REGISTERED NUMBER: 00033221

PILKINGTON'S TILES LIMITED

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2005

Styles & George LLP
Chartered Accountants and Registered Auditors
Bromley House
Woodford Road
Bramhall
Stockport
Cheshire
SK7 1JN

PILKINGTON'S TILES LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2005

PILKINGTON'S TILES LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31ST MARCH 2005

DIRECTORS:	S J Clark S P Lloyd S Whiteley K Whiteley R Tarr G E Ashcroft A Garrido D A Hulse
SECRETARY:	S Whiteley
REGISTERED OFFICE:	PO Box 4 Rake Lane Clifton Junction Manchester M27 8LP
REGISTERED NUMBER:	00033221
AUDITORS:	Styles & George LLP Chartered Accountants and Registered Auditors Bromley House Woodford Road Bramhall Stockport Cheshire SK7 1JN
BANKERS:	Barclays Bank Barclays Business Centre Manchester City Office PO BOX 537 51 Mosley Street Manchester M60 2AU

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2005

The directors present their report with the financial statements of the company for the year ended 31st March 2005.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of the manufacture and sale of ceramic and terrazzo tiles and associated adhesive products.

REVIEW OF BUSINESS
The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS
An interim dividend of 14.6 pence per share was paid on 1st June 2004. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31st March 2005 will be £1,950,000.

RESEARCH AND DEVELOPMENT
The company carries out research and development in support of its activities.

DIRECTORS
The directors during the period under review were:

G E Ashcroft	
S J Clark	
S Whiteley	(Appointed 28.05.04)
K Whiteley	(Appointed 28.05.04)
R Tarr	(Appointed 28.05.04)
S Lloyd	(Appointed 28.05.04)
M L Hughes	(Resigned 28.05.04)
M J Hesketh	(Resigned 28.05.04)
L A Kenworthy-Blamire	(Resigned 28.05.04)
D A Hulse	(Resigned 30.09.04)
A Garrido	(Resigned 28.05.04)

The beneficial interest in the issued share capital of the company is made up of the shares owned by each director in the ultimate parent company, Pilkington's Tiles Group Plc, who own 100% of the share capital of Pilkingtons Tiles Limited. These interests are shown in the financial statements of that company.

COMPANY'S POLICY ON PAYMENT OF CREDITORS
The company does not impose standard payment terms on its suppliers but agrees specific terms with each. It is the company's policy to pay its suppliers in accordance with the terms which have been agreed.

At 31 March 2005 the company had an average of 52 days purchases outstanding in trade creditors (31.03.04: 57 days)

POLITICAL AND CHARITABLE CONTRIBUTIONS
During the year the company made charity donations of £NIL (2004: £NIL).

DISABLED EMPLOYEES
Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and the promotion of disabled persons should, as far as possible, be identical with that of other employees.

EMPLOYEES

The board places considerable value on the involvement of its employees and has improved its practice of keeping them informed on matters affecting them as employees and on various matters affecting the performance of the company. Health and Safety Committees are in place at the company's factories.

OPERATIONAL REVIEW

The statutory accounts have been prepared on a like-for-like and consistent basis, using the same accounting policies as the previous financial year.

CERAMICS DIVISION

The relaunch of the Pilkington's brand was and remains a key initiative of the new management post the acquisition of the business on 28th May 2004. This strategy, along with others, has led to the profitable growth in sales seen over the last year. Sales on a like for like basis have risen by 8% or £1.9m to £25.4m. Multiples and specification sales in particular have shown strong growth over the year ended 31st March 2004. The objective of providing a total wall and floor tiling solution is now coming to fruition with the launch of a new product portfolio in Spring 2005. Profitable sales growth is expected to continue throughout the next financial year.

Operating profit has improved by £558,000 over the same period last year. Improvement in margins have been achieved through direct sales to the Housebuilders and Multiples sectors in particular. This along with improvements in the efficiency of the company's two factories has brought about this turnaround results.

A profit of £1.5m was also made on the disposal of the company's Poole land to Poole Investments plc. A review of the Group's supplier base remains ongoing and is expected to bring about significant price reductions due to consolidating our requirements into a smaller number of larger key suppliers.

Net debt has also been reduced by £1.2m, down from £2.8m to £1.6m.

QUILIGOTTI TERRAZZO DIVISION

Sales of terrazzo based products have shown a 5% improvement over the same period last year. The improvement was down to slight improvements in supermarket sales but most markedly in the increased use of terrazzo in external domestic landscaping, slip resistant and retail applications. Sales in total rose £0.2m to £3.2m.

Operating profit rose by £202,000 to £404,000 for the year. Margins have been increased through improving selling prices, reducing manpower costs and improving productivity in the terrazzo factory. A new product launch in Spring 2005 will enhance the terrazzo division's product offering still further.

BALANCE SHEET

The new Group's balance sheet has benefited significantly from the new management teams acquisition of the operating businesses from the previous parent company. Shareholders funds in Pilkington's Tiles Limited have benefited from new equity injection of £1.9m and the waiver of intercompany balances. This, along with improved company operating cash generation, means the Group now has a net debt of just £1.6m, resulting in gearing of 10.6%.

STRATEGY

Maximising the profitable growth in sales performance remains the most important strategic aim of the new management team. Existing and new market sectors are being more effectively penetrated through offering a totally comprehensive package of wall and flooring solutions previously not offered by the Group. Gaps in our product portfolio have been filled and new customers targeted in sectors where we have had particularly poor representation in the past. The Premier brand names of Pilkington's and Quiligotti are being promoted through investment in marketing campaigns which will help to lift these brands to levels not experienced for many years.

Focus will also remain on stringent cost control and partnering with key suppliers across all areas of the Group

OUTLOOK

Significant improvements in performance have been made over the last 10 months through the renewed management focus given post the MBI in May 2004 and the skill and commitment of all of our employees. The new financial year is expected to bring further improvement in the company's results. This is expected to happen as the company's new complete wall and floor product portfolio is launched and penetrates sectors previously not reached.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 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 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;
- 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 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.

AUDITORS
The auditors, Styles & George LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

....
R Tarr

....
S P Lloyd

Date: 11/7/05

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF PILKINGTON'S TILES LIMITED

We have audited the financial statements of Pilkington's Tiles Limited for the year ended 31st March 2005 on pages five to twenty two. These financial statements have been prepared under the historical cost convention 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 auditors' 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 on page three the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors 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.

Opinion
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Styles & George LLP
Chartered Accountants and Registered Auditors
Bromley House
Woodford Road
Bramhall
Stockport
Cheshire
SK7 1JN

Date: 11/7/05

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2005

	Notes	2005 £	2004 £
TURNOVER	2	**28,590,855**	26,570,000
Expenses		**(28,460,478)**	(27,598,035)
OPERATING PROFIT/(LOSS)	4	**130,377**	(1,028,035)
Profit on disposal of fixed assets		**1,500,622**	3,813
Interest receivable and similar income		**428**	222
		1,631,427	(1,024,000)
Interest payable and similar charges	5	**(208,697)**	(385,000)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		**1,422,730**	(1,409,000)
Tax on profit/(loss) on ordinary activities	6	**142,000**	390,000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		**1,564,730**	(1,019,000)
Dividends	7	**(1,950,000)**	-
DEFICIT FOR THE YEAR		**(385,270)**	(1,019,000)

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current and previous years.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST MARCH 2005

	2005 £	2004 £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	**1,564,730**	(1,019,000)
Realisation on sale of revalued asset	**2,362,000**	-
Revaluation of fixed assets	-	781,000
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	3,926,730	(238,000)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material.

PILKINGTON'S TILES LIMITED

BALANCE SHEET
31ST MARCH 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Intangible assets	8	**685,500**	738,000
Tangible assets	9	**8,317,636**	14,035,000
Investments	10	**9,000**	9,000
		9,012,136	14,782,000
CURRENT ASSETS			
Stocks	11	**5,301,104**	5,302,000
Debtors	12	**3,610,046**	11,925,000
Cash at bank and in hand		**176,011**	1,000
		9,087,161	17,228,000
CREDITORS			
Amounts falling due within one year	13	**(6,757,720)**	(31,133,000)
NET CURRENT ASSETS/(LIABILITIES)		**2,329,441**	(13,905,000)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,341,577**	877,000
CREDITORS			
Amounts falling due after more than one year	14	**(353,604)**	(935,000)
PROVISIONS FOR LIABILITIES AND CHARGES	17	**-**	(142,000)
		10,987,973	(200,000)
CAPITAL AND RESERVES			
Called up share capital	18	**3,334,500**	1,435,000
Share premium	19	**285,000**	285,000
Revaluation reserve	19	**-**	2,362,000
Capital redemption reserve	19	**9,673,743**	-
Profit and loss account	19	**(2,305,270)**	(4,282,000)
SHAREHOLDERS' FUNDS	21	**10,987,973**	(200,000)

ON BEHALF OF THE BOARD:

K Whiteley

R Tarr

S P Lloyd

Approved by the Board on 11/7/05

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2005

	Notes	2005 £	2004 £
Net cash (outflow)/inflow from operating activities	1	**(4,324,487)**	3,213,965
Returns on investments and servicing of finance	2	**(208,269)**	(384,778)
Taxation		**4,000**	-
Capital expenditure	2	**4,148,010**	(198,187)
Equity dividends paid		***(350,000)***	-
		(730,746)	2,631,000
Financing	2	**889,326**	(792,000)
Increase in cash in the period		**158,580**	1,839,000

	Notes	2005 £	2004 £
Reconciliation of net cash flow **to movement in net debt**	3		
Increase in cash in the period		**158,580**	1,839,000
Cash outflow from decrease in debt and lease financing		**1,010,174**	792,000
Change in net debt resulting from cash flows		**1,168,754**	2,631,000
Movement in net debt in the period		**1,168,754**	2,631,000
Net debt at 1st April		**(2,785,000)**	(5,416,000)
Net debt at 31st March		**(1,616,246)**	(2,785,000)

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating profit/(loss)	1,630,999	(1,024,222)
Depreciation charges	1,522,476	1,880,600
Profit on disposal of fixed assets	(1,500,622)	(5,413)
Decrease/(Increase) in stocks	896	(432,000)
Decrease/(Increase) in debtors	8,310,954	(1,364,000)
(Decrease)/Increase in creditors	(14,289,190)	4,159,000
Net cash (outflow)/inflow from operating activities	(4,324,487)	3,213,965

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2005	2004
	£	£
Returns on investments and servicing of finance		
Interest received	428	222
Interest paid	(199,307)	(361,000)
Interest element of hire purchase payments	(9,390)	(24,000)
Net cash outflow for returns on investments and servicing of finance	(208,269)	(384,778)
Capital expenditure		
Purchase of tangible fixed assets	(612,072)	(235,000)
Sale of tangible fixed assets	4,760,082	36,813
Net cash inflow/(outflow) for capital expenditure	4,148,010	(198,187)
Financing		
Loan repayments in year	(1,275,885)	(627,000)
Capital repayments in year	265,711	(165,000)
Share issue	1,899,500	-
Net cash inflow/(outflow) from financing	889,326	(792,000)

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2005

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.04 £	Cash flow £	At 31.3.05 £
Net cash:			
Cash at bank and in hand	1,000	175,011	176,011
Bank overdrafts	(49,000)	(16,431)	(65,431)
	(48,000)	158,580	110,580
Debt:			
Hire purchase	(114,000)	(265,711)	(379,711)
Debts falling due within one year	(1,743,000)	512,555	(1,230,445)
Debts falling due after one year	(880,000)	763,330	(116,670)
	(2,737,000)	1,010,174	(1,726,826)
Total	(2,785,000)	1,168,754	(1,616,246)

1. ACCOUNTING POLICIES

Basis of preparing the financial statements
The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards. The company meets its day to day working capital requirements through a loan facility which is repayable on demand. The company expects to operate within the facility, which is due for renewal in May 2007. These views are based on the Company's plans and projected cash flow information. The directors believe it is therefore appropriate to prepare the financial statements on the going concern basis.

Accounting convention
The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Exemption from preparing consolidated financial statements
The financial statements contain information about Pilkington's Tiles Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Pilkington's Tiles Group Plc, a company registered in England and Wales.

Turnover
Turnover represents the net value of goods and services supplied and work completed on contracts after trade discounts. A prudent assessment of claims and variations considered recoverable is recognised in the financial statements. Any differences between the final settlements on contracts and the turnover previously recognised is included as turnover in the financial statements upon settlement. Turnover excludes VAT.

Intangible fixed assets
Goodwill arising on the acquisition of businesses is capitalised and amortised over its estimated economic life to a maximum of 20 years. Other intangible fixed assets are initially valued at cost and are also amortised after their economic life. Intangible fixed assets are reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a business is subsequently closed or sold, any goodwill that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 4% on cost or revaluation
Plant and machinery	- 5% on cost
Fixtures and fittings	- between 33% and 20% on cost
Motor vehicles	- 20% on cost

The carrying value of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

1. **ACCOUNTING POLICIES - continued**

Stocks
Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation. Provision is made for obsolete, slow-moving ad defective stocks. Contract costs are recognised in the profit and loss account as incurred.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the exception of deferred tax assets.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions
The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

The company also participates in a defined benefit pension scheme which is now closed to new members. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for in accordance with SSAP 24 on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effect of variations from regular costs are spread over the expected average remaining lives of members of the scheme.

The transitional provisions of FRS 17 have been applied with appropriate disclosures given in note 22.

Leased Assets
Assets held under finance leases are capitalised and depreciated over the useful economic life of the asset. Related liabilities are shown in creditors. Repayments are apportioned between interest and capital to produce a constant rate of charge on the outstanding balance over the period of the lease.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Foreign currencies
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the period end. Exchange differences arising from the retranslation of foreign currency denominated assets and liabilities together with other exchange differences arising in the period are included in the profit and loss account.

1. **ACCOUNTING POLICIES - continued**

Research and development
Expenditure on research and development is charged to the profit and loss account as incurred.

2. **TURNOVER**

The turnover and profit (2004 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2005	2004
	£	£
United Kingdom and Europe	28,047,855	25,925,000
Other	543,000	645,000
	28,590,855	26,570,000

Turnover and profit on ordinary activities before taxation are principally attributable to the company's main class of business, the manufacture and sale of ceramic tiles and associated adhesive products, and arises from goods produced in the United Kingdom.

3. **STAFF COSTS**

	2005	2004
	£	£
Wages and salaries	6,395,517	6,365,947
Social security costs	581,863	556,000
Other pension costs	476,918	487,000
	7,454,298	7,408,947

The average monthly number of employees during the year was as follows:

	2005	2004
Production	194	203
Sales and administration	123	122
	317	325

4. OPERATING PROFIT/(LOSS)

The operating profit (2004 - operating loss) is stated after charging/(crediting):

	2005	2004
	£	£
Depreciation - owned assets	1,469,976	1,755,000
Depreciation – leased assets	203,375	218,000
Auditors remuneration	13,000	42,000
Profit on disposal of fixed assets	(1,500,622)	(3,813)
Goodwill amortisation	30,000	30,000
Patents and licences amortisation	5,000	5,000
Development costs amortisation	17,500	17,000

Directors' emoluments	557,256	391,000

Information regarding the highest paid director is as follows:

	2005	2004
	£	£
Emoluments etc	101,063	181,000

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Bank interest	143,718	361,000
Loan	55,589	-
Leasing	9,390	24,000
	208,697	385,000

6. TAXATION

Analysis of the tax credit
The tax credit on the profit on ordinary activities for the year was as follows:

	2005	2004
	£	£
Current tax:		
UK corporation tax	-	61,000
Adjustments in respect of previous years	-	(57,000)
Total current tax	-	4,000
Deferred tax	(142,000)	(394,000)
Tax on profit/(loss) on ordinary activities	(142,000)	(390,000)

6. TAXATION - continued

Factors affecting the tax credit

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2005	2004
	£	£
Profit/(loss) on ordinary activities before tax	1,422,730	(1,409,000)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	426,819	(422,700)
Effects of:		
Expenses not deductible/(income not taxable) for tax purposes	(432,085)	33,700
(Accelerated)/decelerated capital allowances	(78,074)	(57,000)
Group reliefs surrendered for nil payment	83,340	35,000
Other differences	-	10,000
Tax losses carried forward	-	405,000
Current tax credit	-	4,000

Factors that may affect future tax charges

Based on current capital investment plans, the company expects depreciation to exceed capital allowances in future years.

No provision has been made for deferred tax in relation to the potential unwind of accelerated capital allowances due to the availability of brought forward tax losses.

7. DIVIDENDS

	2005	2004
	£	£
Equity shares:		
Interim	1,950,000	-

8. INTANGIBLE FIXED ASSETS

	Goodwill £	Patents £	Know-how £	Totals £
COST				
At 1st April 2004				
and 31st March 2005	540,168	100,000	350,000	990,168
AMORTISATION				
At 1st April 2004	130,168	25,000	97,000	252,168
Amortisation for year	30,000	5,000	17,500	52,500
At 31st March 2005	160,168	30,000	114,500	304,668
NET BOOK VALUE				
At 31st March 2005	380,000	70,000	235,500	685,500
At 31st March 2004	410,000	75,000	253,000	738,000

Goodwill relates to the acquisition of the trade and assets of Woolliscroft Tiles and is being amortised over the directors' estimate of useful economic life of 20 years.

9. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR REVALUATION					
At 1st April 2004	5,302,000	30,976,000	1,580,000	310,000	38,168,000
Additions	-	242,178	239,014	130,880	612,072
Disposals	(5,226,999)	-	-	(61,425)	(5,288,424)
At 31st March 2005	75,001	31,218,178	1,819,014	379,455	33,491,648
DEPRECIATION					
At 1st April 2004	440,000	22,161,000	1,423,000	109,000	24,133,000
Charge for year	10,680	1,306,920	89,431	62,945	1,469,976
Eliminated on disposal	(386,417)	-	-	(42,547)	(428,964)
At 31st March 2005	64,263	23,467,920	1,512,431	129,398	25,174,012
NET BOOK VALUE					
At 31st March 2005	10,738	7,750,258	306,583	250,057	8,317,636
At 31st March 2004	4,862,000	8,815,000	157,000	201,000	14,035,000

The net book value of plant and machinery above includes an amount of £1,064,000 (31.03.04: £1,035,000) in respect of assets held under finance leases and hire purchase contracts.

10. FIXED ASSET INVESTMENTS

	Investments £
COST	
At 1st April 2004	
and 31st March 2005	136,500
PROVISIONS	
At 1st April 2004	
and 31st March 2005	127,500
NET BOOK VALUE	
At 31st March 2005	9,000
At 31st March 2004	9,000

The company's investments at the balance sheet date in the share capital of companies include the following:

Historic City Investments Limited
Nature of business: Dormant

Class of shares:	% holding
Ordinary £1	100.00

Quiligotti Home Products Limited
Nature of business: Dormant

Class of shares:	% holding
Ordinary £1	100.00

Southampton Flooring and Paving Company Limited
Nature of business: Dormant

Class of shares:	% holding
Ordinary £1	100.00

Cristofoli (UK) Limited
Nature of business: Dormant

Class of shares:	% holding
Ordinary £1	100.00

Quiligotti Industrial Flooring Limited
Nature of business: Dormant

Class of shares:	% holding
Ordinary £1	100.00

11. STOCKS

	2005	2004
	£	£
Raw materials	**996,807**	962,000
Work-in-progress	**393,507**	401,000
Finished goods	**3,910,790**	3,939,000
	5,301,104	5,302,000

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Trade debtors	**2,575,798**	3,090,000
Amounts due from group companies	**143,882**	8,560,000
Tax	**-**	4,000
Prepayments and accrued income	**890,366**	271,000
	3,610,046	11,925,000

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Bank loans and overdrafts (see note 15)	**1,295,876**	1,792,000
Hire purchase contracts (see note 16)	**142,777**	59,000
Trade creditors	**3,772,201**	3,812,000
Social security and other taxes	**600,672**	839,000
Other creditors	**123,847**	1,411,000
Amounts due to group companies	**28,673**	23,220,000
Accrued expenses	**793,674**	-
	6,757,720	31,133,000

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005	2004
	£	£
Bank loans (see note 15)	**116,670**	880,000
Hire purchase contracts (see note 16)	**236,934**	55,000
	353,604	935,000

15. LOANS

An analysis of the maturity of loans is given below:

	2005	2004
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	65,431	49,000
Loans	1,230,445	1,743,000
	1,295,876	1,792,000
Amounts falling due between one and two years:		
Loans	116,670	880,000

16. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	2005	2004
	£	£
Net obligations repayable:		
Within one year	142,777	59,000
Between one and five years	236,934	55,000
	379,711	114,000

17. PROVISION FOR LIABILITIES AND CHARGES

	2005	2004
	£	£
Deferred tax	-	142,000

	Deferred tax
	£
Balance at 1st April 2004	142,000
Prior year adjustment	(976)
Profit and loss account	(141,024)
Balance at 31st March 2005	-

18. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2005 £	2004 £
13,338,000 (2004 - 5,738,000)	Ordinary	£0.25	**3,334,500**	1,434,500

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2005 £	2004 £
13,338,000 (2004 – 5,738,000)	Ordinary	£0.25	**3,334,500**	1,435,000

19. RESERVES

	Profit and loss account £	Share premium £	Revaluation reserve £	Capital reserve £	Totals £
At 1st April 2004	(4,282,000)	285,000	2,362,000	-	(1,635,000)
Deficit for the year	(385,270)	-	-	-	(385,270)
Capital contribution	-	-	-	9,673,743	9,673,743
Sale of re-valued asset	2,362,000	-	(2,362,000)	-	-
At 31st March 2005	(2,305,270)	285,000	-	9,673,743	7,653,473

20. ULTIMATE CONTROLLING PARTY

The company's ultimate parent company and controlling party, Pilkington's Tiles Group Plc is registered in England and Wales.

The only group of which Pilkington's Tile Limited is a member and for which group financial statements are drawn up is that headed by Pilkington's Tiles Group Plc.

As a subsidiary undertaking of Pilkington's Tiles Group Plc, the company has taken advantage of the exemption in FRS8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by Pilkington's Tiles Group Plc.

21. *RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS*

	2005	2004
	£	£
Profit/(Loss) for the financial year	**1,564,730**	(1,019,000)
Dividends	**(1,950,000)**	-
	(385,270)	(1,019,000)
Increase in share capital	**1,899,500**	-
Revaluation reserve	**-**	781,000
Capital contribution	**9,673,743**	-
Net addition/(reduction) to shareholders' funds	**11,187,973**	(238,000)
Opening shareholders' funds	***(200,000)***	*38,000*
Closing shareholders' funds	**10,987,973**	(200,000)
Equity interests	**10,987,973**	(200,000)

22. PENSION

The company is a participating employer in the Pilkington's Tiles Group's defined benefit pension scheme, which is funded by the payment of contributions to a separately administered fund. The pension benefits for the company's employees are provided within the group scheme with company contributions being based on pension costs across the group as a whole. As such the company is unable to identify its share of the underlying assets and liabilities.

Contributions are based on pension costs of the group as a whole and are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method. The group scheme also includes a section for a defined contribution scheme.

Pension costs are assessed on the advice of independent qualified actuaries.

The scheme has defined benefit and money purchase sections. The defined benefit section was closed to new accruals on 1 September 2002 and all benefits became deferred in nature, increasing in line with statutory revaluation. Following the closure of the final salary scheme, the Company has agreed to contribute £262,000 per annum to the scheme to clear the past service deficit. This amount will increase each year in line with RPI plus 1%. The Company will also meet the the costs of administering the scheme. The money purchase section is open to new members.

The total pension cost due by the company during the year was £363,000 (2004: £489,000). The contributions due to the scheme at the year end were £94,480 (2004: £NIL).

In accordance with FRS17, the following information relates to the Pilkington's Tiles Group's scheme at 31 March 2005:

	£ **2005**	£ 2004
Fair value of scheme assets	**19,423,000**	17,704,000
Present value of scheme liabilities	**(24,333,000)**	(24,608,000)
Scheme deficit	**(4,910,000)**	(6,904,000)

The Pilkington's Tiles Pension Scheme also includes a section for a defined contribution pension scheme. The assets of the schemes are held separately from those of the group in independently administered funds. Contributions to the defined contribution section are charged to the profit and loss account as they fall due.