
Tax on loss on ordinary activities	5	63,469	-
Loss on ordinary activities after taxation	14	(440,882)	(510,584)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

Note of historical cost profits and losses

	2003 £	2002 £
Reported loss on ordinary activities before taxation	(504,351)	(510,584)
Realisation of property revaluation gains of previous years	53,571	-
Historical cost loss on ordinary activities before taxation	(450,780)	(510,584)
Historical cost loss for the year retained after taxation, extraordinary items and dividends	(387,311)	(510,584)

DENNIS RUABON TILES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Intangible assets	6	152,402			2
Tangible assets	7	1,302,828		1,413,330	
		<u>1,455,230</u>		<u>1,413,332</u>	
Current assets					
Stocks	8	171,516		219,119	
Debtors	9	1,076,108		617,573	
		<u>1,247,624</u>		<u>836,692</u>	
Creditors: amounts falling due within one year	10	<u>(2,614,218)</u>		<u>(1,570,508)</u>	
Net current liabilities			<u>(1,366,594)</u>		<u>(733,816)</u>
Total assets less current liabilities			88,636		679,516
Creditors: amounts falling due after more than one year	11		<u>(590,000)</u>		<u>(740,000)</u>
			<u>(501,364)</u>		<u>(60,484)</u>
Capital and reserves					
Called up share capital	13		100		100
Revaluation reserve	14		396,429		450,000
Profit and loss account	14		<u>(897,893)</u>		<u>(510,584)</u>
Shareholders' funds - equity interests	15		<u>(501,364)</u>		<u>(60,484)</u>

The financial statements were approved by the Board on 28 October 2004

J Paton
Director



DENNIS RUABON TILES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	£	2003 £	£	2002 £
Net cash outflow from operating activities		(1,181,921)		(486,081)
Returns on investments and servicing of finance				
Interest paid	(112,793)		(87,553)	
Net cash outflow for returns on investments and servicing of finance		(112,793)		(87,553)
Taxation		63,469		-
Capital expenditure				
Payments to acquire intangible assets	(162,260)		-	
Payments to acquire tangible assets	(14,123)		(1,000,988)	
Receipts from sales of tangible assets	403,235		-	
Net cash inflow/(outflow) for capital expenditure		226,852		(1,000,988)
Net cash outflow before management of liquid resources and financing		(1,004,393)		(1,574,622)
Financing				
Issue of ordinary share capital	-		100	
New long term bank loan	-		740,000	
Other new short term loans	-		150,000	
Repayment of long term bank loan	(150,000)		-	
Net cash (outflow)/inflow from financing		(150,000)		890,100
Decrease in cash in the year		(1,154,393)		(684,522)

DENNIS RUABON TILES LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1	Reconciliation of operating loss to net cash outflow from operating activities	2003	2002
		£	£
	Operating loss	(391,558)	(423,031)
	Depreciation of tangible assets	41,291	37,656
	Amortisation of intangible assets	9,863	-
	Profit on disposal of tangible assets	(319,902)	-
	Decrease/(increase) in stocks	47,603	(219,119)
	Increase in debtors	(458,535)	(617,573)
	(Decrease)/Increase in creditors within one year	(110,683)	735,986
	Net cash outflow from operating activities	(1,181,921)	(486,081)

2	Analysis of net debt	1 January 2003	Cash flow	Other non-cash changes	31 December 2003
		£	£	£	£
	Net cash:				
	Bank overdrafts	(684,522)	(1,154,393)	-	(1,838,915)
	Bank deposits	-	-	-	-
	Debt:				
	Debts falling due within one year	(150,000)	-	-	(150,000)
	Debts falling due after one year	(740,000)	150,000	-	(590,000)
		(890,000)	150,000	-	(740,000)
	Net debt	(1,574,522)	(1,004,393)	-	(2,578,915)

3	Reconciliation of net cash flow to movement in net debt	2003	2002
		£	£
	Decrease in cash in the year	(1,154,393)	(684,522)
	Cash outflow/(inflow) from decrease/(increase) in debt	150,000	(890,000)
	Movement in net debt in the year	(1,004,393)	(1,574,522)
	Opening net debt	(1,574,522)	-
	Closing net debt	(2,578,915)	(1,574,522)

DENNIS RUABON TILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

The company meets its day-to-day working capital requirements through an overdraft facility that is repayable on demand. On the basis of cash flow information and discussions with the company's bankers, the directors consider that the company will continue to operate within the agreed facility. However, the margin of facilities over requirements is not large, and inherently there can be no certainty in relation to these matters. On this basis, the directors consider that in preparing the financial statements they have taken into account all information that can reasonably be expected to be available. On this basis they consider that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in a withdrawal of the overdraft facility by the company's bankers.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of ten years.

1.4 Trademarks and Licences

Trademarks and Licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

1.5 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	Straight Line over 40 years
Plant and machinery	Straight Line over 15 years
Fixtures, fittings & equipment	Straight Line over 10 years

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss account.

1.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

DENNIS RUABON TILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

(continued)

1.9 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

1.10 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.11 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

2003

2002

£

£

Operating loss is stated after charging:

Amortisation of intangible assets

9,863

-

Depreciation of tangible assets

41,291

37,656

Operating lease rentals

84,170

82,089

Auditors' remuneration

11,000

12,500

and after crediting:

Profit on disposal of tangible assets

(319,902)

-

4 Interest payable

2003

2002

£

£

On bank loans and overdrafts

62,204

31,471

On other loans wholly repayable within five years

50,589

56,082

112,793

87,553

DENNIS RUABON TILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

5	Taxation	2003	2002
		£	£
	Domestic current year tax		
	Tax credits on Research and Development	(63,469)	-
	Current tax charge	<u>(63,469)</u>	<u>-</u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	<u>(504,351)</u>	<u>(510,584)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2002: 0.00%)	-	-
	Effects of:		
	Other tax adjustments	<u>(63,469)</u>	<u>-</u>
	Current tax charge	<u>(63,469)</u>	<u>-</u>
6	Intangible fixed assets		
		Trademarks and Licences	Goodwill
		£	£
	Cost		
	At 1 January 2003	-	-
	Additions	52,500	109,765
	At 31 December 2003	<u>52,500</u>	<u>109,765</u>
	Amortisation		
	At 1 January 2003	-	-
	Charge for the year	4,375	5,488
	At 31 December 2003	<u>4,375</u>	<u>5,488</u>
	Net book value		
	At 31 December 2003	<u>48,125</u>	<u>104,277</u>
	At 31 December 2002	<u>1</u>	<u>2</u>

DENNIS RUABON TILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

7 Tangible fixed assets

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost or valuation				
At 1 January 2003	931,553	515,232	4,200	1,450,985
Additions	-	14,123	-	14,123
Disposals	(83,333)	-	-	(83,333)
At 31 December 2003	848,220	529,355	4,200	1,381,775
Depreciation				
At 1 January 2003	5,789	31,657	210	37,656
Charge for the year	5,789	35,082	420	41,291
At 31 December 2003	11,578	66,739	630	78,947
Net book value				
At 31 December 2003	836,642	462,616	3,570	1,302,828
At 31 December 2002	925,765	483,575	3,990	1,413,330

8 Stocks and work in progress

	2003 £	2002 £
Raw materials and consumables	107,072	150,392
Work in progress	64,444	68,727
	171,516	219,119

9 Debtors

	2003 £	2002 £
Other debtors	1,040,084	558,746
Prepayments and accrued income	36,024	34,313
	1,076,108	617,573

DENNIS RUABON TILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

10 Creditors: amounts falling due within one year	2003 £	2002 £
Bank loans and overdrafts	1,988,915	834,522
Payments received on account	-	230,000
Trade creditors	175,048	278,310
Taxes and social security costs	113,644	87,367
Other creditors	212,566	8,987
Accruals and deferred income	124,045	131,322
	<u>2,614,218</u>	<u>1,570,508</u>

11 Creditors: amounts falling due after more than one year	2003 £	2002 £
Bank loans	<u>590,000</u>	<u>740,000</u>
Analysis of loans		
Wholly repayable within five years	<u>740,000</u>	<u>890,000</u>
	<u>740,000</u>	<u>890,000</u>
Included in current liabilities	<u>(150,000)</u>	<u>(150,000)</u>
	<u>590,000</u>	<u>740,000</u>

The company's bank loans and overdrafts are secured with a fixed and floating charge over the company's assets together with a fixed charge over the book debts.

12 Pension costs

Defined contribution

	2003 £	2002 £
Contributions payable by the company for the year	<u>42,163</u>	<u>45,564</u>

DENNIS RUABON TILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

13 Share capital	2003	2002
	£	£
Authorised		
100 Ordinary £1 shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid		
100 Ordinary £1 shares of £1 each	100	100
	<hr/>	<hr/>
14 Statement of movements on reserves		
	Revaluation reserve	Profit and loss account
	£	£
Balance at 1 January 2003	450,000	(510,582)
Retained loss for the year	-	(440,882)
Transfer from revaluation reserve to profit and loss account	(53,571)	53,571
	<hr/>	<hr/>
Balance at 31 December 2003	396,429	(897,893)
	<hr/>	<hr/>
15 Reconciliation of movements in shareholders' funds	2003	2002
	£	£
Loss for the financial year	(440,882)	(510,584)
Other recognised gains and losses	-	450,000
Proceeds from issue of shares	-	100
	<hr/>	<hr/>
Net depletion in shareholders' funds	(440,882)	(60,484)
Opening shareholders' funds	(60,484)	-
	<hr/>	<hr/>
Closing shareholders' funds	(501,364)	(60,484)
	<hr/>	<hr/>

16 Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003	2002
	£	£
Expiry date:		
Within one year	5,004	-
Between two and five years	59,419	-
	<hr/>	<hr/>
	64,423	-
	<hr/>	<hr/>

DENNIS RUABON TILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

17 Directors' emoluments	2003 £	2002 £
Emoluments for qualifying services	84,403	77,886
Company pension contributions to money purchase schemes	7,584	7,001
	<u>91,987</u>	<u>84,887</u>

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Production, warehouse and distribution	79	79
Administration	6	6
	<u>85</u>	<u>85</u>

Employment costs

	£	£
Wages and salaries	1,377,308	1,399,554
Social security costs	127,169	119,827
Other pension costs	42,163	45,564
	<u>1,546,640</u>	<u>1,564,945</u>

DENNIS RUABON TILES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

19 Related party transactions

During the year, the company has traded with Dennis Ruabon Sales Limited, a company related by common shareholders and directors. All of the company's sales are to Dennis Ruabon Sales Limited. During the year £2,103,321 of sales were made to Dennis Ruabon Sales Limited as well as management charges to Dennis Ruabon Sales Limited of £756,767. At the year end, the company had a debtor of £1,040,084 due from Dennis Ruabon Sales Limited which is included in other debtors.

Also during the year the company made purchases from Davies Wallis Foyster Solicitors, JS Paton is a director of the company and the chairman of Davies Wallis Foyster Solicitors. During the year the company made purchases of £13,210 from Davies Wallis Foyster Solicitors. At the balance sheet date there was no balance due to Davies Wallis Foyster Solicitors.

During the year the company incurred costs of £72,000 in respect of consultancy fees from JSM Associates Limited. JS Paton is a director and shareholder of both the company and JSM Associates Limited. There was no outstanding balance in respect of these fees at the balance sheet date.

In all other respects these transactions are considered to be on an arms length basis.