

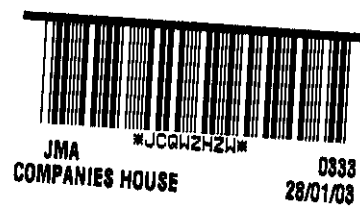
3121376

WOOLLISCROFT TILES LIMITED

Report and Accounts

31 March 2002

 ERNST & YOUNG



Woolliscroft Tiles Limited

Registered No. 3121376

DIRECTORS

M L Hughes

D J Booth (resigned 3 September 2001)

M I Mayer

M J Hesketh (appointed 3 September 2001)

SECRETARY

M J Hesketh

AUDITORS

Ernst & Young LLP

100 Barbirolli Square

Manchester

M2 3EY

REGISTERED OFFICE

P O Box 4

Rake Lane

Clifton Junction

Manchester

M27 8LP

Woolliscroft Tiles Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2002

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £147,334 (2001 £291,780).

The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

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

On 31 July 2001, the company's trade and net assets were transferred to Pilkington's Tiles Limited, a fellow subsidiary of Pilkington's Tiles Group plc. All assets and liabilities were transferred at that date, at net book value. The company has not traded since that date.

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 M J Hesketh were also directors of Pilkington's Tiles Group plc, the ultimate parent company. 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 2002 had interests (including options) in the shares of the ultimate parent company Pilkington's Tiles Group plc as follows:

| | Ordinary shares of 5p each | | Share options | | Exercise price |
|---------|----------------------------|-----------|--------------------|--------------------|------------------|
| | 31 March | 31 March | 31 March | 31 March | |
| | 2002 | 2001 | 2002 | 2001 | |
| I Mayer | 3,440,508 | 3,440,508 | 271,185 750,000 | 271,185 750,000 | 14.75p 24.00p |

The directors do not have any other interests which are required to be disclosed under the Companies Act 1985.

By Order of the Board

M J Hesketh
Company secretary

19/12/01

Woolliscroft Tiles 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WOOLLISCROFT TILES LIMITED**

We have audited the company's financial statements for the year ended 31 March 2002 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Manchester

26.1.03

Woolliscroft Tiles Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2002

| | Notes | 2002 £ | 2001 <i>as restated</i> £ |
|--|-------|-----------|---------------------------------|
| TURNOVER | 2 | 471,933 | 1,547,654 |
| Operating costs | 3 | (349,599) | (1,310,374) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 122,334 | 237,280 |
| Tax on profit on ordinary activities | 6 | 25,000 | 54,500 |
| PROFIT FOR THE YEAR | 13 | 147,334 | 291,780 |

All of the above trading relates to discontinued activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2002

| | 2000 £ | 2001 <i>as restated</i> £ |
|--|-----------|---------------------------------|
| Profit for the financial year | 147,334 | 291,780 |
| Prior year adjustment (note 1) | (46,500) | |
| Total gains and losses recognised since last annual accounts | 100,834 | |

Woolliscroft Tiles Limited

BALANCE SHEET

at 31 March 2002

| | Notes | 2002 £ | 2001 as restated £ |
|---|-------|-----------|--------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 7 | - | 882,900 |
| CURRENT ASSETS | | | |
| Stocks | 8 | - | 295,796 |
| Debtors | 9 | 158,523 | 266,442 |
| Cash at bank and in hand | | - | 9,284 |
| | | 158,523 | 571,522 |
| CREDITORS: amounts falling due within one year | 10 | (147,655) | (1,544,388) |
| NET CURRENT ASSETS/(LIABILITIES) | | 10,868 | (972,866) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 10,868 | (89,966) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 11 | - | (46,500) |
| NET ASSETS/(LIABILITIES) | | 10,868 | (136,466) |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 2 | 2 |
| Profit and loss account | 13 | 10,866 | (136,468) |
| EQUITY SHAREHOLDERS' FUNDS | 14 | 10,868 | (136,466) |

M J Hesketh
Director

17/12/01

NOTES TO THE ACCOUNTS

at 31 March 2002

1. ACCOUNTING POLICIES

Accounting convention and prior year adjustment

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, including FRS 19 'Deferred Taxation' which applies for the first time this year.

The prior year comparatives have been restated to comply with FRS 19. The effect is to increase profits after tax for the year ended 31 March 2001 by £54,500 to a profit of £291,780 and to increase opening net liabilities at 1 April 2000 by £101,000 from £89,666 to £190,966. The current year tax charge has been decreased by £46,500 as a result of the adoption of FRS 19.

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 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. Goodwill is 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.

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

Principally the Group operates a defined benefit pension scheme. 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 effects of variations from regular cost are spread over the expected average remaining service lives of members 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.

NOTES TO THE ACCOUNTS
at 31 March 2002

1. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date, calculated at the rate at which it is anticipated the timing differences will reverse. This is subject to deferred taxation assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets and liabilities are not discounted.

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:

| | 2002 £ | 2001 £ |
|---------------------------|----------------|------------------|
| United Kingdom and Europe | 471,933 | 1,435,079 |
| Other | - | 112,575 |
| | <u>471,933</u> | <u>1,547,654</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

| | 2002 £ | 2001 £ |
|---|----------------|------------------|
| Change in stocks of finished goods and work in progress | (39,165) | 80,007 |
| Raw materials and consumables | 83,232 | 255,153 |
| Other external charges | 177,034 | 565,933 |
| Staff costs (note 5) | 112,898 | 355,787 |
| Amortisation of intangible fixed assets | 15,600 | 53,494 |
| | <u>349,599</u> | <u>1,310,374</u> |

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

4. DIRECTORS' REMUNERATION

No emoluments have been paid to, or are receivable by directors in respect of qualifying services.

The directors were members of the following pension schemes:

| | 2002 | 2001 |
|-----------------------|----------|----------|
| Defined benefit | 1 | 1 |
| Defined contributions | 1 | 1 |
| | <u>1</u> | <u>1</u> |

Woolliscroft Tiles Limited

NOTES TO THE ACCOUNTS at 31 March 2002

5. STAFF COSTS

| | 2002 | 2001 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 104,536 | 327,743 |
| Social security costs | 8,362 | 26,411 |
| Other pension costs | - | 1,633 |
| | <u>112,898</u> | <u>355,787</u> |

The average monthly number of employees up to the date of transfer of the company's trade was as follows:

| | 2002 | 2001 |
|----------------|-----------|-----------|
| | No. | No. |
| Production | 17 | 19 |
| Administration | - | 1 |
| | <u>17</u> | <u>20</u> |

6. TAXATION

(a) Analysis of charge/(credit) in the year

| | 2002 | 2001 |
|--|-----------------|-------------------------|
| | £ | <i>as restated</i> £ |
| Current tax: | | |
| UK corporation tax on profits/(losses) of the year | 21,500 | - |
| Adjustments in respect of previous years | - | - |
| | <u>21,500</u> | <u>-</u> |
| Deferred tax: | | |
| Origination and reversal of timing difference | (46,500) | 79,602 |
| Adjustments in respect of previous years | - | (134,102) |
| | <u>(25,000)</u> | <u>(54,500)</u> |
| Tax on profit/(loss) on ordinary activities | | |

Woolliscroft Tiles Limited

NOTES TO THE ACCOUNTS at 31 March 2002

6. TAXATION (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

| | 2002 £ | 2001 £ |
|---|-----------|-----------|
| Profit/(loss) on ordinary activities before tax | 122,334 | 237,282 |
| Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 30% | 36,700 | 71,185 |
| Expenses not deductible for tax purposes | 2,592 | 12,298 |
| Capital allowances for the year in excess of depreciation | (3,977) | (17,522) |
| Group relief received for nil payment | (13,815) | (3,881) |
| Utilisation of tax losses | - | (62,080) |
| Current tax charge for the year (note 6(a)) | 21,500 | - |

7. INTANGIBLE FIXED ASSETS

| | Know-how £ | Patents £ | Goodwill on acquisition £ | Total £ |
|--------------------------------------|---------------|--------------|---------------------------------|------------|
| Cost: | | | | |
| At 1 April 2001 | 350,000 | 100,000 | 540,168 | 990,168 |
| Transfer to other group undertakings | (350,000) | (100,000) | (540,168) | (990,168) |
| At 31 March 2002 | - | - | - | - |
| Amortisation: | | | | |
| At 1 April 2001 | 40,726 | 11,636 | 54,906 | 107,268 |
| Charge for the period | 5,465 | 1,561 | 8,574 | 15,600 |
| Transfer to other group undertakings | (46,191) | (13,197) | (63,480) | (122,868) |
| At 31 March 2002 | - | - | - | - |
| Net book value: | | | | |
| At 31 March 2002 | - | - | - | - |
| At 31 March 2001 | 309,274 | 88,364 | 485,262 | 882,900 |

On 31 July 2001, the trade and assets including intangible fixed assets of the company were transferred to Pilkington's Tiles Limited, a fellow subsidiary undertaking, at net book value.

Woolliscroft Tiles Limited

NOTES TO THE ACCOUNTS at 31 March 2002

8. STOCKS

| | 2002 £ | 2001 £ |
|------------------|-----------|-----------|
| Work in progress | - | 60,575 |
| Finished goods | - | 235,221 |
| | - | 295,796 |

9. DEBTORS

| | 2002 £ | 2001 £ |
|--------------------------------------|-----------|-----------|
| Trade debtors | - | 265,688 |
| Prepayments and accrued income | - | 754 |
| Amounts due from fellow subsidiaries | 158,523 | - |
| | 158,523 | 266,442 |

10. CREDITORS: amounts falling due within one year

| | 2002 £ | 2001 £ |
|--|-----------|-----------|
| Amounts due to parent and fellow subsidiary undertakings | 126,155 | 1,461,520 |
| Other taxes and social security costs | - | 81,949 |
| Other creditors | - | 919 |
| Corporation tax | 21,500 | - |
| | 147,655 | 1,544,388 |

Woolliscroft Tiles Limited

NOTES TO THE ACCOUNTS at 31 March 2002

11. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges comprise:

| | 2002 £000 | 2001 £000 |
|-------------------|--------------|--------------|
| Deferred taxation | - | 46,500 |

Deferred taxation has been provided as follows:

| | 2002 £000 | 2001 £000 |
|---|--------------|--------------|
| Excess of tax allowances over book depreciation of fixed assets | - | 46,500 |

The movement on deferred taxation comprises:

| | 2002 £000 |
|---|--------------|
| At 1 April 2001 (as previously stated) | - |
| Prior year adjustment | 46,500 |
| At 1 April 2001 (as restated) | 46,500 |
| Released to profit and loss account for the year (note 6 (a)) | (46,500) |
| At 31 March 2002 | - |

12. CALLED UP SHARE CAPITAL

| | 2002 No | Authorised 2001 No | Allotted, called up and fully paid 2002 £ | 2001 £ |
|----------------------------|------------|--------------------------|--|-----------|
| Ordinary shares of £1 each | 100 | 100 | 2 | 2 |

Woolliscroft Tiles Limited

NOTES TO THE ACCOUNTS at 31 March 2002

13. MOVEMENT ON RESERVES

| | <i>Profit and loss account £</i> |
|---|--|
| At 31 March 2001 (as previously stated) | (89,968) |
| Prior year adjustment (note 1) | (46,500) |
| At 31 March 2001 (as restated) | (136,468) |
| Profit for the year | 147,334 |
| At 31 March 2002 | 10,866 |

14. RECONCILIATION OF SHAREHOLDERS' FUNDS

| | <i>2002 £</i> | <i>2001 as restated £</i> |
|--|-------------------|-----------------------------------|
| Profit for the financial year | 147,334 | 291,780 |
| Opening shareholders' funds (originally £(89,966) before deducting prior year adjustment of £46,500) | (136,466) | (428,246) |
| Closing shareholders' funds | 10,868 | (136,466) |

15. PENSIONS

Prior to the transfer of its trade to Pilkington's Tiles Limited, the company was 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. 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.

16. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent company and controlling party is 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.