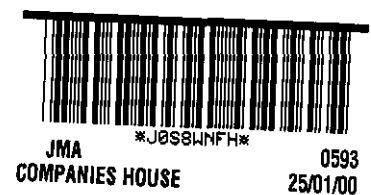


2505015

Chelsea Artisans (UK) Limited

Report and Accounts

31 March 1999



Chelsea Artisans (UK) Limited

Registered No. 2545015

DIRECTORS

D J Booth

B H Thompson

D A Scott (vacated office 21 May 1998)

T G Roberts (vacated office 21 May 1998)

SECRETARY

D J Booth

AUDITORS

Ernst & Young

100 Barbirolli Square

Manchester

M2 3EY

REGISTERED OFFICE

P O Box 4

Rake Lane

Clifton Junction

Manchester

M27 8LP

Chelsea Artisans (UK) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 1999.

RESULTS AND DIVIDENDS

The company did not trade during the year. The accumulated deficit carried forward is £1,526,041.

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was dormant (within the meaning of Section 250 of the Companies Act 1985) throughout the financial year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed on page 2.

B H Thompson and D J Booth were also directors of Pilkington's Tiles Group plc, the ultimate parent company, as at 31 March 1999. Their interests in the shares of group undertakings are disclosed in the ultimate parent company's accounts.

The directors do not have any other interests which require to be disclosed under Schedule 7 of the Companies Act 1985.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be proposed at the Annual General Meeting.

By order of the Board



D J Booth
Company Secretary

21st June 1999

Chelsea Artisans (UK) 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Chelsea Artisans (UK) Limited

We have audited the accounts on pages 6 to 8, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

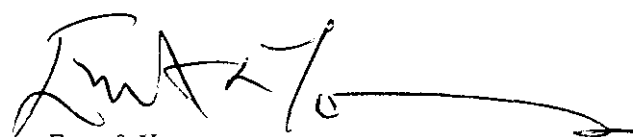
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1999 and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to be 'J. M. A. 70', with a long horizontal line extending to the right.

Ernst & Young
Registered Auditor
Manchester

29 November 1999

Chelsea Artisans (UK) Limited

BALANCE SHEET at 31 March 1999

	Notes	1999 £	1998 £
CURRENT ASSETS			
Debtors	3	7,784	7,784
CREDITORS: amounts falling due within one year	4	(976,891)	(976,891)
NET CURRENT LIABILITIES		(969,107)	(969,107)
TOTAL ASSETS LESS CURRENT LIABILITIES		(969,107)	(969,107)
PROVISIONS FOR LIABILITIES AND CHARGES	5	(7,795)	(7,795)
NET LIABILITIES		(976,902)	(976,902)
CAPITAL AND RESERVES			
Called-up share capital	6	286,945	286,945
Share premium account		262,194	262,194
Profit and loss account		(1,526,041)	(1,526,041)
	7	(976,902)	(976,902)



D J Booth

Director 21st June, 1999

Chelsea Artisans (UK) Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

2. STAFF COSTS

There were no staff costs during the year (1998 - £Nil).

The remuneration of the directors was £Nil (1998 - £Nil).

No directors exercised share options in the year (1998 - Nil) and no shares were received or receivable under long term incentive schemes by the directors (1998 - Nil).

Pensions

No retirement benefits were paid to directors and past directors in excess of the benefits to which they are entitled on the date retirement benefits first became payable or 31 March 1999 whichever is the later.

3. DEBTORS

Debtors falling due within one year:

	1999 £	1998 £
Trade debtors	7,784	7,784

4. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Trade creditors	3,431	3,431
Amounts owed to group undertakings	960,013	960,013
Other creditors	13,447	13,447
	976,891	976,891

The company has granted a fixed and floating charge on all assets to secure the bank overdraft.

Chelsea Artisans (UK) Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

5. PROVISIONS FOR LIABILITIES AND CHARGES

	1999 £	1998 £
Provision for discontinued activities	7,795	7,795

6. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised:		
3,505,590 ordinary shares of 10p each	350,559	350,559
149,445 deferred shares of £1 each	149,445	149,445
	<u>500,004</u>	<u>500,004</u>
Allotted, called up and fully paid:		
1,375,000 ordinary shares of 10p each	137,500	137,500
149,445 deferred shares of £1 each	149,445	149,445
	<u>286,945</u>	<u>286,945</u>

The rights attached to the two classes of shares are as follows:

(i) All voting and dividend rights are attached to the ordinary shares.

(ii) In the event of a winding up, deferred shareholders are not entitled to participate in a capital distribution until £1.5 million (in addition to repayment of the paid up ordinary share capital) has been paid to the ordinary shareholders.

7. FINANCIAL SUPPORT

Under the terms of the Insolvency Act, the company is technically insolvent, having net liabilities of £976,902 at 31 March 1998. This means that a creditor can petition to have the company wound up. However, the board of Quiligotti Terrazzo Limited, the parent company, have indicated that they will provide or cause to be provided adequate financial support to enable the company to realise its debtors and settle its liabilities as they fall due.

8. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of Pilkington's Tiles Group plc, registered in England and Wales.

The largest and smallest group of which Chelsea Artisans (UK) 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, Clifton Junction, Manchester M27 8LP.