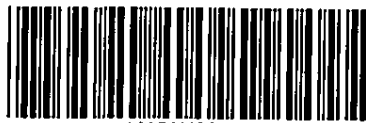


Abrasives PLC

Directors' report and financial statements

Registered number 3337544
for the year ended 31 December 2007

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Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2007

Principal activities

The company's principal activity is that of a holding company

Results and dividend

The results for the year are set out in the income statement on page 5. The directors do not recommend payment of a dividend for the year ended 31 December 2007 (2006 Nil)

Directors

The directors who held office during the year were as follows

R Lazard
P E Moore (Appointed 30 November 2007)
S H Gaut (Resigned 30 November 2007)

Company secretary

A R Oxenham

Employees

The company had no employees during the year (2006 Nil)

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year (2006 Nil)

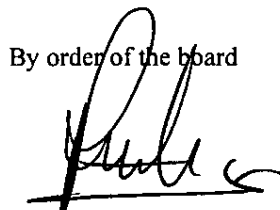
Disclosure of information to auditors

The directors who held office at the date of approval of this directors report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken, as a director, to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



P E Moore
Director

Doxey Road
Stafford
ST16 1EA
31 March 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Abrasives PLC

We have audited the financial statements of Abrasives PLC for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Abrasives PLC *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Whe Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 March 2008

Income statement
for year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Impairment provision	7	-	(356)
Operating loss		-	(356)
Financial expenses	5	(2,542)	(2,087)
Loss before tax		(2,542)	(2,443)
Taxation	6	762	626
Loss for the year		(1,780)	(1,817)

All amounts relate to continuing operations

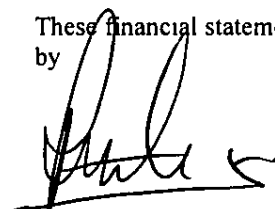
There is no difference between the loss as disclosed in the income statement and the loss on an unmodified historical cost basis in either the current or preceding year

The company has no recognised gains or losses in either the current or preceding financial year other than the profit or loss for those years

Balance sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Non-current assets			
Investments in subsidiaries	7	48,011	48,011
		<u>48,011</u>	<u>48,011</u>
Current assets			
Tax receivable		763	811
		<u>763</u>	<u>811</u>
Total assets		<u>48,774</u>	<u>48,822</u>
Current liabilities			
Trade and other payables	8	(25,140)	(23,369)
		<u>(25,140)</u>	<u>(23,369)</u>
Non-current liabilities			
Trade and other payables	8	(20,049)	(20,088)
		<u>(20,049)</u>	<u>(20,088)</u>
Total liabilities		<u>(45,189)</u>	<u>(43,457)</u>
Net assets		<u>3,585</u>	<u>5,365</u>
Equity			
Share capital	9	42,750	42,750
Retained earnings	9	(39,165)	(37,385)
		<u>42,750</u>	<u>42,750</u>
		<u>(39,165)</u>	<u>(37,385)</u>
Total Equity		<u>3,585</u>	<u>5,365</u>

These financial statements were approved by the board of directors on 31 March 2008 and were signed on its behalf by



P E Moore
Director

Cash flow statement
for year ended 31 December 2007

	2007 £000	2006 £000
Cash flows from operating activities		
Loss for the year	(1,780)	(1,817)
Adjustments for		
Impairment provision	-	356
Financial expense	2,542	2,087
Taxation	(762)	(626)
	<hr/>	<hr/>
Operating profit before changes in working capital and provisions	-	-
Increase / (decrease) in trade and other payables	1,771	(18,392)
	<hr/>	<hr/>
Cash generated from / (utilised by) the operations	1,771	(18,392)
Interest Paid	(2,542)	(2,087)
Tax Received	810	391
	<hr/>	<hr/>
Net cash inflow / (outflow) from operating activities	39	(20,088)
	<hr/>	<hr/>
Cash flow from financing activities		
(Decrease) / increase in loan from group undertaking	(39)	20,088
	<hr/>	<hr/>
Net cash from financing activities	(39)	20,088
	<hr/>	<hr/>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	-	-
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Abrasives PLC (the 'Company') is a company incorporated in the UK

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The company has adopted IFRS 7 'Financial Instruments: Disclosure' in the current financial year. The application of IFRS 7 in the current year does not affect the balance sheet or income statement as the standard is concerned only with disclosure as shown in note 11.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Employee benefits

The company participates in the group's UK pension scheme due to former employees of the company being members of this scheme. Details and disclosures of the scheme are given in the accounts of Saint-Gobain Abrasives Limited.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Adopted IFRS not yet applied

The following Adopted IFRS was available for early application but has not been applied by the Company in these financial statements:

- IFRS 8 'Operating Segments' applicable for years commencing on or after 1 January 2009. The application of IFRS 8 in the current year would not have affected the balance sheet or income statement as the standard is concerned only with disclosure. The Company plans to adopt it in 2009.

Notes (continued)

2 Auditors' remuneration

	2007 £000	2006 £000
Audit of these financial statements	1	1
Other services - fees receivable by the auditors and their associates	-	-
	<u> </u>	<u> </u>

All operating costs are borne by a subsidiary company, Saint-Gobain Abrasives Limited. Auditors' remuneration was borne by Saint-Gobain Abrasives Limited in both years.

3 Staff numbers and costs

The company does not have any employees except its' directors and has no staff costs (2006 Nil)

4 Directors' emoluments

The directors' emoluments are borne by other group companies

5 Financial expenses

	2007 £000	2006 £000
Interest expense	2,542	2,087
	<u> </u>	<u> </u>

Notes (continued)

6 Taxation

Recognised in the income statement

	2007 £000	2006 £000
<i>Current tax expense</i>		
Current year	762	626
	<hr/>	<hr/>
Total tax in income statement	762	626
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2007 £000	2006 £000
Loss before tax	(2,542)	(2,443)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 30 % (2006 30 %)	762	733
Non – deductible expenses	-	(107)
	<hr/>	<hr/>
Total tax in income statement	762	626
	<hr/>	<hr/>

The company's future tax charge will be affected by the fall in the UK mainstream corporation tax rate from 30% to 28% from 1 April 2008

Notes (continued)

7 Investments in subsidiaries

The Company has the following investment in a principle subsidiary

	Country of Incorporation	Class of shares held	Ownership 2007	2006
Unicorn International plc	England and Wales	£1 Ordinary	100%	100%

A full listing of investments is listed in Saint-Gobain Abrasives Limited financial statements and will be submitted with the next annual return

	2007 £000	2006 £000
Cost		
Balance at 1 January and 31 December	87,044	87,044
Provisions		
Balance at 1 January	(39,033)	(38,677)
Impairment in the year	-	(356)
Balance at 31 December	(39,033)	(39,033)
Net book value at 1 January	48,011	48,367
Net book value at 31 December	48,011	48,011

8 Trade and other payables

	2007 £000	2006 £000
Current liabilities		
Trade payables due to group undertakings	25,140	23,369
Non-current liabilities		
Loan due to group undertakings	20,049	20,088

See Note 10 for details of interest rates, repayment terms and security

Notes (continued)

9 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2006	42,750	(35,568)	7,182
Total recognised income and expense	-	(1,817)	(1,817)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	42,750	(37,385)	5,365
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2007	42,750	(37,385)	5,365
Total recognised income and expense	-	(1,780)	(1,780)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	42,750	(39,165)	3,585
	<hr/>	<hr/>	<hr/>

Share capital

	Ordinary shares	
<i>In thousands of shares</i>	2007	2006
On issue at 1 January and 31 December – fully paid	42,750	42,750
	<hr/>	<hr/>
	2007	2006
	£000	£000
<i>Authorised</i>		
Ordinary shares of £1 each	42,750	42,750
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	42,750	42,750
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

Notes (continued)

10 Related parties

Identity of related parties

The company has a treasury pooling account with its' ultimate UK parent company, Saint-Gobain plc. Interest is charged at LIBOR plus a variable margin to reflect the actual cost of borrowing on a daily basis on this account. There is no specified repayment date and no security as the entity is a wholly owned Saint-Gobain Group Company.

The company also has a 10 year Fixed Term Loan, at an annual interest rate of 5.94% per annum, with its' ultimate UK parent company, Saint-Gobain plc, due to mature on 5th December 2016. There is no security as the entity is a wholly owned Saint-Gobain Company.

The balance owing at the year end and interest charged during the year are disclosed in the table below:

	2007 £000	2006 £000
As at 31 December amounts due to ultimate UK parent company		
Treasury pooling account	25,140	23,369
Fixed term loan account	20,049	20,088
	<u>45,189</u>	<u>43,457</u>
During the year		
Group interest payments made to ultimate UK parent company	<u>2,542</u>	<u>2,087</u>

11 Financial instruments

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2007 £000	2006 £000
<i>Fixed rate instruments</i>		
Financial liability - 10 Year fixed term loan	20,049	20,088
<i>Variable rate instruments</i>		
Financial liability – Treasury pooling account	25,140	23,369

Sensitivity analysis

A change of plus or minus one basis point in interest rates at the balance sheet date would have (increased) / decreased the loss in the year by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and has been applied to risk exposures existing at that date. This analysis assumes that all other variables remain constant.

	2007 £000	2006 £000
<i>Effect on the loss for the year</i>		
Increase of one percent on variable interest rates	(251)	(234)
Decrease of one percent on variable interest rates	<u>251</u>	<u>234</u>

Liquidity risk

As all loans are supported by the UK parent company there is no liquidity risk to the company.

Notes (continued)

12 Accounting estimates and judgements

The carrying amounts of the company's investments are reviewed at each balance sheet date. In testing for impairment (refer Note 7 – Investments in subsidiaries), management have made certain assumptions concerning the future development of the underlying businesses that are consistent with the five year plan for each entity. The future cash flows have been discounted to provide a net present value for the businesses based on a rate of 7%.

Following the review at the balance sheet date no additional impairments have been made in 2007.

13 Capital and other commitments

The company had no capital commitments at the end of the year (2006 Nil).

14 Contingent liabilities

The company had no contingent liabilities at the end of the year (2006 Nil).

15 Ultimate parent company and parent company of larger group

The ultimate and controlling party parent company is Compagnie de Saint-Gobain, which is incorporated in France and listed on the Paris, London, Frankfurt and other major European stock exchanges.

The largest group in which the results of the Company are consolidated is that headed by Compagnie de Saint-Gobain, incorporated in France. No other group financial statements include the results of the Company.

Copies of the Compagnie de Saint-Gobain Group financial statements may be obtained from the Company Secretary, Les Miroirs, 18 Avenue d'Alsace, 92096 Paris La Defense, France.