

Report of the Directors and
Financial Statements
for the Year Ended 31st March 2008
for
PILKINGTON'S GROUP PLC



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PILKINGTON'S GROUP PLC

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for the Year Ended 31st March 2008

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PILKINGTON'S GROUP PLC

Company Information
for the Year Ended 31st March 2008

DIRECTORS:	K Whiteley R Tarr S P Lloyd
SECRETARY:	S P Lloyd
REGISTERED OFFICE:	PO Box 4 Rake Lane Clifton Junction Manchester M27 8LP
REGISTERED NUMBER:	05026590 (England and Wales)
AUDITORS:	Campbell Woolley LLP City Wharf New Bailey Street Manchester M3 5ER
BANKERS:	HBOS Plc Bank of Scotland 8 th Floor 40 Spring Gardens Manchester M2 1EN

PILKINGTON'S GROUP PLC

Report of the Directors **for the Year Ended 31st March 2008**

The directors present their report with the financial statements of the company and the group for the year ended 31st March 2008.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the manufacture and sales of ceramic and terrazzo tiles and associated adhesive products, and the installation of raised access floors and associated finishes.

REVIEW OF BUSINESS

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

Group results

Group turnover remained broadly the same as the prior year at £42m.

A profit after interest and tax of £0.4m was achieved compared to a profit of £1.2m in the previous financial year. These results are broken down by division in the summary of business results that follows.

Ceramics division

Sales in the Ceramics Division in the year to March 2008 grew marginally to reach £32.3m.

Growth which was experienced in the Multiples sector in 2006/2007 slowed considerably. Opportunities were opened in the Multiples sector with new accounts that will provide sales growth in the new financial year. Further growth was however achieved with UK Housebuilders and within the Specification market. Retail and Distribution continued to suffer from the accelerating UK economic slowdown.

Margins started to come under significant pressure in the second half of the financial year in particular. Sterling's fall in value against the euro had a massive impact on the company's margin made from servicing outsourced products demand. In addition, the doubling of the gas price compared to the previous financial year wiped over £300,000 off the group's generated gross margin. Opportunities, although limited, are being continually sought to reduce the exposure to high utility prices.

Trading results were disappointing in the Ceramics Division. The stagnation of sales and the increased cost of energy coupled with the reduction in the value of sterling versus the euro were the main factors behind this deterioration in performance. The Ceramics division has come under pressure in the same way other UK manufacturers have, however, the continued success shown in opening new routes to market have already started to yield new opportunities for sales and margin growth in the new financial year.

The focus of the division will remain on exploiting these new opportunities whilst negating margin reduction through maximising manufacturing and procurement investments made in the year to March 2008.

Terrazzo Division

Terrazzo product sales increased by 4.2% to reach £3.7m.

Growth has been achieved through continuing to strengthen direct supply links with end users whilst progressing already strong relationships with terrazzo fixers. Supermarket volume growth through increased build programs helped the terrazzo business achieve its best result on turnover for many years.

Trading results were similar to the previous financial year. Gross margin were maintained due to efficiency savings in the factory and improvements in product mix compensating for increased raw material prices. Capital expenditure is forecast in the new financial year to focus on continuing to improve product quality and manufacturing efficiencies.

PILKINGTON'S GROUP PLC

Report of the Directors **for the Year Ended 31st March 2008**

Quilligotti Access Flooring

Turnover fell for the first time in many years, falling from £6.5m to £6.1m. This reduction is mainly due to the final completion of several long term projects, the higher turnover percentage of which was contracted in the previous financial year. Overall the business has experienced a net sales growth of 3% in the last two years. The reduction in turnover contributed to the overall fall in profit before tax from £277,107 to £140,123. However, the majority of the reduction is attributed to the adverse currency rates for imported goods (particularly steel based) from Europe and the Far East and the inability to fully recover these costs in a competitive UK market.

The new financial year starts with a strong order book at £2 million in a potentially difficult construction market. Efforts will be made to identify the more secure and sustainable sectors of the market, where of established brands have maintained market share and profitability.

DIVIDENDS

No dividends will be distributed for the year ended 31st March 2008.

RESEARCH AND DEVELOPMENT

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

DIRECTORS

The directors shown below have held office during the whole of the period from 1st April 2007 to the date of this report.

K. Whiteley
R Tarr
S P Lloyd

GROUP'S POLICY ON PAYMENT OF CREDITORS

The group 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 31st March 2008, the group had an average of 83 days (2007: 90 days) purchases outstanding in trade creditors.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the group made charitable donations of £2,300 (2007: £318).

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.

PILKINGTON'S GROUP PLC

Report of the Directors
for the Year Ended 31st March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Campbell Woolley LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



S P Lloyd - Secretary

Date: 16th Jan 2009

**Report of the Independent Auditors to the Members of
Pilkington's Group Plc**

We have audited the financial statements of Pilkington's Group Plc for the year ended 31st March 2008 on pages six to twenty seven. 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page three.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors 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 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 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 31st March 2008 and of the profit of the group 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 Report of the Directors is consistent with the financial statements.



Campbell Woolley LLP
City Wharf
New Bailey Street
Manchester
M3 5ER

Date: 16th January 2009

PILKINGTON'S GROUP PLC

Consolidated Profit and Loss Account
for the Year Ended 31st March 2008

		31.3.08		31.3.07 as restated	
	Notes	£	£	£	£
TURNOVER	2		42,017,724		42,176,373
Cost of sales			<u>25,468,263</u>		<u>25,943,187</u>
GROSS PROFIT			16,549,461		16,233,186
Administrative expenses			<u>15,566,756</u>		<u>14,608,814</u>
			982,705		1,624,372
Other operating income			<u>100,000</u>		<u>-</u>
OPERATING PROFIT	4		1,082,705		1,624,372
Interest receivable and similar income		1,210		-	
Other finance income	21	<u>-</u>	<u>1,210</u>	<u>379,586</u>	<u>379,586</u>
			1,083,915		2,003,958
Interest payable and similar charges	5		<u>492,302</u>		<u>372,327</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			591,613		1,631,631
Tax on profit on ordinary activities	6		<u>198,784</u>		<u>391,587</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			<u>392,829</u>		<u>1,240,044</u>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous year.

PILKINGTON'S GROUP PLC

Statement of Total Recognised Gains and Losses
for the Year Ended 31st March 2008

	31.3.08	31.3.07 as restated
	£	£
PROFIT FOR THE FINANCIAL YEAR	392,829	1,240,044
Actuarial pension gain	2,184,342	1,198,797
Adjustment to reflect non-recognition of pension scheme asset	(2,283,000)	-
Related deferred tax movement	<u>29,597</u>	<u>(359,639)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	323,768	<u><u>2,079,202</u></u>
Prior year adjustment	Note 9	
	<u>(343,163)</u>	
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT	<u><u>(19,395)</u></u>	

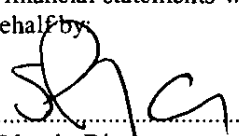
The notes form part of these financial statements

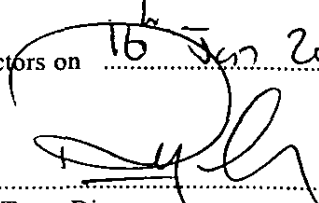
PILKINGTON'S GROUP PLC

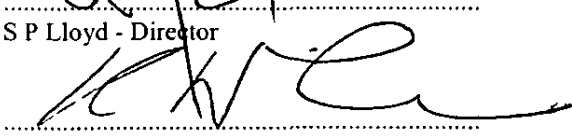
Consolidated Balance Sheet
31st March 2008

		31.3.08	31.3.07 as restated
	Notes	£	£
FIXED ASSETS			
Intangible assets			
Goodwill			
Negative	10	(261,356)	(392,035)
Positive	10	290,000	320,000
Other intangibles	10	238,000	260,500
Tangible assets	11	6,884,524	7,147,960
Investments	12	-	-
		<u>7,151,168</u>	<u>7,336,425</u>
CURRENT ASSETS			
Stocks	13	11,166,498	9,151,231
Debtors	14	9,325,954	9,258,571
Cash at bank and in hand		<u>187,996</u>	<u>437,041</u>
		20,680,448	18,846,843
CREDITORS			
Amounts falling due within one year	15	<u>15,704,000</u>	<u>14,316,258</u>
NET CURRENT ASSETS		<u>4,976,448</u>	<u>4,530,585</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,127,616	11,867,010
CREDITORS			
Amounts falling due after more than one year	16	(482,883)	(472,841)
PROVISIONS FOR LIABILITIES	20	(407,398)	(343,163)
PENSION LIABILITY	23	-	(137,439)
NET ASSETS		<u>11,237,335</u>	<u>10,913,567</u>
CAPITAL AND RESERVES			
Called up share capital	21	300,000	300,000
Profit and loss account	22	<u>10,937,335</u>	<u>10,613,567</u>
SHAREHOLDERS' FUNDS	25	<u>11,237,335</u>	<u>10,913,567</u>

The financial statements were approved by the Board of Directors on 16 Jan 2009, and were signed on its behalf by:


S P Lloyd - Director


R Tarr - Director


K Whiteley - Director


The notes form part of these financial statements

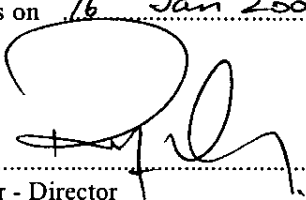
PILKINGTON'S GROUP PLC

Company Balance Sheet
31st March 2008

		31.3.08	31.3.07 as restated
	Notes	£	£
FIXED ASSETS			
Intangible assets	9	-	-
Tangible assets	10	-	-
Investments	11	<u>2,414,102</u>	<u>2,414,000</u>
		2,414,102	2,414,000
CREDITORS			
Amounts falling due within one year	14	<u>165,102</u>	<u>165,000</u>
NET CURRENT LIABILITIES		<u>(165,102)</u>	<u>(165,000)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,249,000</u>	<u>2,249,000</u>
CAPITAL AND RESERVES			
Called up share capital	19	300,000	300,000
Profit and loss account	20	<u>1,949,000</u>	<u>1,949,000</u>
SHAREHOLDERS' FUNDS	23	<u>2,249,000</u>	<u>2,249,000</u>

The financial statements were approved by the Board of Directors on 16th Jan 2009 and were signed on its behalf by:


.....
S P Lloyd - Director


.....
R Tarr - Director


.....
K Whiteley - Director

PILKINGTON'S GROUP PLC

Cash Flow Statement
for the Year Ended 31st March 2008

		31.3.08		31.3.07 as restated	
	Notes	£	£	£	£
Net cash (outflow)/inflow from operating activities	1		(315,661)		329,770
Returns on investments and servicing of finance	2		(491,092)		(372,327)
Capital expenditure	2		(1,047,426)		(362,312)
Equity dividends paid			<u>(75,000)</u>		<u>-</u>
			(1,929,179)		(404,869)
Financing	2		<u>1,753,388</u>		<u>517,511</u>
(Decrease)/Increase in cash in the period			<u>(175,791)</u>		<u>112,642</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
(Decrease)/Increase in cash in the period		(175,791)		112,642	
Cash inflow from increase in debt and lease financing		<u>(1,653,388)</u>		<u>(517,511)</u>	
Change in net debt resulting from cash flows			(1,829,179)		(404,869)
New finance leases			<u>(149,249)</u>		<u>(315,607)</u>
Movement in net debt in the period			(1,978,428)		(720,476)
Net debt at 1st April			<u>(4,839,078)</u>		<u>(4,118,602)</u>
Net debt at 31st March			<u>(6,817,506)</u>		<u>(4,839,078)</u>

The notes form part of these financial statements

PILKINGTON'S GROUP PLC

Notes to the Cash Flow Statement
for the Year Ended 31st March 2008

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

	31.3.08	31.3.07 as restated
	£	£
Operating profit	1,082,705	1,624,372
Depreciation charges	1,391,858	1,351,068
Profit on disposal of fixed assets	(9,926)	(4,652)
Government grants	(100,000)	-
Increase in stocks	(2,015,267)	(1,129,139)
Increase in debtors	(67,383)	(2,820,930)
(Decrease)/Increase in creditors	(302,648)	1,597,305
Difference between pension charge and cash contributions	<u>(295,000)</u>	<u>(288,254)</u>
Net cash (outflow)/inflow from operating activities	<u>(315,661)</u>	<u>329,770</u>

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

	31.3.08	31.3.07 as restated
	£	£
Returns on investments and servicing of finance		
Interest received	1,210	-
Interest paid	(430,642)	(324,503)
Interest element of hire purchase payments	<u>(61,660)</u>	<u>(47,824)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(491,092)</u>	<u>(372,327)</u>
Capital expenditure		
Purchase of tangible fixed assets	(1,068,426)	(386,095)
Sale of tangible fixed assets	<u>21,000</u>	<u>23,783</u>
Net cash outflow for capital expenditure	<u>(1,047,426)</u>	<u>(362,312)</u>
Financing		
New loans in year	1,768,159	747,724
Government grant received	100,000	-
Capital repayments in year	<u>(114,771)</u>	<u>(230,213)</u>
Net cash inflow from financing	<u>1,753,388</u>	<u>517,511</u>

PILKINGTON'S GROUP PLC

Notes to the Cash Flow Statement
for the Year Ended 31st March 2008

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.07 £	Cash flow £	Other non-cash changes £	At 31.3.08 £
Net cash:				
Cash at bank and in hand	437,041	(249,045)		187,996
Bank overdraft	<u>(191,075)</u>	<u>73,254</u>		<u>(117,821)</u>
	<u>245,966</u>	<u>(175,791)</u>		<u>70,175</u>
Debt:				
Hire purchase	(801,108)	114,771	(149,249)	(835,586)
Debts falling due within one year	<u>(4,283,936)</u>	<u>(1,768,159)</u>	<u>-</u>	<u>(6,052,095)</u>
	<u>(5,085,044)</u>	<u>(1,653,388)</u>	<u>(149,249)</u>	<u>(6,887,681)</u>
Total	<u>(4,839,078)</u>	<u>(1,829,179)</u>	<u>(149,249)</u>	<u>(6,817,506)</u>

The notes form part of these financial statements

PILKINGTON'S GROUP PLC

Notes to the Financial Statements **for the Year Ended 31st March 2008**

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The consolidated financial information includes the Company and all its subsidiary undertakings. The results of subsidiary undertakings acquired or disposed of are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. The purchase consideration of subsidiary undertakings has been allocated to each class of asset on the basis of fair value at the date of acquisition with goodwill being the difference between the purchase consideration and fair value of the net separable assets.

Turnover

Turnover represents the invoiced 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 accounts. Any differences between the final settlements on contracts and the turnover previously recognised is included in subsequent accounts. Turnover excludes VAT and sales between group undertakings.

Goodwill

Positive goodwill arising on the acquisition of subsidiaries and businesses is capitalised and amortised over its estimated economic life to a maximum of 20 years. It 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 subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition 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.

Negative goodwill on acquisitions relating to monetary assets is written back immediately while that relating to non-monetary assets is written back over the life of the assets concerned which is deemed by the directors to be 6 years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 4% on cost
Plant and machinery	- 3 - 13% on cost
Fixtures and fittings	- 33% on cost, 20% on cost and 10% on cost
Motor vehicles	- 20% on cost

Improvements to leasehold property are not depreciated until completed and the building is occupied.

Stocks

Stocks and work in progress 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, slow moving and defective stocks. Contract costs are recognised in the profit and loss account as incurred.

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued **for the Year Ended 31st March 2008**

1. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax 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 based on tax rates and laws enacted or substantively enacted at the balance sheet date. 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

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

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 currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The group operates a defined benefit pension scheme. For this scheme, the amounts charged to the operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have been vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected method basis and discounted at a rate equivalent to the current rate of return on a corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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

Grant income

Grant income is recognised in profit and loss account over the specific period to which the grant relates.

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	31.3.08	31.3.07 as restated
	£	£
United Kingdom	41,313,086	41,409,782
Europe	480,204	554,195
Other	224,434	212,396
	<u>42,017,724</u>	<u>42,176,373</u>

3. STAFF COSTS

	31.3.08	31.3.07 as restated
	£	£
Wages and salaries	8,506,743	7,881,921
Social security costs	872,051	797,291
Other pension costs	539,139	520,863
	<u>9,917,933</u>	<u>9,200,075</u>

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

	31.3.08	31.3.07 as restated
Production	214	221
Sales and administration	168	131
	<u>382</u>	<u>352</u>

4. OPERATING PROFIT

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

	31.3.08	31.3.07 as restated
	£	£
Hire of plant and machinery	291,985	289,349
Depreciation - owned assets	1,254,274	1,250,485
Depreciation - assets on hire purchase contracts	215,763	178,762
Profit on disposal of fixed assets	(9,926)	(4,652)
Positive goodwill amortisation	30,000	30,000
Patents and licences amortisation	5,000	5,000
Development costs amortisation	17,500	17,500
Negative goodwill on acquisition of business amortisation	(130,679)	(130,679)
Auditors remuneration in respect of audit services	20,529	16,793
Auditors remuneration in respect of taxation services	3,500	8,031
Auditors fees in respect of corporate finance services	-	2,419
Auditors fees in respect of other services	12,500	-
	<u>484,179</u>	<u>451,231</u>
Directors' emoluments	484,179	451,231
Directors' pension contributions to money purchase schemes	6,600	20,069
	<u>490,779</u>	<u>471,300</u>

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

4. OPERATING PROFIT - continued

Information regarding the highest paid director is as follows:

	31.3.08	31.3.07 as restated
	£	£
Emoluments etc	200,833	145,756
Pension contributions to money purchase schemes	<u>3,300</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	31.3.08	31.3.07 as restated
	£	£
Bank interest	430,485	319,566
Loan	157	4,937
Leasing	<u>61,660</u>	<u>47,824</u>
	<u>492,302</u>	<u>372,327</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.3.08	31.3.07 as restated
	£	£
Current tax:		
UK corporation tax	46,049	72,403
Deferred tax	<u>152,735</u>	<u>319,184</u>
Tax on profit on ordinary activities	<u>198,784</u>	<u>391,587</u>

Factors affecting the tax charge

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

	31.3.08	31.3.07 as restated
	£	£
Profit on ordinary activities before tax	<u>591,613</u>	<u>1,631,631</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007 - 30%)	177,484	489,489
Effects of:		
Capital allowances less than (in excess of) depreciation	(20,205)	9,487
Expenditure disallowed for tax purposes	66,979	21,014
Effect of FRS 17 pension adjustments	(88,500)	(200,352)
Losses utilised	(81,101)	(234,421)
Marginal relief	(8,608)	(12,814)
Unutilised losses	<u>-</u>	<u>-</u>
Current tax charge	<u>46,049</u>	<u>72,403</u>

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

6. TAXATION - continued

Factors that may affect future tax charges

The group has unutilised taxable losses available to carry forward, subject to HMR&C approval, of £542,116 (2007: £812,454). These losses have been reflected in the deferred tax liability in note 20.

7. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £nil (2007 - £75,000).

8. DIVIDENDS

	31.3.08	31.3.07 as restated
	£	£
Ordinary shares of £1 each		
Final	<u>-</u>	<u>75,000</u>

9. PRIOR YEAR ADJUSTMENT

Finance lease depreciation was underclaimed in corporation tax computations for the years ended 31st March 2005 to 2007 and the related timing differences were not reflected in the deferred tax liabilities at the balance sheet dates. A prior year adjustment has been made which, at 1st April 2007, reduces the group's reserves and increases its deferred tax liability by £343,163.

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Patents and licences £	Development costs £	Goodwill on acquisition of business £	Totals £
COST					
At 1st April 2007 and 31st March 2008	<u>410,000</u>	<u>75,000</u>	<u>253,000</u>	<u>(6,104,072)</u>	<u>(5,366,072)</u>
AMORTISATION					
At 1st April 2007	90,000	15,000	52,500	(5,712,037)	(5,554,537)
Amortisation for year	<u>30,000</u>	<u>5,000</u>	<u>17,500</u>	<u>(130,679)</u>	<u>(78,179)</u>
At 31st March 2008	<u>120,000</u>	<u>20,000</u>	<u>70,000</u>	<u>(5,842,716)</u>	<u>(5,632,716)</u>
NET BOOK VALUE					
At 31st March 2008	<u>290,000</u>	<u>55,000</u>	<u>183,000</u>	<u>(261,356)</u>	<u>266,644</u>
At 31st March 2007	<u>320,000</u>	<u>60,000</u>	<u>200,500</u>	<u>(392,035)</u>	<u>188,465</u>

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

11. TANGIBLE FIXED ASSETS

Group

	Freehold property £	Improvements to property £	Plant and machinery £
COST			
At 1st April 2007	75,000	-	31,959,276
Additions	-	20,446	734,293
At 31st March 2008	<u>75,000</u>	<u>20,446</u>	<u>32,693,569</u>
DEPRECIATION			
At 1st April 2007	70,773	-	25,603,140
Charge for year	3,257	-	1,143,986
At 31st March 2008	<u>74,030</u>	<u>-</u>	<u>26,747,126</u>
NET BOOK VALUE			
At 31st March 2008	<u>970</u>	<u>20,446</u>	<u>5,946,443</u>
At 31st March 2007	<u>4,227</u>	<u>-</u>	<u>6,356,136</u>

	Fixtures and fittings £	Motor vehicles £	Totals £
COST			
At 1st April 2007	1,443,409	531,510	34,009,195
Additions	229,693	233,243	1,217,675
Disposals	-	(69,462)	(69,462)
At 31st March 2008	<u>1,673,102</u>	<u>695,291</u>	<u>35,157,408</u>
DEPRECIATION			
At 1st April 2007	960,464	226,858	26,861,235
Charge for year	196,191	126,603	1,470,037
Eliminated on disposal	-	(58,388)	(58,388)
At 31st March 2008	<u>1,156,655</u>	<u>295,073</u>	<u>28,272,884</u>
NET BOOK VALUE			
At 31st March 2008	<u>516,447</u>	<u>400,218</u>	<u>6,884,524</u>
At 31st March 2007	<u>482,945</u>	<u>304,652</u>	<u>7,147,960</u>

The company has no tangible fixed assets.

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

11. TANGIBLE FIXED ASSETS - continued

Group

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1st April 2007	665,512	351,631	432,880	1,450,023
Additions	155,718	-	149,249	304,967
Disposals	-	-	(21,450)	(21,450)
At 31st March 2008	<u>821,230</u>	<u>351,631</u>	<u>560,679</u>	<u>1,733,540</u>
DEPRECIATION				
At 1st April 2007	53,585	72,709	139,210	265,504
Charge for year	54,424	57,425	103,914	215,763
Eliminated on disposal	-	-	(10,376)	(10,376)
At 31st March 2008	<u>108,009</u>	<u>130,134</u>	<u>232,748</u>	<u>470,891</u>
NET BOOK VALUE				
At 31st March 2008	<u>713,221</u>	<u>221,497</u>	<u>327,931</u>	<u>1,262,649</u>
At 31st March 2007	<u>611,927</u>	<u>278,922</u>	<u>293,670</u>	<u>1,184,519</u>

12. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1st April 2007	2,414,000
Additions	<u>102</u>
At 31st March 2008	<u>2,414,102</u>
NET BOOK VALUE	
At 31st March 2008	<u>2,414,102</u>
At 31st March 2007	<u>2,414,000</u>

During the year the group purchased 100% of the shares in Pilkington's Tiles (Ireland) Limited and Quilligotti Installations Limited for £102, the nominal value of the shares in issue.

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

12. FIXED ASSET INVESTMENTS - continued

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

Subsidiaries

Pilkington's Tiles Limited

Nature of business: Manufacture of ceramic and terrazzo tiles

	%
Class of shares:	holding
Ordinary £1	100.00

Quilligotti Access Flooring Limited

Nature of business: Installation of access floors and terrazzo tiles

	%
Class of shares:	holding
Ordinary £1	100.00

Pilkington's Tiles (Ireland) Limited

Country of incorporation: Ireland

Nature of business: Retail and wholesale supply of ceramic tiles

	%
Class of shares:	holding
Ordinary 1 euro	100.00

Quilligotti Installations Limited

Nature of business: Installation of wall and floor tiling products

	%
Class of shares:	holding
Ordinary £1	100.00

In addition the group holds 100% of the ordinary £1 shares of the following dormant U.K. registered companies:

Historic City Investments Limited

Quilligotti Home Products Limited

Southampton Flooring and Paving Company Limited

Cristofoli (UK) Limited

Quilligotti Industrial Flooring Limited

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

13. STOCKS

	Group	
	31.3.08	31.3.07 as restated
	£	£
Raw materials	654,575	547,150
Work-in-progress	349,742	353,104
Finished goods	<u>10,162,181</u>	<u>8,250,977</u>
	<u>11,166,498</u>	<u>9,151,231</u>

The company held no stocks at 31st March 2008 and at 31st March 2007.

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	
	31.3.08	31.3.07 as restated
	£	£
Trade debtors	6,783,769	6,861,802
Amounts recoverable on contracts	1,249,449	1,345,892
Tax	1,371	1,371
Prepayments and accrued income	<u>1,291,365</u>	<u>1,049,506</u>
	<u>9,325,954</u>	<u>9,258,571</u>

The group has no debtors falling due after more than one year.

The company has no debtors.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Company	
	31.3.08	31.3.07 as restated	31.3.08
	£	£	£
Bank loans and overdrafts (see note 16)	117,821	191,075	-
Other loans (see note 16)	6,052,095	4,283,936	-
Hire purchase contracts (see note 17)	352,703	328,267	-
Trade creditors	5,801,860	6,341,965	-
Corporation tax	118,452	72,403	-
Social security and other taxes	1,116,174	1,219,218	-
Proposed dividends	-	75,000	75,000
Other creditors	339,713	434,064	-
Amounts due to subsidiary undertakings	-	-	165,102
Accruals and deferred income	<u>1,805,182</u>	<u>1,370,330</u>	<u>-</u>
	<u>15,704,000</u>	<u>14,316,258</u>	<u>165,102</u>
	<u>15,704,000</u>	<u>14,316,258</u>	<u>165,102</u>

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

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

	Group	
	31.3.08	31.3.07 as restated
	£	£
Hire purchase contracts (see note 17)	<u>482,883</u>	<u>472,841</u>

17. LOANS

An analysis of the maturity of loans is given below:

	Group	
	31.3.08	31.3.07 as restated
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	117,821	191,075
Other loans	<u>6,052,095</u>	<u>4,283,936</u>
	<u>6,169,916</u>	<u>4,475,011</u>

18. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

Group

	Hire purchase contracts	
	31.3.08	31.3.07 as restated
	£	£
Net obligations repayable:		
Within one year	352,703	328,267
Between one and five years	<u>482,883</u>	<u>472,841</u>
	<u>835,586</u>	<u>801,108</u>

The following operating lease payments are committed to be paid within one year:

Group

	Land and buildings		Other operating leases	
	31.3.08	31.3.07 as restated	31.3.08	31.3.07 as restated
	£	£	£	£
Expiring:				
Within one year	-	-	36,587	5,092
Between one and five years	403,110	285,000	174,428	73,202
In more than five years	<u>255,000</u>	<u>255,000</u>	-	-
	<u>658,110</u>	<u>540,000</u>	<u>211,015</u>	<u>78,294</u>

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

19. SECURED DEBTS

The following secured debts are included within creditors:

	31.3.08	Group 31.3.07 as restated
	£	£
Bank overdraft	117,821	191,075
Other loans	6,052,095	4,283,936
Hire purchase contracts	<u>835,586</u>	<u>801,108</u>
	<u>7,005,502</u>	<u>5,276,119</u>

Bank overdrafts are secured by fixed and floating charges over present and future assets.

Other loans are secured by fixed and floating charges over present and future assets and assignment of the trade credit insurance policy.

Amounts due under hire purchase agreements are secured over the asset to which they relate.

20. PROVISIONS FOR LIABILITIES

	31.3.08	Group 31.3.07 as restated
	£	£
Deferred tax	<u>407,398</u>	<u>343,163</u>
Analysed as:		
	Accelerated capital allowances	Corporation tax losses
	£	£
Balance at 1 st April 2007	497,529	(154,366)
Movement in year	<u>20,203</u>	<u>45,943</u>
Balance at 31 st March 2008	<u>517,732</u>	<u>(108,423)</u>
		<u>407,398</u>

21. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.3.08	31.3.07 as restated
			£	£
1,000,000	Ordinary	£1	1,000,000	1,000,000
1,000,000	Ordinary B	£1	<u>1,000,000</u>	<u>1,000,000</u>
			<u>2,000,000</u>	<u>2,000,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.3.08	31.3.07 as restated
			£	£
166,664	Ordinary	£1	166,664	166,664
133,336	Ordinary B	£1	<u>133,336</u>	<u>133,336</u>
			<u>300,000</u>	<u>300,000</u>

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

21. CALLED UP SHARE CAPITAL - continued

Ordinary shares and Ordinary B shares rank equally in all respects apart from the following:

With regards voting, holders of B shares shall be entitled to receive notice of and attend any general meeting of the company but they shall not be entitled to vote upon any resolution.

B shares shall, subject to the act, be redeemed as follows:

- as soon after the date of adoption of the articles as the company shall be able to do so,
- on the appointment of a receiver over all or part of the assets of the company
- on the appointment of a liquidator over the company
- on a sale or listing

22. RESERVES

Group

	Profit and loss account £
At 1st April 2007	10,956,730
Prior year adjustment	(343,163)
	10,613,567
Profit for the year	392,829
Actuarial pension gain	2,213,939
Unrecognised surplus in pension scheme	(2,283,000)
At 31st March 2008	10,937,335
Profit and loss account excluding: Pension reserve	
Profit and loss account	10,937,335

Company

	Profit and loss account £
At 1st April 2007	1,949,000
Profit for the year	-
At 31st March 2008	1,949,000

23. PENSION COMMITMENTS

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 30th April 2006 and updated to 31st March 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	31.3.08	31.3.07	31.3.06
Rate of increase in pensions in payment	3.30%	3.60%	3.20%
Rate of increase in deferred pensions	3.30%	3.05%	3.25%
Discount rate for scheme liabilities	6.20%	5.35%	4.96%
Inflation assumption	3.30%	3.05%	2.95%
Investment return	7.45%	7.45%	6.96%

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

23. PENSION COMMITMENTS - continued

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31.3.08	Value at 31.3.08 £	Long-term rate of return expected at 31.3.07	Value at 31.3.07 £	Long-term rate of return expected at 31.3.06	Value at 31.3.06 £
Equities	7.50 %	17,616,000	8.10 %	18,775,328	7.80 %	16,550,686
Bonds	5.00 %	2,664,000	5.30 %	2,430,174	4.90 %	2,833,287
Property	6.00 %	1,187,000	7.10 %	1,437,422	6.70 %	1,308,334
Cash	4.50 %	604,000	5.40 %	219,592	4.50 %	484,354
Corporate stock	4.00 %	2,664,000	4.80 %	2,430,174	4.30 %	2,833,288
Total market value of assets		24,735,000		25,292,690		24,009,949
Present value of scheme liabilities		(21,927,000)		(25,489,032)		(26,072,928)
Surplus in scheme		2,808,000		(196,342)		(2,062,979)
Restriction on surplus		(2,808,000)		-		-
Related deferred tax liability		-		58,903		618,895
Net pension asset/(liability)		-		(137,439)		(1,444,084)

Analysis of the amount charged to operating profit

	31.3.08 £	31.3.07 as restated £
Total operating charge	-	-

Analysis of the amount credited to other finance income

	31.3.08 £	31.3.07 as restated £
Expected return on pension scheme assets	1,870,000	1,654,044
Interest on pension scheme liabilities	(1,345,000)	(1,274,458)
Impact of restriction on surplus	(525,000)	-
Net return	-	379,586

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	31.3.08 £	31.3.07 as restated £
Actual return less expected return on pension scheme assets	(2,042,000)	106,144
Experience gains and losses arising on the scheme liabilities	-	239,527
Changes in assumptions underlying the present value of the scheme liabilities	4,226,342	853,126
Actuarial gain recognised in STRGL	2,184,342	1,198,797

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

23. PENSION COMMITMENTS - continued

Movement in deficit during the year

	31.3.08	31.3.07
	£	£
Deficit in scheme at start of year	(196,342)	(2,062,979)
Contributions	295,000	288,254
Other finance income	525,000	379,586
Actuarial gain	2,184,342	1,198,797
Previously unrecognised surplus deducted from the settlement/curtailment losses	<u>(2,808,000)</u>	<u>-</u>
Deficit in scheme at end of year	<u>-</u>	<u>(196,342)</u>

History of experience gains and losses

	Year Ended 31.3.08	Year Ended 31.3.07	Year Ended 31.3.06	Period 28.1.04 to 31.3.05
Difference between the expected and actual return on scheme assets: amount (£)	(2,042,000)	106,144	3,518,247	980,432
percentage of scheme assets	(8)%	0%	15%	5%
Experience gains and losses on scheme liabilities: amount (£)	0	239,527	(53,898)	(312,217)
percentage of the present value of the scheme liabilities	0%	1%	0%	(1)%
Total actuarial gain or loss: amount (£)	2,184,342	1,198,797	2,406,025	1,758,215
percentage of the present value of the scheme liabilities	10%	5%	9%	7%

Under FRS 17, a surplus should be recognised in the balance sheet to the extent that the surplus can be recovered by the employer by way of reduced employer contributions or through a refund of surplus. As the scheme is closed to further defined benefit accruals there is no reason to believe the surplus is recoverable and therefore the asset has not been recognised in the financial statements.

Defined contribution scheme

Included within other creditors at the balance sheet date were amounts owed under defined contribution pension schemes of £40,072 (2007: £37,265).

24. ULTIMATE CONTROLLING PARTY

The group and company are controlled by K Whiteley by virtue of his controlling shareholding in the voting rights of the company.

PILKINGTON'S GROUP PLC

Notes to the Financial Statements - continued
for the Year Ended 31st March 2008

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	31.3.08	31.3.07 As restated
	£	£
Profit for the financial year	392,829	1,240,044
Dividends	<u>-</u>	<u>(75,000)</u>
	392,829	1,165,044
Other recognised gains and losses relating to the year (net)	<u>(69,061)</u>	<u>839,158</u>
Net addition to shareholders' funds	323,768	2,004,202
Opening shareholders' funds (originally £11,256,730 before prior year adjustment of £(343,163))	<u>10,913,567</u>	<u>8,909,365</u>
Closing shareholders' funds	<u><u>11,237,335</u></u>	<u><u>10,913,567</u></u>

Company

	31.3.08	31.3.07 as restated
	£	£
Profit for the financial year	-	75,000
Dividends	-	(75,000)
Opening shareholders' funds	<u>2,249,000</u>	<u>2,249,000</u>
Closing shareholders' funds	<u><u>2,249,000</u></u>	<u><u>2,249,000</u></u>