

Woolliscroft Tiles Limited

(formerly Quiligotti Sure-Step Limited)

Report and Accounts

31 March 1999



ERNST & YOUNG

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

Registered No. 3121376

DIRECTORS

B H Thompson

D J Booth

I Crowther (appointed 1 February 1999)

M I Mayer (appointed 1 February 1999)

H Fildes (appointed 1 February 1999, resigned 17 July 1999)

K Harvey (appointed 1 February 1999, resigned 25 August 1999)

S C Priestley (appointed 1 February 1999, resigned 25 August 1999)

SECRETARY

D J Booth

AUDITORS

Ernst & Young

100 Barbirolli Square

Manchester

M2 3EY

REGISTERED OFFICE

P O Box 4

Rake Lane

Clifton Junction

Manchester

M27 8LP

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1999.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £333,568.

The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The company was non-trading until it acquired the trade and certain assets and liabilities from Woolliscroft Tiles Limited on 1 February 1999. On 1 February 1999 the company changed its name to Woolliscroft Tiles Limited. Since that date the company's principal activity has been the manufacture and sale of ceramic tiles and associated adhesive products. The business has been relocated from rented premises in Stoke on Trent to the Poole premises of a fellow subsidiary.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed on page 2.

No director had any interest in the shares of the company.

B H Thompson and D J Booth were also directors of Pilkington's Tiles Group plc, the ultimate parent company at 31 March 1999. Their interests in the shares of group undertakings are disclosed in the ultimate parent company's accounts. The other directors who held office at 31 March 1999 had interests (including options) in the shares of the ultimate parent company Pilkington's Tiles Group plc as follows:

	Ordinary shares of 5p each		Options in 5p ordinary shares	
	End of year	Beginning of year	End of year	Beginning of year
I Crowther	1,720,256	1,720,256	375,000	375,000
H Fildes	3,440,508	3,440,508	750,000	750,000
I Mayer	3,440,508	3,440,508	750,000	750,000
K Harvey	-	-	-	-
S C Priestley	-	-	-	-

The directors do not have any other interests which require to be disclosed under Schedule 7 of the Companies Act 1985.

RESEARCH AND DEVELOPMENT

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

YEAR 2000 COMPLIANCE

The directors were aware of the inherent dangers ahead caused by many computer systems and machinery processing equipment storing and working with dates using only the last two digits of the year. To deal with this the Board had put in motion a project to identify the potential risks to us in administration, sales and manufacturing activities. The project team reported regularly to the Board. Some required changes were identified and addressed in order to deal with the key risks which the Year 2000 has already had, or might have in future, on the accuracy of processing.

Much of the cost of implementing the plan will be subsumed into the recurring activities of the departments involved. The costs of computer hardware and software are taken to profit as incurred and the total amount is not significant.

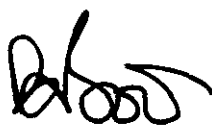
Woolliscroft Tiles Limited
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DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be proposed at the Annual General Meeting.

By Order of the Board



D J Booth
Company secretary

17 January 2000

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Woolliscroft Tiles Limited

We have audited the accounts on pages 7 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Manchester

31/1/00

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1999

	Notes	1999 £	1998 £
TURNOVER	2	589,121	-
Operating costs	3	(901,706)	-
OPERATING LOSS		(312,585)	-
Interest payable and similar charges	6	(20,983)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(333,568)	-
Tax on profit on ordinary activities	7	-	-
LOSS FOR THE YEAR		(333,568)	-

There are no recognised gains or losses other than those shown above.

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

BALANCE SHEET
at 31 March 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Intangible assets	8	914,191	-
CURRENT ASSETS			
Stocks	9	552,409	-
Debtors	10	669,363	2
Cash at bank and in hand		95,636	-
		1,317,408	2
CREDITORS: amounts falling due within one year	11	(2,565,165)	-
NET CURRENT (LIABILITIES)/ASSETS		(1,247,757)	2
TOTAL ASSETS LESS CURRENT LIABILITIES		(333,566)	2
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Profit and loss account		(333,568)	-
TOTAL SHAREHOLDERS' FUNDS		(333,566)	2



Director

17 January 2000

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

NOTES TO THE ACCOUNTS
at 31 March 1999

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Cash flow statement

The company is a wholly owned subsidiary undertaking of Pilkington's Tiles Group plc. As a consequence it is exempt under Financial Reporting Standard 1 (Revised) from the requirement to publish a cash flow statement.

Intangible fixed assets

Goodwill and other intangible assets arising on the acquisition of businesses are capitalised and amortised over their estimated economic life to a maximum of 20 years. They 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 sold or closed, 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.

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.

Stocks

Stocks are valued 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; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. 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 and, where appropriate, the cost of converting from their existing state to a finished condition. Provision is made for obsolete and slow moving items.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

NOTES TO THE ACCOUNTS
at 31 March 1999

1. ACCOUNTING POLICIES (continued)

Foreign currencies

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.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Research and development

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

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. An analysis of turnover for the company by geographical market is set out below:

	1999 £	1998 £
United Kingdom and Europe	583,532	-
Other	5,589	-
	<u>589,121</u>	<u>-</u>

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

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

NOTES TO THE ACCOUNTS
at 31 March 1999

3. OPERATING COSTS LESS OTHER OPERATING INCOME

	1999 £	1998 £
Change in stocks of finished goods and work in progress	501,357	-
Raw materials and consumables	92,693	-
Other external charges	163,775	-
Staff costs (note 5)	209,690	-
Amortisation of intangible fixed assets	7,682	-
	<u>975,197</u>	<u>-</u>
Exceptional costs in relation to the re-organisation and restructuring of the acquired business:		
Redundancies	280,681	-
Relocation costs	78,442	-
	<u>1,334,320</u>	<u>-</u>
Less:		
Stock write off taken to goodwill	(432,614)	-
	<u>901,706</u>	<u>-</u>

The restructuring costs relate to the relocation of the business from rented premises in Stoke on Trent to group freehold premises in Poole, following the acquisition of the business of Woolliscroft Tiles on 1 February 1999. The company vacated the rented premises in Stoke on Trent on 30 April 1999.

Operating costs are stated after charging:

	1999 £	1998 £
Auditors' remuneration	-	-
Operating lease rentals - plant and machinery	12,200	-
Amortisation of intangible fixed assets	7,682	-
	<u>-</u>	<u>-</u>

Auditors' remuneration was borne by Pilkington's Tiles Limited, a fellow group undertaking.

4. DIRECTORS' REMUNERATION

	1999 £	1998 £
Total directors' remuneration	<u>-</u>	<u>-</u>

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

NOTES TO THE ACCOUNTS
at 31 March 1999

5. STAFF COSTS

	1999 £	1998 £
Wages and salaries	186,515	-
Social security costs	19,100	-
Other pension costs	4,075	-
	<u>209,690</u>	<u>-</u>

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

	1999 No.	1998 No.
Production	65	-
Administration	9	-
	<u>74</u>	<u>-</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Interest payable to other group undertakings	20,900	-
Interest payable on overdraft	83	-
	<u>20,983</u>	<u>-</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

No charge to taxation arises due to the losses incurred during the period.

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

NOTES TO THE ACCOUNTS
at 31 March 1999

8. INTANGIBLE FIXED ASSETS

Intangibles capitalised and carried forward at 31 March 1999:

	<i>Know-how</i>	<i>Patents</i>	<i>Goodwill on acquisition</i>	<i>Total</i>
	£	£	£	£
Cost:				
Arising on acquisition	350,000	100,000	471,873	921,873
At 31 March 1999	350,000	100,000	471,873	921,873
Amortisation:				
Charge for the period	2,917	833	3,932	7,682
At 31 March 1999	2,917	833	328	7,682
Net book value:				
At 31 March 1999	347,083	99,167	467,941	914,191

On 1 February 1999 the company acquired the business and certain assets of Woolliscroft Tiles Limited for a consideration of £1,550,000 payable in cash. The net assets acquired were as follows:

<i>Tangible assets:</i>	£
Stocks	1,134,526
Debtors and other current assets	731,199
Net cash	(224,868)
Creditors	(502,589)
	1,138,268
<i>Intangibles per purchase agreement:</i>	
Know-how	350,000
Patents	100,000
	1,588,268
Adjustment to stock	(432,614)
Goodwill arising	471,873
	1,627,527
<i>Discharged by:</i>	
Cash	1,550,000
Costs associated with the acquisition	77,527
	1,627,527

Woolliscroft Tiles Limited
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NOTES TO THE ACCOUNTS
at 31 March 1999

9. STOCKS

	1999 £	1998 £
Finished goods	552,409	-

10. DEBTORS

	1999 £	1998 £
Trade debtors	633,999	-
Amounts due from parent and fellow subsidiary undertakings	-	2
Prepayments and accrued income	35,364	-
	669,363	2

11. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	54,563	-
Trade creditors	268,722	-
Amounts due to parent and fellow subsidiary undertakings	1,991,379	-
Other taxes and social security costs	142,340	-
Other creditors	108,161	-
	2,565,165	-

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The potential liability to deferred taxation is as follows:

	1999 £	1998 £
Excess of tax allowances over book depreciation of fixed assets	-	-
Other timing differences	5,548	-
Losses	(5,548)	-
	-	-

13. CALLED UP SHARE CAPITAL

	1998 No	Authorised 1998 No	Allotted, called up and fully paid 1999 £	1998 £
Ordinary shares of £1 each	100	100	2	2

Woolliscroft Tiles Limited
(formerly Quiligotti Sure-Step Limited)

NOTES TO THE ACCOUNTS
at 31 March 1999

14. OPERATING LEASE COMMITMENTS

At 31 March 1999 the company had commitments under operating leases to make payments in the forthcoming period under agreements expiring as follows:

	31 March 1999		31 March 1998	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Within two to five years	-	4,524	-	-

15. PENSIONS

The company operates defined contribution pension scheme. The assets of the schemes are held separately from those of the company in independently administered fund. The pension cost charge represents amounts payable by the company to the funds during the year and amounted to £4,075 (1998 - £nil).

16. FINANCIAL SUPPORT

The board of Pilkington's Tiles Group plc, the parent company, have indicated that they will provide or cause to be provided adequate financial support to enable the company to settle its liabilities as they fall due.

17. ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of Pilkington's Tiles Group plc, registered in England and Wales.

The only group of which Woolliscroft Tiles Limited is a member and for which group accounts are drawn up is that headed by Pilkington's Tiles Group plc. The consolidated accounts of this group are available to the public and may be obtained from P O Box 4, Rake Lane, Clifton Junction, Manchester, M27 8LP.

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.