Quiligotti Terrazzo Limited

Report and Accounts

31 March 2003

ERNST & YOUNG

Registered No: 450328

Directors
M L Hughes
D W Gratrix
M J Hesketh

Secretary
M J Hesketh

Auditors
Ernst & Young LLP
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Directors' Report

The directors present their report and accounts for the year ended 31 March 2003.

Results and dividends

The loss for the year, after taxation, amounted to £34,806 (2002: profit of £304,456).

A dividend of £356,134 was paid during the year.

Principal activities and business review

The principal activity of the company was the manufacture and installation of terrazzo and cement based floor tiles for commercial use.

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.

M L Hughes and M J Hesketh were also directors of Pilkington's Tiles Group plc, the ultimate parent company at 31 March 2003. 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 2003 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*		
	At 31 March 2003	*At 31 March 2002*	*At 31 March 2003*	*At 31 March 2002*	*Exercise price*
D W Gratrix	25,192	25,192	121,212	121,212	24.75p
			178,788	178,788	24.0p
			169,491	169,491	14.75p

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

30 January 2004

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare financial statements 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 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; 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 financial statements 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.

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Independent auditors' report

to the members of Quiligotti Terrazzo Limited

We have audited the company's accounts for the year ended 31 March 2003 which comprise Profit and Loss Account, Reconciliation of Shareholders' Funds, Balance Sheet and the related notes 1 to 14. These accounts have been prepared on the basis of 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

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

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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]/[group] 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 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 affairs of the company as at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester

Date: 30 January 2004

Profit and Loss Account

for the year ended 31 March 2003

	Notes	2003 £	2002 £
Turnover	2	-	1,245,104
Change in stocks of finished goods and work in progress			(264,755)
Raw materials and consumables		-	506,851
Other external charges (net)		-	244,589
Staff costs	3	-	299,625
Depreciation of tangible fixed assets		-	123,640
		-	909,950
Operating profit		-	335,154
Interest receivable and similar income	4	-	435
Interest payable and similar charges	5	-	(133)
Profit on ordinary activities before taxation	6	-	335,456
Tax on profit on ordinary activities	7	(34,806)	(31,000)
(Loss)/profit for the year		(34,806)	304,456
Dividends paid		(356,134)	-
Retained (loss)/profit for the year		(390,940)	304,456

All of the above trading relates to discontinued activities.

There are no recognised gains and losses for either period other than the results shown by the profit and loss account above.

Reconciliation of Shareholders' Funds

for the year ended 31 March 2003

	2003 £	2002 £
Total recognised gains and losses	(34,806)	304,456
Dividends paid	(356,134)	-
Opening equity shareholders' funds	572,581	268,125
Closing equity shareholders' funds	181,641	572,581

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Balance Sheet

at 31 March 2003

	Notes	2002 £	2001 £
Current assets			
Debtors	8	181,641	9,525,028
Creditors: amounts falling due within one year	9	-	(8,952,447)
Net current assets		181,641	572,581
Capital and reserves			
Called-up share capital	11	122,063	122,063
Share premium account	12	59,578	59,578
Profit and loss account	12	-	390,940
Equity shareholders' funds		181,641	572,581

M J Hesketh
Director 30 January 2004

Notes to the Accounts

at 31 March 2003

1. Accounting policies

Basis of accounting

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 Limited. As a consequence it is exempt under Financial Reporting Standard 1 (Revised) from the requirement to publish a cash flow statement.

Tangible fixed assets

All tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made so as to write off the cost of tangible fixed assets, on a straight-line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold building	-	2%
Plant, machinery and motor vehicles	-	10 - 20%

The carrying value of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

Stocks and work in progress are stated 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.

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.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied after trade discounts.

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 asset where there is no commitment to sell the asset. Deferred tax assets and liabilities are not discounted.

Notes to the Accounts

at 31 March 2003

1. Accounting policies (continued)

Development expenditure

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

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.

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 determine by the actuary. In the intervening years the actuary review the continuing appropriateness of the rates. Pension costs are accounted for in accordance with SSAP 24 on the basis of charging the expected costs 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.

2. Segment information

All turnover and profit before taxation relates to the company's discontinued principle activity of the terrazzo tile manufacture.

The analysis by geographical area of the company's turnover is set out below.

	2003	*2002*
	£	£
United Kingdom	-	1,105,635
Republic of Ireland	-	89,589
Other	-	49,880
	-	1,245,104

All turnover originated in the United Kingdom.

Notes to the Accounts

at 31 March 2003

3. Staff costs

	2003	*2002*
	£	*£*
Wages and salaries	-	263,222
Social security costs	-	25,340
Other pension costs	-	11,063
	-	299,625

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

	2003	*2002*
	No.	*No.*
Production	-	34
Sales and administration	-	4
	-	38

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No emoluments were paid to directors

No directors exercised share options in the year (2002 - Nil) and no shares were received or receivable under long term incentive schemes by the directors (2002 - Nil).

The number of directors who were members of pension schemes was as follows:

	2003	*2002*
	No.	*No.*
Defined benefit schemes	2	2
Defined contributions	1	1

4. Interest receivable and similar income

	2003	*2002*
	£	*£*
Bank interest	-	435

Notes to the Accounts

at 31 March 2003

5. Interest payable and similar charges

	2003	2002
	£	£
Bank loans and overdrafts	-	133

6. Profit on ordinary activities before taxation

This is stated after charging:

	2003	2002
	£	£
Depreciation and amounts written off owned tangible fixed assets	-	123,640
Hire of plant and machinery under operating leases	-	12,489

Auditors' remuneration was borne by a fellow group undertaking. The company paid £nil (2002 - £nil) to the auditors in respect of non-audit services.

7. Tax on profit on ordinary activities

	2003	2002
	£	£
(a) Analysis of charge in the year		
Current tax:		
UK corporation tax on profits of the year	-	31,000
Adjustment in respect of prior periods	34,806	-
Total current tax (note 7(b))	34,806	31,000
Deferred tax:		
Origination and reversal of timing difference	-	-
Tax on profit on ordinary activities	34,806	31,000

Notes to the Accounts

at 31 March 2003

7. Tax on profit on ordinary activities (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:

	2003 £	2002 £
Profit on ordinary activities before tax	-	335,456
Profit multiplied by the standard rate of corporation tax in the UK of 30%	-	100,634
Effects of:		
Expenses not deductible for tax purposes	-	921
Group relief received for no consideration	-	(34,665)
Deferred tax not provided	-	(11,740)
Other differences	-	(24,150)
Adjustments in respect of prior periods	34,806	-
Current tax charge for the year (note 7(a))	34,806	31,000

8. Debtors

	2003 *£*	*2002* *£*
Amounts owed by group undertakings	181,641	9,525,028

9. Creditors: amounts falling due within one year

	2003 *£*	*2002* *£*
Amounts owed to group undertakings	-	8,921,447
Corporation tax	-	31,000
	-	8,952,447

10. 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.

Notes to the Accounts
at 31 March 2003

11. Called up share capital

	2003	2002
	£	£
Authorised:		
600,000 ordinary shares of 25p each	150,000	150,000
Allotted, called-up and fully paid:		
488,250 ordinary shares of 25p each	122,063	122,063

12. Movements on reserves

	Share premium account	*Profit and loss account*
	£	£
At 1 April 2002	59,578	390,940
Loss for the year	-	(34,806)
Dividends paid	-	(356,134)
At 31 March 2003	59,578	-

13. Guarantees and other financial commitments

(a) Capital commitments

At the end of the year there were no capital commitments (2002- £Nil).

(b) Contingent liabilities

	2003	2002
	£	£
VAT owed by jointly registered group undertakings	-	515,191

14. Ultimate parent company

The company's ultimate parent company and controlling party is Pilkington's Tiles Group plc, registered in England and Wales.

The largest and smallest group of which Quiligotti Terrazzo 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.