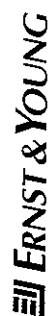


WOOLLISCROFT TILES LIMITED

Report and Accounts

31 March 2001

 ERNST & YOUNG



Woolliscroft Tiles Limited

Registered No. 3121376

DIRECTORS

M L Hughes

D J Booth

I Crowther (resigned 3 November 2000)

M I Mayer

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

 ERNST & YOUNG

Woolliscroft Tiles Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2001.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £237,282 (2000 £6,320).

The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The company's principal activity is the manufacture and sale of ceramic tiles and associated adhesive products.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed on page 1.

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

M L Hughes and D J Booth were also directors of Pilkington's Tiles Group plc, the ultimate parent company at 31 March 2001. Their interests in the shares of group undertakings are disclosed in the ultimate parent company's accounts. The other director who held office at 31 March 2001 had interests (including options) in the shares of the ultimate parent company Pilkington's Tiles Group plc as follows:


	<i>Ordinary shares of 5p each</i>		<i>Options in 5p ordinary shares</i>	
	<i>End of year</i>	<i>Beginning of year</i>	<i>End of year</i>	<i>Beginning of year</i>
I Mayer	3,440,508	3,440,508	1,021,185	1,021,185

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.

By Order of the Board

 10 July 2001

D J Booth
Company secretary

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 5 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

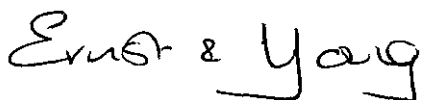
Basis of opinion

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Manchester

18/4/01

Woolliscroft Tiles Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2001

	Notes	2001 £	2000 £
TURNOVER	2	1,547,654	1,821,322
Operating costs	3	(1,310,374)	(1,815,002)
OPERATING PROFIT		237,280	6,320
Interest payable and similar charges		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		237,280	6,320
Tax on profit on ordinary activities	6	-	-
PROFIT FOR THE YEAR		237,280	6,320
Accumulated deficit at beginng of year		(327,248)	(333,568)
Accumulated deficit at end of year		(89,968)	(327,248)

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

Woolliscroft Tiles Limited

BALANCE SHEET

at 31 March 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Intangible assets	7	882,900	936,394
CURRENT ASSETS			
Stocks	8	295,796	375,803
Debtors	9	266,442	193,604
Cash at bank and in hand		9,284	17,988
		571,522	587,395
CREDITORS: amounts falling due within one year	10	(1,544,388)	(1,851,035)
NET CURRENT LIABILITIES		(972,866)	(1,263,640)
TOTAL ASSETS LESS CURRENT LIABILITIES		(89,966)	(327,246)
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account		(89,968)	(327,248)
TOTAL SHAREHOLDERS' FUNDS	13	(89,966)	(327,246)

ERNST & YOUNG

D J Booth

10 July 2001

D J Booth
Director

NOTES TO THE ACCOUNTS

at 31 March 2001

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.

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.

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.

Woolliscroft Tiles Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

1. ACCOUNTING POLICIES

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:

	2001 £	2000 £
United Kingdom and Europe	1,435,079	1,751,462
Other	112,575	69,860
	<u>1,547,654</u>	<u>1,821,322</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.

3. OPERATING COSTS LESS OTHER OPERATING INCOME

	2001 £	2000 £
Change in stocks of finished goods and work in progress	80,007	114,924
Raw materials and consumables	255,153	274,541
Other external charges	565,933	716,958
Staff costs (note 5)	355,787	414,438
Amortisation of intangible fixed assets	53,494	46,092
	<u>1,310,374</u>	<u>1,566,953</u>
Exceptional costs in relation to the re-organisation and restructuring of the acquired business:		
Redundancies	-	179,942
Relocation costs	-	136,402
	<u>1,310,374</u>	<u>1,883,297</u>
Less:		
Stock write off taken to goodwill	-	(68,295)
	<u>1,310,374</u>	<u>1,815,002</u>

Woolliscroft Tiles Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

3. OPERATING COSTS LESS OTHER OPERATING INCOME (continued)

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:

	2001 £	2000 £
Amortisation of intangible fixed assets	53,494	46,092

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

4. DIRECTORS' REMUNERATION

	2001 £	2000 £
Total directors' remuneration	-	23,244

5. STAFF COSTS

	2001 £	2000 £
Wages and salaries	327,743	387,277
Social security costs	26,411	27,161
Other pension costs	1,633	-
	355,787	414,438

The average monthly number of employees during the year (2000 2 month period) was as follows:

	2001 No.	2000 No.
Production	19	26
Administration	1	-
	20	26

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

No charge to taxation arises on the profit in the year due to the availability of group relief from other group companies and brought forward tax losses. No payment will be made for group relief.

Woolliscroft Tiles Limited

NOTES TO THE ACCOUNTS at 31 March 2001

7. INTANGIBLE FIXED ASSETS

	<i>Know-how</i>	<i>Patents</i>	<i>Goodwill on</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>acquisition</i>	<i>£</i>
Cost:				
At 1 April 2000 and 31 March 2001	350,000	100,000	540,168	990,168
Amortisation:				
At 1 April 2000	20,416	5,833	27,525	53,774
Charge for the period	20,310	5,803	27,381	53,494
At 31 March 2001	40,726	11,636	54,906	107,268
Net book value:				
At 31 March 2001	309,274	88,364	485,262	882,900
At 1 April 2000	329,584	94,167	512,643	936,394

8. STOCKS

	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Work in progress	60,575	89,192
Finished goods	235,221	286,611
	<u>295,796</u>	<u>375,803</u>

9. DEBTORS

	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Trade debtors	265,688	189,572
Prepayments and accrued income	754	4,032
	<u>266,442</u>	<u>193,604</u>

10. CREDITORS: amounts falling due within one year

	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Trade creditors	-	19,060
Amounts due to parent and fellow subsidiary undertakings	1,461,520	1,749,339
Other taxes and social security costs	81,949	70,191
Other creditors	919	12,445
	<u>1,544,388</u>	<u>1,851,035</u>

NOTES TO THE ACCOUNTS
at 31 March 2001

11. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The potential liability to deferred taxation, none of which has been provided, is as follows:

	2001 £	2000 £
Other timing differences	47,559	162,857
Losses	-	(62,080)
	<u>47,559</u>	<u>100,777</u>

12. CALLED UP SHARE CAPITAL

	2001 No	Authorised 2000 No	Allotted, called up and fully paid 2001 £	2000 £
Ordinary shares of £1 each	100	100	2	2

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2001 £	2000 £
At 31 March 2000	(327,246)	(333,566)
Profit for the year	237,280	6,320
At 31 March 2001	<u>(89,966)</u>	<u>(327,246)</u>

14. PENSIONS

The company is a participating employer in the group's defined benefit pension scheme, which is funded by the payment of contributions to a separately administered fund. 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. Particulars of the group scheme and actuarial valuation are contained in the accounts of Pilkington's Tiles Group plc.

15. 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.

NOTES TO THE ACCOUNTS

at 31 March 2001

16. 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.