Contents

Directors' report

The directors of Pilkington plc present their annual report and the audited financial statements for the year ended 31st March 2001.

The Group profit and loss account for the year is set out on page 24 and in the accompanying notes.

Principal activities and review of business

The principal activities and operations of the Group are described on pages 4 to 19 of the Annual Review and Summary Financial Statement. The principal subsidiary undertakings are listed on page 53 and the principal joint ventures and associates in notes 18 and 19 to the financial statements. Further information, including details of important events affecting the business of the Group, its joint ventures and associates, is given in the Chairman's Statement and the Financial Review.

Results and dividends

Profit on ordinary activities before taxation and exceptional items was £216 million (2000 £175 million). The profit on ordinary activities before taxation and after exceptional items was £172 million (2000 £52 million). The profit attributable to the shareholders of Pilkington plc was £87 million (2000 loss £4 million).

The directors recommend the payment of a final dividend of 3.25p per ordinary share which, taken with the interim dividend of 1.75p per ordinary share, makes a total dividend for the year of 5.0p per ordinary share (2000 – 5.0p). Payment of the recommended final dividend, if approved at the annual general meeting, will be made on 10th August 2001 to shareholders registered on 15th June 2001.

Share capital

At 31st March 2001 there were 1,234 million ordinary shares of 50p each in issue (2000 – 1,100 million shares).

Options were granted in the year to employees and directors under the company's share option schemes in respect of 8 million shares (2000 – 12 million shares).

Further details of changes in the share capital are shown in note 33 to the financial statements.

Substantial shareholdings

At 29th May 2001, the company had been notified of the following interests in its ordinary share capital:

	No of shares (millions)	% of issued share capital as notified
NSG Holding USA, Inc.	122.22	9.95
Active Value Fund Managers Limited	60.19	4.87
Franklin Resources, Inc.	58.37	4.73

Research and development

Research and development expenditure for the Group amounted to £33 million for the year to 31st March 2001 (2000 £37 million). Just under half of this expenditure was in the UK, primarily at the Pilkington European Technical Centre at Lathom, Lancashire, and the remainder at the Group's R&D facilities at sites in the USA and Europe.

Employment policy and practice

At 31st March 2001 there were 27,400 people working for the Group worldwide, of whom 61 per cent were employed in Europe, 22 per cent in North America, 7 per cent in South America and 10 per cent in Australasia.

The Group's human resources policy and practice are designed to secure the goodwill, motivation, commitment and contribution of all employees to the aims and success of the business. The Group's policy statement has been distributed to all Group companies.

The Group has a long established and well recognised policy of encouraging employee involvement through communication and consultation on a wide range of issues. Every opportunity is taken to invite employees to participate in multi-disciplinary quality and process improvement activities. The Group also makes wide use of employee surveys.

The Group publishes an international magazine, Pilkington Focus, which communicates the Group's interim and final results and exchanges news on Group businesses. Pilkington Focus has recently received an award of excellence from the British Association of Communicators in Business in its annual corporate communication prize scheme which attracted over 1,000 entries from major UK companies. The Group has also introduced on its intranet a Group electronic news channel, Focus Online. The Group intranet provides up to date information on objectives, performance and activities in the Group.

A European Forum is well established, at which senior management and employee representatives from the Group's European operations meet annually to exchange information and views on the business.

Equal opportunities

Pilkington is committed to a policy of equal opportunities in all its companies and to meeting its obligations to offer employment opportunities to disabled people and people becoming disabled during their employment. A policy statement has been distributed to all Group companies.

Training

The Group has a people development policy committing it to the training, retraining and continuous development of all employees in order to develop their full potential and to achieve a flexible, skilled and informed workforce, at all levels, which is committed to the aims of the business. A policy statement has been communicated to all Group companies.

The Group has a range of management training and development initiatives, co-ordinated from the UK, which are focused on developing the high performing managers required to deliver the Group's strategy. These initiatives provide development in general management and in the functional skills required to achieve world class levels of performance and to support the 'Growing One Pilkington' initiative.

Within the individual businesses of the Group, training is provided to meet the broad range of needs of all the workforce and the specific needs of each particular business.

Increasing use is being made of e-learning techniques to ensure training is delivered in a timely and cost effective manner. There is also a continuing high level of training devoted to e-business skills to ensure employees can use new computer and communication technologies to full effect in reducing costs and improving the quality of service provided to customers.

Environment

Pilkington strives for the highest standards in all the countries in which it operates. A copy of the Group's environmental policy may be obtained from the company secretary. An environmental review is also available from the company secretary and is also on our web site at www.pilkington.com.

More information on environmental issues is set out on pages 20 and 21 of the Annual Review.

Health and safety

The board is committed to achieving best international standards of health and safety throughout the Group.

The Group's health and safety policy includes a requirement for full health and safety audits of all facilities. These cover management responsibilities, standards and monitoring mechanisms. A copy of the policy may be obtained from the company secretary and is also on our website at www.pilkington.com. Information on the Group's safety performance is disclosed on pages 21 and 22 of the Annual Review.

Pilkington and the community

During the year Pilkington made donations to charitable organisations in the UK amounting to £197,000 (2000 £118,000). Donations to charitable organisations overseas amounted to £293,000 (2000 £318,000). No political contributions were made.

The board believes that all Group companies and their employees benefit from making an appropriate contribution to the communities in which they operate and it will continue to encourage this.

Close company status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to Pilkington plc.

Payments policy

The Group's policy in relation to the payment of its suppliers is to settle its terms of payment with each supplier when agreeing the terms of each business transaction. The supplier is made aware of the terms which are detailed on the Group's purchase orders. It is Group practice to abide by the agreed terms of payment. Trade creditors of the company amounting to £4 million are reported in note 25 to the financial statements, and represent 31 days of average daily purchases.

Directors

The directors of the company are shown on pages 24 and 25 of the Annual Review and Summary Financial Statement. Stuart Chambers was appointed to the board on 22nd January 2001 and will offer himself for election as a director at the annual general meeting.

In accordance with the company's Articles of Association, Warren Knowlton, Dr Hans-Peter Keitel and William Harrison will retire by rotation at the annual general meeting and, being eligible, will offer themselves for re-election.

Apart from service contracts and share options, no director of the company had any significant interest in any contract with the company, its subsidiaries, joint ventures or associates.

Directors' interests

The interests of the directors and their immediate families in the share capital of the company and the number of options held by them in respect of the company's shares are set out in the Report on Directors' Remuneration on pages 8 to 14.

Annual general meeting

The notice convening the annual general meeting to be held at the Pilkington European Technical Centre, Hall Lane, Lathom, Nr. Ormskirk, Lancashire L40 5UF on Tuesday, 24th July 2001 at 11.30 am, is sent to shareholders separately with this report, together with an explanation of certain items of business.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue to act and a resolution proposing their reappointment as auditors to the company will be submitted to the annual general meeting.

By order of the board,
John McKenna
Secretary
30th May 2001

Corporate governance

This statement, together with the Report on Directors' Remuneration, describes the way in which the principles and practices detailed in the Combined Code – Principles of Good Governance and Code of Best Practice, which is annexed to the Listing Rules of the Financial Services Authority, are applied within the Group.

The company has complied with the provisions of Section 1 of the Code of Best Practice throughout the year, except for the formal appointment of a senior independent director and the introduction of one year notice periods in the service contracts for current executive directors who were in office at the beginning of the year under review.

The board of directors

The board consists of a non-executive chairman, chief executive, three other executive directors and four non-executive directors. It meets regularly throughout the year and has adopted a formal schedule of matters reserved for its decision. The board directs and controls the Group and is responsible for strategy and operating performance. All directors receive regular information on the Group's operational and financial performance, risk management, business plans, future strategy and executive management. All directors have access to the company secretary, and, to enable the board to discharge its duties, all directors have full access to information. Any director who, in furtherance of his duties, wishes to take external advice, may do so at the expense of the company.

The non-executive directors do not participate in any of the Group's pension schemes or in any of the Group's bonus, share option or other incentive schemes. The board considers all the non-executive directors to be independent as they are independent of the Group's executive management and free from any business or other relationship which could materially interfere with the exercise of independent judgements. The board does not consider it necessary to identify a single senior non-executive director in addition to the chairman; each of the Audit Committee and the Remuneration Committee are chaired by a non-executive director.

All directors seek election to the board at the annual general meeting following their appointment and thereafter seek re-election by rotation every three years. Every director receives appropriate training and business familiarisation as required on the first occasion that he or she is appointed to the board, and subsequently as necessary.

Board and executive committees

Certain matters are delegated by the board, under written terms of reference, to the following committees:

- **Management Committee.** This committee consists of the executive directors and certain senior managers under the chairmanship of Paolo Scaroni and formulates policy and strategy for the board's approval. It is responsible for ensuring that the policies of the board are carried out on a Group-wide basis. This committee is also responsible for the development of annual budgets and operating plans linked to the management and control of the day-to-day operations of the Group including the monitoring of performance against those budgets and plans. It approves capital expenditure up to predetermined limits set by the board and monitors key research and development programmes and the operation of technology licences to and from the Group.

- **Audit Committee.** This committee consists of all the non-executive directors under the chairmanship of Oliver Stocken and has responsibility for reviewing the Group's internal control and risk management systems, its accounting policies and the nature and scope of the internal and external audits. This committee also keeps under review the cost-effectiveness of both external and internal audit and the independence and objectivity of the auditors. The chief executive, finance director and chief internal auditor, together with the external auditors, attend and report as appropriate.

- **Remuneration Committee.** This committee consists of all the non-executive directors under the chairmanship of James Leng. It is responsible for determining the Group's policy for executive remuneration and, in particular, for approving the terms and conditions of employment of the executive directors. It determines appropriate performance conditions for bonus and executive share option schemes and approves awards and the issue of options in accordance with the terms of those schemes.
- **Senior Executive Development Committee.** This committee consists of the executive directors, together with the Group director of human resources, under the chairmanship of Paolo Scaroni. It formulates and reviews senior management succession plans, is responsible for the overall direction of the development of the Group's management resources and approves the terms and conditions of employment of the senior management.
- **Nomination Committee.** This committee consists of all the non-executive directors, together with the chief executive, under the chairmanship of Sir Nigel Rudd. It is responsible for nominating candidates for the board as executive and non-executive directors.

Directors' remuneration

The board's report on directors' remuneration is contained on pages 8 to 14 and details the remuneration policy and particulars of the remuneration of each director. A significant proportion of the remuneration of the executive directors is linked to corporate and individual performance.

Following careful consideration of the recommendation in the Combined Code that notice periods in executive directors' service agreements should not generally exceed one year, it has been decided to honour existing service agreements, which contain a two years' notice provision, but it is the intention that in future the notice period in the standard service agreement to be offered to any new executive director will be one year. The service agreement with the executive director appointed during the year under review contains a one year notice period.

The Combined Code asks boards to consider each year whether the annual general meeting should be invited to approve the remuneration policy as set out in its report. The board has decided on this occasion to ask shareholders to approve the policy.

Relations with shareholders

Meetings with principal institutional investors are held on a regular basis. There is an opportunity for individual shareholders to question directors at the annual general meeting and to discuss any issues on an informal basis at the conclusion of that meeting. Also, shareholders can communicate directly with individual directors and the company secretary during the year. In addition, a web site containing published information, including a briefing for investors, presentations to analysts and press releases can be found at www.pilkington.com.

The management of business risk and internal control

The board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness and confirms that such a review has taken place during the year. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against any material misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, including operational and compliance risks and this is supported by effective controls, policies and procedures. The risk management process has been in place for the year under review and up to the date of approval of the annual report and accounts.

Management has responsibility for the identification and evaluation of significant risks applicable to their area of business, together with the design and operation of suitable internal controls. The risks are assessed by the business management teams on a continual basis and may be associated with a variety of internal and external sources including production breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements. Where appropriate the risk management process will include the use of insurance.

Internal control is also reinforced by the Code of Business Conduct, approved by the board, which since 1995 has provided practical guidance for all staff, along with supporting policies and employee procedures for the reporting and resolution of suspected fraudulent activities.

During the year the Audit Committee of the board:

- reviews the external and internal audit work plans,
- receives and reviews a schedule of Group risks and how they are being managed, built up from information filtered through the organisation, and
- considers reports from management and internal and external audit on the system of internal control including any material control weaknesses.

The chairman of the Audit Committee reports the outcome of meetings to the board and the board receives the minutes of all Audit Committee meetings.

In addition the Group has in place a system of control self-certification and hierarchical reporting which provides for a documented and auditable trail of accountability against the internal control policies and procedures, including the Code of Business Conduct. These procedures are relevant across all Group operations and provide for successive assurances to be given at increasingly higher levels of management and finally to the board. This process is facilitated by Internal Audit who also provide a degree of assurance as to the operation and validity of the system of internal control.

The chief executive also reports to the board on behalf of the Management Committee on significant changes in the business and the external environment, which affect the risk profile of the Group. The finance director provides the board with monthly financial information, which includes key results and performance indicators. Where areas for improvement in the system of internal control are identified the board considers the recommendations made by the Management Committee and the Audit Committee.

At the year end before producing the annual report and accounts the board, through the Audit Committee, reviews the following:

- the letters of representation and related evidence which enable directors to review the effectiveness of internal control in the Pilkington Group,
- the overall summary of Group risks arrived at through a filter process, which ensures that the critical risks are reviewed by directors, and
- the report from the external auditors on the principal financial reporting issues facing the Group.

The responsibility for risk management and internal control procedures within certain material joint ventures and associates, in particular the 35 per cent owned Mexican associate Vitro Plan SA de CV and the 19 per cent owned Chinese associate Shanghai Yaohua Pilkington Glass Co Limited, rests largely with the boards and senior management of those operations.

General policy

The remuneration of the executive directors is determined by the Remuneration Committee, which consists of all the non-executive directors under the chairmanship of James Leng. The role of the committee is to determine the terms and conditions of employment of executive directors and to approve suitable performance-related criteria for annual and long-term bonuses and the issue of options under the Group's senior executive share option and bonus schemes. The committee is advised by the Group director of human resources and by leading independent remuneration consultants.

The objectives of the remuneration policy are to ensure that salaries and incentives are aligned with the performance of the Group and the interests of shareholders and to enable the Group to attract, retain and motivate the highest calibre of executive on a worldwide basis.

In framing the remuneration policy, full consideration has been given to Schedule B of the Combined Code.

The normal remuneration arrangements for executive directors consist of basic salary, annual performance-related bonuses and longer term incentive programmes and benefits which include company car, medical insurance and pension entitlement. The Group operates throughout the world and the remuneration arrangements of executives need to be tailored to the competitive requirements in the country of employment. As a result, the arrangements vary according to the individual.

All elements of the terms and conditions of employment are routinely reviewed against external data drawn from the countries in which the Group operates with the help of independent advisers. In the UK, the committee considers data supplied by external advisers which is drawn from a sample of comparator companies chosen on the basis of industry sector, size, complexity and international dimension.

The annual performance-related bonus, which is not pensionable, is designed to reflect both the Group's performance and the executive director's contribution to it, and is payable only if specific profit performance targets are met. These targets are set each year by the Remuneration Committee.

During 2000, with the assistance of its independent advisers, the Remuneration Committee reviewed the long-term reward strategy for the executive directors and senior management and the use of share incentives. This review resulted in the introduction of the Leadership Equity Award Plan from 2001 and the implementation of various amendments to the Senior Executives' Share Option Schemes; these matters were approved by the shareholders in July 2000. Amendments have also been made to the performance targets set for senior executives' share options granted from December 2000, as described on page 11.

The Remuneration Committee has given careful consideration to the Combined Code on Corporate Governance which suggests that notice periods should not generally exceed one year. Following such consideration, it was decided to honour the service agreements for existing directors, which contained a two year notice provision but that in future the notice period in the standard service agreement to be offered to any new executive director will be one year.

The committee believes that the company can benefit from its executive directors holding non-executive appointments and also believes that this represents a valuable opportunity in terms of personal and professional development. Such appointments are subject to the approval of the board and it is the company's practice that fees derived from one such appointment may be retained by the executive director concerned.

The remuneration of the non-executive directors is decided by the board and it has agreed that the annual fees will be determined as a fixed number of shares. They are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option or other incentive schemes. Non-executive directors do not have service contracts.

Executive directors' remuneration

The remuneration of the executive directors was as follows:

	2001				2000			
	Basic salary £000	**Other benefits £000**	**Annual bonus £000**	**Total £000**	Basic salary £000	Other benefits £000	Annual bonus £000	Total £000
Paolo Scaroni	**700**	**14**	**420**	**1,134**	650	109	390	1,149
Andrew Robb	**300**	**22**	**180**	**502**	280	104	140	524
Warren Knowlton	**416**	**93**	**248**	**757**	357	90	202	649
Stuart Chambers*	**53**	**3**	**32**	**88**	–	–	–	–
Glen Nightingale**	**–**	**–**	**–**	**–**	210	143	82	435
	1,469	**132**	**880**	**2,481**	1,497	446	814	2,757

* Appointed to the board on 22nd January 2001.
**Retired from the board on 31st October 1999.
Details of pension arrangements are noted below.

Paolo Scaroni was the highest paid director in 2001 and 2000.

Warren Knowlton's salary is denominated in US dollars and is translated into sterling at an average exchange rate for the year of 1.48 (2000 – 1.61).

Other benefits

The benefits for Paolo Scaroni include the provision of a company car.

The benefits for Andrew Robb include a cash allowance of £16,000 in lieu of the provision of a company car.

Warren Knowlton is based in the United States of America and his terms take account of United States conditions. His benefits include £58,000 for the provision of accommodation in Toledo, Ohio, and £15,000 for healthcare coverage.

Bonus arrangements

Payments to executive directors for 2001 were capped at a maximum of 60 per cent of basic salary, except for the arrangement with Warren Knowlton who is entitled to an additional bonus based on the performance of the Automotive business in North America.

For 2001, the targets set for Stuart Chambers related to the performance of the Group and the Building Products business worldwide.

For 2001 all targets have been fully achieved, therefore the maximum performance bonuses are payable to directors and amount to £880,000 (the maximum for 2000 was £886,000). In 2000, the bonus payable was £814,000 which was 92 per cent of the maximum.

Pensions

Paolo Scaroni waives an element of his salary which is invested by the company on his behalf in an executive pension plan. The sum invested for 2001 was £68,000, this being the maximum allowable under Inland Revenue rules.

The pension arrangements for Andrew Robb and Stuart Chambers are affected by the Inland Revenue cap on approved pension benefits. The pension arrangements for Andrew Robb entitle him to a pension on retirement of two thirds of pensionable salary. They are partly funded through personal plans and the balance is unfunded but fully provided for in the financial statements. The amount provided in the financial statements for the year in respect of the arrangements for Andrew Robb was £369,000 (2000 £87,000).

The pension arrangements for Stuart Chambers entitle him to a pension on retirement determined according to the formula used for executive pension tier benefits within the Pilkington Superannuation Scheme. In practice this amounts to a pension promise of approximately 58 per cent of salary at normal retirement age. The arrangement is in part funded through personal plans, the unfunded balance being fully provided for in the financial statements. The aggregate cost of these arrangements was £213,000.

Warren Knowlton is a member of the United States based Pilkington North America Inc pension schemes which are effectively money-purchase arrangements. The company pays an annual contribution to these schemes of 30 per cent of salary, plus an amount equivalent to the related tax liability. In 2001, this amounted to £231,000 (2000 £207,000).

The increase in annual inflation-adjusted accrued pension entitlement for the executive directors participating in a defined benefit pension scheme, the total annual accrued pension payable at the normal retirement age of 60 and the transfer value of the additional entitlement (representing the capital sum required to fund the additional settlement, which is calculated in accordance with the advice of independent actuaries on a basis consistent with that used for similar calculations under the Group's pension schemes) are as follows:

		Accrued annual pension payable		Transfer value of additional entitlement
	Years of service	During 2001 £000	At 31st March 2001 £000	At 31st March 2001 £000
Andrew Robb	11	18	126	308
Stuart Chambers	4	*9	35	85

* From date of appointment.

Payments to former directors

The pension paid to a former director, having been fully provided in the financial statements, amounted to £185,000 (2000 £171,000).

Share options and deferred bonus plan

The Group strongly believes in the value of employee share ownership in order to align their interests with those of shareholders and therefore encourages employee participation in share option and share purchase schemes. As a result of such schemes, many of the Group's employees have interests in the company's shares. All the executive directors and senior executives have been given share ownership targets which they are asked to achieve by 2002 or within four years of appointment. The target for the Group chief executive is 325,000 shares and for each of the other executive directors is 165,000 shares.

The Group operates three types of share option scheme: a worldwide scheme for all employees where legislation permits, a savings-related scheme for all UK employees and senior executives' schemes in the UK and overseas.

The Remuneration Committee, which administers the senior executives' schemes, has resolved that options granted in or after December 1994 will only be exercisable if certain performance targets are met. For options granted in or after December 1994 and before December 2000 the committee set two targets, the achievement of either of which will in normal circumstances be a condition precedent to the exercise of the option. The first target requires the growth in the company's earnings per share, before exceptional items, over a period of three consecutive years to exceed the rate of price inflation over that period by at least 6 per cent. The second target requires the total shareholder return on a share in the company over a rolling period of three years to exceed the total shareholder return of the FT-SE Actuaries All Share Index over the same period. For options granted in or after December 2000 the committee has set only the performance target that the growth in the company's earnings per share, before exceptional items, should exceed the rate of price inflation by at least 2 per cent per annum. This test will be first applied after three years. If it is not satisfied on that occasion, further tests will be made over four and five years only.

The options held by the executive directors under the share option schemes are detailed below. In order to provide concise disclosure and to accord with the requirements of UITF10, a weighted average exercise price for the options has been calculated, identified separately for those options where the exercise price exceeds the market price of the shares at the year end designated (i) and where the exercise price is below the market price of the shares at the year end designated (ii):

		At 1st April 2000	Senior executives' share options granted	Lapsed during year	At 31st March 2001	Weighted average exercise price	Earliest date from which exercisable	Last expiry date
Paolo Scaroni	(i)	309,597	–	–	309,597	161.50p	20.11.1999	20.11.2006
	(ii)	11,959	–	–	11,959	81.00p	1.10.2002	31.3.2003
Andrew Robb	(i)	233,304	–	(40,532)	192,772	165.79p	2.8.1994	7.7.2007
	(ii)	116,513	255,863	–	372,376	88.64p	30.11.2001	13.6.2010
Warren Knowlton	(i)	943,598	–	–	943,598	118.69p	16.7.2000	24.6.2008
Stuart Chambers*	(i)	309,484	–	–	309,484	141.81p	20.11.1999	24.6.2008
	(ii)	340,669	–	–	340,669	79.49p	30.11.2001	13.6.2010
		2,265,124	255,863	(40,532)	2,480,455	120.50p		
Analysis of total (i) Exercise price exceeds the market price at 31st March 2001		1,795,983	–	(40,532)	1,755,451	135.49p		
(ii) Exercise price is below the market price at 31st March 2001		469,141	255,863	–	725,004	84.22p		
		2,265,124	255,863	(40,532)	2,480,455	120.50p		

* At date of appointment.

It should be noted that:

- Options under the senior executives' share option schemes were granted to Andrew Robb on 13th June 2000 at an exercise price of 93.8p per share.
- No options were granted under the savings-related share option scheme to any executive director in 2000/2001.
- The market price of a share in the company at the close of business on 31st March 2001 was 106p (2000 – 73p) and the range during 2000/2001 was 65.5p to 130p (2000 – 63p to 118p).
- During the year, none of the executive directors exercised any of their share options under the SAYE and senior executive share option schemes.

Under the deferred bonus plan, certain executive directors and senior management have been entitled to invest half or all of their performance-related bonus, after tax, in the company's shares which, if deposited with the trustee of the plan for a minimum period of three years, would be matched by the company. The plan matches the shares purchased on a 1.2-for-one basis at the gross level (equivalent to two-for-one at the net level). The company funds the trustee of the plan to enable them to purchase the matching shares at the same time as participants purchase their shares. Shares purchased by directors for the deferred bonus plan are included in the list of directors' shareholdings below. Paolo Scaroni participated in the plan in 1999 and 2000 on the above basis except that all his bonus before tax had to be used in connection with the acquisition of the company's shares and he did not have a cash alternative. In his case only, the shares relating to his bonus are in the form of a grant of options and are included in the table set out below. None of the executive directors will be eligible to participate in this plan in respect of the bonus earned for 2001.

The following directors held options to acquire, at no additional cost, the following number of shares under the plan:

	Options held at 1st April 2000	Granted during year	Options held at 31st March 2001
Paolo Scaroni	367,998	1,372,434	1,740,432
Andrew Robb	64,862	187,950	252,812
Warren Knowlton	61,824	–	61,824
Stuart Chambers*	205,570	–	205,570
	700,254	1,560,384	2,260,638

* At date of appointment.

Long-term incentives

Paolo Scaroni, Andrew Robb and Stuart Chambers will be eligible to participate in the Leadership Equity Award Plan in 2001. This plan was approved by shareholders in July 2000. Participants in this plan can invest a proportion of their annual bonus (after tax) in Pilkington shares. If they remain in employment and those shares are retained for three years, the company will match their investment with free shares. The extent of the match will depend upon the achievement of stretching Group performance targets (measured as aggregate earnings per share) over the three year retention period, to be set by the Remuneration Committee. The total match may be up to three and a half times the participant's gross annual bonus.

Warren Knowlton participates in the Pilkington North America Long-Term Incentive Plan. His participation was approved by shareholders in July 2000. This plan coincides with the term of the business plan which runs from October 1999 and aims to reward the achievement of agreed financial objectives. Payments in the form of shares may be made after the performance periods end in September 2001 and September 2002.

Service agreements

Each of the executive directors with the exception of Stuart Chambers has a service agreement which is terminable by the company on giving not less than two years' notice. The service agreement for Stuart Chambers is terminable by the company on giving not less than one year's notice.

Details of the director seeking election and of the directors retiring by rotation and seeking re-election are referred to on page 4 of the Directors' Report. The term of Warren Knowlton's service agreement expires on 31st July 2006 and the term of Stuart Chambers' service agreement expires on 25th May 2016, unless termination occurs earlier in accordance with the provisions of their service agreements. Dr Hans-Peter Keitel and William Harrison do not have service agreements.

Non-executive directors' remuneration

Up to May 2000, the fees for non-executive directors were paid as cash amounts. Sir Nigel Rudd's remuneration, on this basis, was at the rate of £200,000 per annum, which fee level was last reviewed in November 1997. The other non-executive directors received a basic fee of £27,000 per annum, and from April 1999 £5,000 per annum of this basic fee was applied on behalf of such non-executive directors in acquiring shares in the company. The chairmen of both the Audit and Remuneration Committees each received an additional fee of £5,000 per annum in respect of their services as chairmen of such committees. These fee levels were last reviewed in April 1999.

At the instigation of the executive directors, in order to align the interests of the non-executive directors more closely with those of shareholders as a whole, the board agreed that from June 2000 the annual fees of the non-executive directors would be a fixed number of shares rather than a cash fee. All non-executive directors have been paid exclusively in shares from that date and are required to hold such shares for a minimum period of four years, other than to the extent necessary to fund their tax liability on the receipt of the shares. The number of shares to be awarded to each non-executive director is reviewed annually in April, having regard to the appropriate level of remuneration for non-executive directors, and is based on the average share price for the last ten business days of the preceding fiscal year ('the reference price'). For the period ended 31st March 2001, the number of shares awarded each month to the chairman was 28,584 and to each of the non-executive directors was 3,834 based on a reference price of 70p per share. An additional monthly award of 750 shares was made to the chairmen of the Audit and Remuneration Committees.

Under these arrangements, shares received as remuneration are allotted in arrears, bi-annually, in December and June in respect of the preceding six months. Shares were allotted in December 2000 for the period from 1st June 2000 to 30th November 2000 at a reference price of 70p per share and the value of those shares, based on the share price on the day of allotment of 104p, is shown below. As at 31st March 2001, the non-executive directors were entitled to receive further shares to cover the period from 1st December 2000 to 31st March 2001, which will be allotted in June 2001. The number of shares to be so allotted is shown below.

Details of the remuneration paid and due to non-executive directors for 2001 are shown below.

	2001					2000
	Fees	**Number of shares allotted in Dec 2000**	**Value of shares allotted in Dec 2000 at market price on date of allotment**	**Number of shares to be allotted in June 2001**	**Aggregate value of shares allotted and to be allotted at the reference price of 70p and fees**	Fees
	£000		**£000**		**£000**	£000
Sir Nigel Rudd (Chairman)	**33**	**171,504**	**178**	**114,336**	**233**	200
Dr Hans-Peter Keitel	**5**	**23,004**	**24**	**15,336**	**32**	27
William Harrison	**5**	**23,004**	**24**	**15,336**	**32**	27
James Leng	**5**	**27,504**	**29**	**18,336**	**37**	32
Oliver Stocken	**5**	**27,504**	**29**	**18,336**	**37**	30
Sir Michael Quinlan*	–	–	–	–	–	11
Lord Simpson**	–	–	–	–	–	3
	53	**272,520**	**284**	**181,680**	**371**	330

* Retired 22nd July 1999.
** Retired 30th April 1999.

It should be noted that:

- During the year ended 31st March 2001 the highest and lowest share prices at close of business (as shown by the Daily Official List of the London Stock Exchange) were 130p and 65.5p respectively.
- The share price as at close of business on 4th December 2000, the date of allotment, as shown by the Daily Official List of the London Stock Exchange, was 104p.
- The share price as at close of business on 31st March 2001, as shown by the Daily Official List of the London Stock Exchange, was 106p.

Following a review in March 2001, which took into account market practice, it has been agreed that the notional fee level for each non-executive director (other than the chairman) will be increased by £5,000 per annum with effect from 1st April 2001.

In respect of 2002, a board committee determined in April 2001 that the number of shares due in respect of each month would be 18,174 to the chairman, and 2,908 to each of the other non-executive directors, with an additional monthly accrual of 454 shares to the chairmen of the Audit and Remuneration Committees.

Share interests

The interests of the directors (including holdings, if any, of each director's wife and children under 18) in the share capital of the company at 31st March were:

	2001	2000
Sir Nigel Rudd	**796,738**	625,234
Paolo Scaroni	**414,077**	400,000
Andrew Robb	**228,507**	186,700
Warren Knowlton	**134,650**	702,377
Stuart Chambers	**136,201**	*133,995
Dr Hans-Peter Keitel	**21,425**	2,009
William Harrison	**48,709**	23,074
James Leng	**38,019**	5,480
Oliver Stocken	**89,338**	55,275

* At date of appointment.

There have been no changes in directors' interests between 31st March 2001 and the announcement of the Group's results on 30th May 2001, other than a reduction of 73,507 shares in the interests of Andrew Robb with effect from 20th April 2001 following the holder of such shares ceasing to be a connected person.

The share interests of Paolo Scaroni, as shown above, do not include shares in his bonus awards under the deferred bonus plan, which are in the form of options and are included in the table on page 12.

Acquisitions

During the year the Group increased its percentage ownership of a number of previously partly owned subsidiaries. Firstly, the Group acquired the interests of Nippon Sheet Glass Co Limited in Pilkington North America Inc (formerly Libbey-Owens-Ford Co), L-N Safety Glass SA de CV, L-N of America Inc and Pilkington Automotive Limited (formerly Pilkington Automotive UK Limited). This acquisition was made in exchange for the issue of 122,222,630 new ordinary shares by Pilkington plc, which, at the time, represented 10 per cent of Pilkington's enlarged share capital. Secondly, Pilkington acquired the remaining 25 per cent of the shares in Pilkington Polska Sp. z o.o. (formerly Pilkington Sandoglass Sp. z o.o.) in Poland.

Economic and monetary union in Europe

The Pilkington Group has a significant presence in the eurozone, with over one third of its sales being generated there. The Group is seeking every opportunity to use Economic and Monetary Union (EMU) as a lever to improve business efficiency, reduce costs and grow its market position.

All the Group's systems in the eurozone are now able to report and account in the euro.

On pages 54 and 55 of these financial statements, the Group sets out the results for 2001 and the previous year using the euro as the Group's reporting currency.

Group profit and loss account

Turnover from continuing operations in the Group and the Group's share of joint ventures and associates increased by 7 per cent to £2,820 million. Building Products accounted for 51 per cent of turnover, Automotive Products 48 per cent and others 1 per cent.

Operating profits from continuing operations before exceptional items of £288 million increased 23 per cent on the previous year. Further benefits due to the cost savings from the Step Change restructuring programmes in Automotive and Building Products and the improved conditions in the market resulted in flat and safety glass profits in Europe of £198 million, an increase of 45 per cent on 2000.

In North America, operating profits from continuing operations decreased by 46 per cent to £19 million from £35 million in 2000.

Profits in the rest of the world of £37 million increased by £11 million arising principally from improved profits in South America.

Joint ventures and associates contributed £53 million to operating profit, an increase of 4 per cent. The principal joint venture, Cebrace in Brazil, increased operating profits significantly whilst the principal associate, Vitro Plan SA de CV in Mexico, reported reduced operating profits.

Exceptional items

Exceptional items totalled a charge of £44 million, of which £30 million represented redundancy and restructuring charges and £9 million related to the settlement of litigation. Non-operating exceptional items totalled £5 million.

Investment income and interest

Interest payable less receivable, net of investment income, was £72 million, increased from £63 million in the previous year, due principally to increased financing costs in Brazil and Chile.

Profit before taxation

Profit before taxation and exceptional items of £216 million represented a 23 per cent increase on the reported result for 2000. The profit before taxation after exceptional items was £172 million (2000 £52 million). The tax charge for

2001 was £60 million on profits before exceptional items (2000 £48 million) and represented an effective tax rate of 28 per cent (2000 – 27 per cent).

Earnings and dividends
Earnings per share attributable to shareholders before exceptional items increased by 19 per cent to 10.8p from 9.1p in 2000, based on the average number of shares in issue of 1,183 million.

The directors have proposed a final dividend of 3.25p per share, making 5.0p for the year. Dividends are covered twice by profit attributable to shareholders before exceptional items and nearly one and a half times by profit attributable to shareholders after exceptional items.

Retained profit amounted to £25 million, an increase of £84 million.

Cash flow and investments
Operating profit before exceptional items, after adding back depreciation and goodwill amortisation, generated an inflow of £397 million, £54 million more than in 2000. The investment in working capital increased by £10 million, as compared to a reduction of £19 million in 2000. Exceptional restructuring cost £60 million of cash (2000 £74 million).

Cash flow from operations after exceptional items totalled £321 million, an increase of 18 per cent from £271 million in 2000. Dividends received from joint ventures and associates of £26 million were £17 million higher than last year.

Returns on investments and servicing of finance were higher at £81 million (2000 £71 million). Taxation paid of £38 million was £23 million more than last year.

Purchases of tangible fixed assets totalled £193 million (2000 £175 million). More than £67 million was directed to the US Building Products and Automotive businesses, of which £47 million related to cold repairs of float glass plants in Rossford and Laurinburg.

Acquisitions of subsidiaries and investments cost £43 million, compared with £16 million last year. Proceeds from divestments of businesses and asset disposals totalled £14 million (2000 £61 million).

Net cash inflow before financing and dividends was £6 million compared to £64 million last year.

Borrowings and shareholders' funds
Borrowings, net of cash and marketable investments, were £656 million at 31st March 2001, an increase of £60 million. The net debt/total equity ratio was 57 per cent, down 2 per cent from last year.

Shareholders' funds and minority interests at 31st March 2001 amounted to £1,142 million. The reconciliation of the movement in shareholders' funds, set out on page 25 of the financial statements, shows a net increase of £150 million, of which £25 million arose from the retained profit, £127 million from the issue of shares and the premium thereon, less a £2 million reduction from exchange rate movements.

Finance and liquidity
The Group finances its operations by a combination of cash generated by operations, bank loans, capital market debt issues, leases and issued share capital. Funding is raised and managed centrally by the Group Treasury function and lent to operating companies on commercial terms. The Group borrows in a range of currencies at both fixed and floating rates of interest, using derivatives where necessary to generate the required currency and interest rate profile.

Bank debt is principally in the form of committed facilities with a range of maturities from one year to seven years. These are unsecured with the exception of certain project loans. Capital market debt typically has longer maturities averaging ten years or more.

In addition, the Group obtains funding from securitisation programmes under which receivables are sold on a non-recourse basis to banks in the ordinary course of business. The Group is not obliged to support any losses on the non-recourse element of the receivables sold. At the end of March 2001 the total of receivables sold under these programmes was £112 million (2000 £105 million).

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. At any one time the Group aims to maintain committed borrowing facilities prudently in excess of its estimated gross borrowing requirement. At the year end the Group had committed facilities of £836 million of which £650 million was drawn. It also has access to substantial lines of uncommitted and short-term facilities, which are used principally to manage day-to-day liquidity. Wherever practicable, pooling, netting or concentration techniques are employed to minimise gross debt. There have been no major changes to the Group's long-term debt portfolio.

Treasury and hedging policies
Group Treasury operates within clearly defined policies and authority limits that are approved by the board. These policies cover liquidity, foreign exchange, interest rate and credit risk. The financial instruments used to manage interest rate, currency and liquidity risk are subject to board approved operating parameters and under no circumstances will their use create additional financial exposures over and above those arising from the Group's normal trading activity. Use of derivative instruments is restricted to forward rate agreements, foreign currency and interest rate swaps. The board also approves a defined set of financing counterparties, all with agreed credit limits.

Currency and interest rate risk
The Group has transactional currency exposures arising from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Under the Group's foreign exchange policy, such transaction exposures are hedged once they are quantified, mainly through the use of forward foreign exchange contracts.

The Group has significant investment in overseas operations, particularly in continental Europe, North America, South America and Australasia. As a result, the Group's sterling balance sheet can be significantly affected by movements in exchange rates.

The Group seeks to mitigate the effect of these exposures where possible by borrowing in the same currencies as the functional currencies of the main operating units and by using currency swaps to match the currency of some of its borrowings more closely in proportion to the spread of its assets. Details of all borrowings are provided in notes 25 and 26 to the financial statements.

At the end of March 2001, 5 per cent of the Group's borrowings were in sterling, 13 per cent in US dollars, 53 per cent in euros and 29 per cent in other currencies.

The Group uses interest rate swaps to maintain fixed interest rates on between 30 per cent and 70 per cent of total debt. At 31st March 2001, 59 per cent of gross borrowings were at fixed rates for an average period of nearly five years.

Financial resources
At 31st March 2001 the Group had available but undrawn committed borrowing facilities totalling £186 million, all of which mature in more than one year.

After making enquiries, the directors have a reasonable expectation that the Group and the company have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Directors' responsibilities in respect of the preparation of financial statements

The directors are required to present for each accounting period financial statements which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the Group and the company as at the end of the accounting period and of the profit or loss of the Group for that period. In preparing the financial statements, suitable accounting policies, framed by reference to reasonable and prudent judgements and estimates, are used and applied consistently. Applicable accounting standards are followed subject to any material departures being disclosed and explained in the notes to the financial statements. The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The directors are also responsible for maintaining proper accounting records, safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities. The maintenance and integrity of the Pilkington website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Pilkington plc

We have audited the financial statements (which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes) on pages 20 to 53, including the additional disclosures on pages 8 to 14 relating to the remuneration of the directors specified for our review by the Listing Rules, which have been prepared under the historical cost convention and the accounting policies set out on pages 20 to 23.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the chairman's statement, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement on pages 5 to 7 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit 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 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 and the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 31st March 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
30th May 2001

Accounting policies

The Group's financial statements have been prepared under the historical cost convention, in accordance with Accounting Standards applicable in the United Kingdom.

A summary of the major Group accounting policies, which have been consistently applied, is set out below.

1 Group consolidation

The Group's financial statements consolidate the results and financial position of Pilkington plc and all its subsidiary undertakings. Where appropriate, the financial statements of overseas subsidiary undertakings are adjusted to conform with the Group's accounting policies. Unrealised profits on intra-group transactions are eliminated on consolidation.

The results of subsidiary undertakings acquired during the year are included from the date that control of the undertaking passes to the Group.

The results of subsidiary undertakings are included up to the date that the undertaking ceases to be a subsidiary either through disposal or through a loss of control exercised over the undertaking.

2 Goodwill

Any difference between the cost of acquisition of a subsidiary undertaking and the fair value of its separable net assets at acquisition is capitalised as goodwill. However, prior to 1st April 1995, all goodwill arising on acquisitions was written off to reserves.

Where an acquired undertaking is subsequently sold (and where goodwill has been previously written off to reserves and can be identified), the profit or loss on disposal is calculated after including goodwill in the profit and loss account for the year.

Goodwill carried in the balance sheet as an intangible asset is amortised, on a straight line basis, over periods not exceeding 20 years, such periods being chosen to reflect its expected useful economic life.

3 Foreign currencies

Assets and liabilities denominated in foreign currencies, including those of subsidiary undertakings, joint ventures and associates, are translated into sterling at year end exchange rates. The results and cash flows of overseas subsidiary undertakings, joint ventures and associates are translated into sterling at the average exchange rates ruling during the financial year.

The principal exchange rates used for translation of foreign currencies were as follows:

	2001		2000	
	Average	**Year end**	Average	Year end
US dollar	**1.48**	**1.42**	1.61	1.59
Euro	**1.63**	**1.61**	1.56	1.66

Exchange differences arising on the translation of the net assets of overseas subsidiary undertakings, joint ventures and associates and on the translation of foreign currency borrowings used to hedge investments in overseas subsidiaries are taken to reserves. Other exchange differences are taken to the profit and loss account.

4 Financial derivatives

The Group uses cross currency swaps and fixed forward currency rate contracts to manage its exposure to foreign currency exchange risks and hedge its investments in overseas subsidiaries and investments designated in foreign currencies. Such financial instruments are treated as hedges against the underlying assets or liabilities. All gains or losses are taken to the statement of total recognised gains and losses until the instrument and the underlying hedged investments are sold, when the profit or loss arising is taken to the profit and loss account as realised.

In addition, the Group uses interest rate swaps to manage the balance of its fixed and floating rate debt. The net interest income or expense on an interest rate swap is recognised as interest in the Group's profit and loss account over the life of the transaction.

Where there is a legal right of set-off between a deposit and a loan, the two are offset within the financial statements.

The Group excludes all short-term debtors and creditors from its derivatives and financial instrument disclosures (other than those on currency risk relating to monetary assets and liabilities).

5 Turnover

Group turnover is based on the invoiced value of sales, excluding VAT and other sales based taxes, and includes the proportion of the sales value of long-term contracts relevant to their state of completion. Group turnover includes sales by the Group to joint ventures and associates, but excludes sales by joint ventures and associates.

6 Deferred income

Regional development grants and other investment grants are taken to deferred income and are released to the profit and loss account in appropriate instalments relating to the type and nature of expenditure they are intended to fund.

7 Research and development

Revenue expenditure on research and development is charged against the profits of the year in which it is incurred.

Capital expenditure on research laboratories, equipment and plant is written off over its expected useful economic life.

8 Retirement benefits

The pension cost relating to defined contribution schemes operating in the UK is the amount of the contribution payable in the respective financial year.

The pension cost relating to defined benefit schemes operating in the UK is assessed in accordance with the advice of independent qualified actuaries. The amounts so determined include the regular cost of providing the benefits under the plans, which it is intended should remain at a level percentage of current and expected future earnings of the employees covered under the plans. Variations from the regular pension costs are spread on a systematic basis over the estimated average remaining service lives of current employees in the plans.

Retirement plans of non-UK subsidiaries are accounted for in accordance with local conditions and practice. These subsidiaries recognise the expected cost of providing pensions on a systematic basis over the average remaining service lives of employees in accordance with the advice of qualified actuaries.

Accounting policies

The policy in respect of the cost of providing healthcare benefits to retired employees, principally in the USA, accords with UITF 6, and is similar to that used to account for pension obligations. The annual charge to the profit and loss account is determined on a systematic basis over the service lives of employees in accordance with the advice of qualified actuaries.

9 Tangible fixed assets
Tangible fixed assets are stated at historical cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

In the case of businesses acquired by the Group as going concerns, the fair value attributed to the tangible fixed assets at the date of acquisition is treated as their cost to the Group.

Gross interest costs relating to major tangible fixed assets under construction are included in the cost of such assets and are depreciated as part of the total cost.

10 Depreciation of tangible fixed assets
Freehold land is not depreciated.

Depreciation is charged on all other categories of tangible fixed assets so as to write off the cost by equal annual instalments over the expected useful economic lives of the assets, such depreciation commencing at the start of the half year after the asset is commissioned. The asset lives used under this policy approximate to 40 years for freehold and long leasehold buildings and 10 to 24 years for plant and machinery. Short leasehold buildings are depreciated over the life of the lease.

11 Leases
Assets held under finance leases are included in tangible fixed assets at cost and are depreciated over the shorter of the lease term or their useful economic life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within or after one year. Finance charges are allocated to accounting periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligation. Rentals under operating leases are charged to the profit and loss account as incurred.

12 Subsidiary undertakings
The parent company carries its investments in subsidiary undertakings at historical cost less any impairment.

13 Joint ventures and associates
The Group treats investments in undertakings which are jointly controlled as joint ventures. Investments in undertakings where the Group has a participating interest, where the investment is held for the long-term and where the Group exercises significant influence, are treated as associates.

The Group's share of turnover and the component elements of the profit and loss account are disclosed separately for both joint ventures and associates in the Group's profit and loss account.

Joint ventures are disclosed using the gross equity method under which the aggregate gross assets and gross liabilities underlying the net amount included for the investment are disclosed on the balance sheet.

Joint ventures and associates are accounted for on the basis of accounts prepared to an accounting date not more than three months prior to the Group's year end.

14 Stocks and work in progress
Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes all direct expenditure and works overhead expenditure incurred in bringing goods to their current state under normal operating conditions.

15 Deferred taxation
Deferred taxation is provided on the liability method at current or expected future rates of tax in respect of timing differences between profits as computed for tax purposes and profits as stated in the financial statements and other timing differences to the extent that, in the opinion of the directors, the potential tax liability or asset will become payable or recovery made in the foreseeable future.

A deferred tax asset is fully recognised in respect of the post-retirement healthcare benefits.

Group profit and loss account

For the year ended 31st March 2001	Note	2001 Operations £m	2001 Exceptionals (Note 7) £m	2001 Total £m	2000 Operations £m	2000 Exceptionals (Note 7) £m	2000 Total £m
Turnover							
Group turnover – continuing	1	**2,507**	**–**	**2,507**	2,382	–	2,382
Group turnover – discontinued	2	**–**	**–**	**–**	81	–	81
Group turnover – total		**2,507**	**–**	**2,507**	2,463	–	2,463
Share of joint ventures' and associates' turnover – continuing	4	**313**	**–**	**313**	244	–	244
Turnover including joint ventures and associates		**2,820**	**–**	**2,820**	2,707	–	2,707
Operating profit							
Group – continuing	1	**235**	**(39)**	**196**	183	(114)	69
Group – discontinued	2	**–**	**–**	**–**	4	(1)	3
Group operating profit – total		**235**	**(39)**	**196**	187	(115)	72
Share of joint ventures' and associates' operating profit	4	**53**	**–**	**53**	51	–	51
Operating profit including joint ventures and associates		**288**	**(39)**	**249**	238	(115)	123
Non-operating exceptional items	7						
Loss on disposal/termination of continuing operations:							
Loss on disposal/termination			**(6)**	**(6)**		(20)	(20)
Previous provision utilised			**1**	**1**		19	19
			(5)	**(5)**		(1)	(1)
Loss on disposal of discontinued operations			**–**	**–**		(3)	(3)
Loss on disposal of fixed assets and investments in continuing operations			**–**	**–**		(4)	(4)
		–	**(5)**	**(5)**	–	(8)	(8)
Profit before investment income and interest		**288**	**(44)**	**244**	238	(123)	115
Investment income	9	**1**	**–**	**1**	1	–	1
Net interest payable and similar charges	10	**(73)**	**–**	**(73)**	(64)	–	(64)
Profit on ordinary activities before taxation		**216**	**(44)**	**172**	175	(123)	52
Taxation	11	**(60)**	**3**	**(57)**	(48)	3	(45)
Profit after taxation		**156**	**(41)**	**115**	127	(120)	7
Minority interests (including non-equity)	12	**(28)**	**–**	**(28)**	(28)	17	(11)
Profit/(loss) attributable to shareholders		**128**	**(41)**	**87**	99	(103)	(4)
Dividends	13	**(62)**	**–**	**(62)**	(55)	–	(55)
Retained profit/(loss) of the Group	34	**66**	**(41)**	**25**	44	(103)	(59)
Earnings/(loss) per share	14	**10.8p**	**(3.4p)**	**7.4p**	9.1p	(9.5p)	(0.4p)
Fully diluted earnings/(loss) per share	14	**10.6p**	**(3.4p)**	**7.2p**	9.0p	(9.4p)	(0.4p)

Statement of total recognised gains and losses

For the year ended 31st March 2001	2001 £m	2000 £m
Profit/(loss) attributable to shareholders of Pilkington plc	**87**	(4)
Other recognised (losses)/gains		
Exchange rate movements on foreign currency net investments:		
– subsidiaries	**–**	(40)
– associates	**(2)**	14
Total other recognised losses	**(2)**	(26)
Total recognised gains/(losses) relating to the year	**85**	(30)

Note of historical cost profits and losses for the year ended 31st March 2001

There were no material differences between the reported profit on ordinary activities before taxation and the retained profit and their historical cost equivalents for the year. Similarly, there were no such differences in respect of 2000.

Reconciliation of movement in shareholders' funds

For the year ended 31st March 2001	Note	2001 £m	2000 £m
Profit/(loss) attributable to shareholders of Pilkington plc		**87**	(4)
Dividends	13	**(62)**	(55)
Exchange rate movements on foreign currency net investments	34	**(2)**	(26)
Goodwill written back	7	**–**	2
Shares issued	33	**67**	4
Premium on shares issued	34	**60**	4
Net increase/(decrease) in shareholders' funds for the year		**150**	(75)
Shareholders' funds at beginning of the year		**667**	742
Shareholders' funds at end of the year		**817**	667

Balance sheets

As at 31st March 2001	Note	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
ASSETS EMPLOYED					
Fixed assets					
Intangible fixed assets	15	**174**	**–**	91	–
Tangible fixed assets	16	**1,585**	**5**	1,508	5
Investments – subsidiary undertakings	17	**–**	**1,329**	–	1,064
Investments – joint ventures:	18				
– share of gross assets		**119**	**–**	113	–
– share of gross liabilities		**(26)**	**–**	(28)	–
		93	**–**	85	–
Investments – associates	19	**134**	**–**	125	–
Investments – trade	20	**15**	**2**	15	1
Total fixed assets		**2,001**	**1,336**	1,824	1,070
Current assets					
Stocks	21	**394**	**–**	347	–
Debtors – amounts falling due within one year	22	**377**	**22**	351	47
– trade debtors subject to factoring arrangements	22	**112**	**–**	105	–
– less non-returnable amounts received	22	**(91)**	**–**	(83)	–
– total debtors falling due within one year	22	**398**	**22**	373	47
Debtors – amounts falling due after more than one year	23	**93**	**–**	76	1
Debtors – total		**491**	**22**	449	48
Investments – marketable	24	**38**	**7**	17	6
Cash at bank and in hand		**49**	**19**	49	4
		972	**48**	862	58
Creditors – amounts falling due within one year	25	**707**	**73**	714	47
Net current assets/(liabilities)		**265**	**(25)**	148	11
Total assets less current liabilities		**2,266**	**1,311**	1,972	1,081
FINANCED BY					
Creditors – amounts falling due after more than one year	26	**618**	**148**	465	–
Provisions for liabilities and charges	29	**487**	**16**	480	12
		1,105	**164**	945	12
Deferred income	31	**19**	**6**	19	9
Capital and reserves					
Called up share capital	33	**617**	**617**	550	550
Share premium account	34	**64**	**64**	4	4
Other reserves (including special reserve)	34	**150**	**279**	190	370
Profit and loss account	34	**(14)**	**181**	(77)	136
Total equity shareholders' funds		**817**	**1,141**	667	1,060
Minority interests – equity	35	**85**	**–**	122	–
– non-equity	35	**240**	**–**	219	–
		325	**–**	341	–
		2,266	**1,311**	1,972	1,081

The financial statements on pages 20 to 53 were approved by the directors on 30th May 2001.

Directors: Sir Nigel Rudd, A. M. Robb.

Group cash flow statement

For the year ended 31st March 2001	Note	2001 £m	2001 £m	2000 £m	2000 £m
Net cash inflow from operating activities before exceptional items	36		**381**		345
Exceptional items – restructuring and disposal of operations			**(60)**		(74)
Net cash inflow from operating activities			**321**		271
Dividends received from joint ventures			**11**		3
Dividends received from associates			**15**		6
Returns on investments and servicing of finance					
Interest – paid (excluding finance leases)		**(63)**		(56)	
– paid (finance leases)		**(5)**		(4)	
– received		**9**		7	
Dividends – received from other investments		**1**		1	
– paid to minority shareholders		**(23)**		(19)	
Net cash outflow from returns on investments and servicing of finance			**(81)**		(71)
Taxation paid			**(38)**		(15)
Capital expenditure					
Purchase of tangible fixed assets		**(193)**		(175)	
Disposals of tangible fixed assets		**11**		21	
Net cash outflow from capital expenditure			**(182)**		(154)
			46		40
Acquisitions and disposals					
Purchase of – subsidiary undertakings	37	**(17)**		(10)	
– joint ventures, associates and other investments	37	**(26)**		(6)	
Disposal of – subsidiary undertakings		**–**		46	
– net cash with subsidiary undertakings		**–**		(7)	
– joint ventures, associates and other investments	37	**3**		1	
Net cash (outflow)/inflow from acquisitions and disposals			**(40)**		24
Net cash inflow before dividends, management of liquid resources and financing			**6**		64
Equity dividends paid by parent company			**(47)**		(65)
Management of liquid resources – short-term deposits	38		**(22)**		(1)
Financing					
New loans taken out	38	**164**		181	
Loans repaid	38	**(98)**		(185)	
Finance lease capital repayments	38	**(22)**		(10)	
Net cash inflow/(outflow) from financing			**44**		(14)
Decrease in cash	38		**(19)**		(16)

For the year ended 31st March 2001

1 Segmental analysis of the Group's continuing operations	2001 Turnover £m	2001 Profit/(loss) £m	2001 Net operating assets/(liabilities) £m	2000 Turnover £m	2000 Profit/(loss) £m	2000 Net operating assets £m
Building products	**1,252**	**175**	**927**	1,165	135	806
Automotive products	**1,214**	**79**	**678**	1,166	63	609
Group operations and technology management	**41**	**(19)**	**(12)**	51	(15)	2
	2,507		**1,593**	2,382		1,417
Group pre-exceptional operating profit		**235**			183	
Share of joint ventures' and associates' pre-exceptional operating profit (note 4)		**53**			51	
Exceptional items charged against operating profit (note 7) – Group		**(39)**			(114)	
Operating profit including joint ventures and associates		**249**			120	
Non-operating exceptional items (note 7)		**(5)**			(5)	
Investment income		**1**			1	
Net interest payable		**(73)**			(64)	
Profit on ordinary activities before taxation		**172**			52	
Geographical analysis of turnover, pre-exceptional operating profit/(loss) and net operating assets/(liabilities)						
Europe	**1,418**	**198**	**954**	1,385	137	891
North America	**709**	**19**	**319**	639	35	171
Rest of the world	**339**	**37**	**332**	307	26	353
Group operations and technology management	**41**	**(19)**	**(12)**	51	(15)	2
	2,507	**235**	**1,593**	2,382	183	1,417

Turnover derived from transactions between Building products and Automotive products amounted to £94 million in 2001 (2000 £118 million). Other inter-segmental turnover is not material.

Net operating assets are analysed in note 6.

2 Segmental analysis of the Group's discontinued operations	2001 Turnover £m	2001 Profit/(loss) £m	2001 Net operating assets £m	2000 Turnover £m	2000 Profit/(loss) £m	2000 Net operating assets £m
Technical products	**–**		**–**	81		–
Group pre-exceptional operating profit		**–**			4	
Exceptional items charged against Group operating profit (note 7)		**–**			(1)	
Operating profit		**–**			3	
Non-operating exceptional items (note 7)		**–**			(3)	
Profit on ordinary activities before taxation		**–**			–	
Geographical analysis of turnover, operating profit and net operating assets						
Europe	**–**	**–**	**–**	70	2	–
North America	**–**	**–**	**–**	11	2	–
	–	**–**	**–**	81	4	–

The discontinued operations in 2000 comprised the Technical products businesses sold to the management of those businesses in the year, principally Flabeg GmbH, SMA Regelsysteme GmbH, Pilkington Solar International GmbH, Pilkington Technical Mirrors (UK) Limited and Pilkington Technical Mirror Corporation. The loss on sale in 2000 is referred to in exceptional items (note 7).

Turnover derived from transactions between Building products and Technical products amounted to nil in 2001 (2000 £5 million).

3 Acquisitions

The principal acquisitions in 2001 relate to an increase in the Group's percentage ownership of Pilkington North America Inc and Pilkington Automotive Limited from 80% to 100% (acquired on 24th July 2000) and the increased percentage ownership in Pilkington Polska Sp. z o.o. (formerly Pilkington Sandoglass Sp. z o.o.) which has increased from 75% to 100%, acquired between 4th May and 7th November 2000. The results of these businesses have been consolidated in previous years.

The principal acquisition in 2000 related to an increase in the Group's percentage holding in Pilkington Sandoglass Sp. z o.o.

Further details regarding acquisitions made in the year are disclosed in note 37.

4 Segmental analysis of the Group's share of joint ventures and associates	2001 Turnover £m	2001 Operating profit/(loss) £m	2001 Net assets £m	2000 Turnover £m	2000 Operating profit £m	2000 Net assets £m
Joint ventures						
Building products	**52**	**18**	**85**	41	13	78
Automotive products	**7**	**–**	**8**	7	–	7
	59	**18**	**93**	48	13	85
Europe	**4**	**(1)**	**21**	5	–	6
North America	**3**	**–**	**2**	2	–	1
Rest of the world	**52**	**19**	**70**	41	13	78
	59	**18**	**93**	48	13	85
Associates						
Building products	**125**	**23**	**93**	88	21	89
Automotive products	**129**	**12**	**41**	108	17	36
	254	**35**	**134**	196	38	125
North America	**239**	**33**	**108**	195	38	98
Rest of the world	**15**	**2**	**26**	1	–	27
	254	**35**	**134**	196	38	125
Total joint ventures and associates	**313**	**53**	**227**	244	51	210

5 Geographical analysis of the Group's turnover by markets	2001 Continuing £m	2001 Continuing %	2000 Continuing £m	2000 Continuing %	2000 Discontinued £m	2000 Discontinued %
Europe – EU	**1,236**	**50**	1,235	52	61	75
– Non EU	**183**	**7**	164	7	4	5
North America	**708**	**28**	636	27	13	16
Australasia	**137**	**6**	144	6	3	4
South America	**181**	**7**	151	6	–	–
Rest of the world	**62**	**2**	52	2	–	–
	2,507	**100**	2,382	100	81	100

This analysis of turnover shows the markets in which the Group's products are sold, whereas the regional analyses in notes 1 and 2 relate to the domicile of the Group undertakings making the sales.

6 Net operating assets of the Group's continuing operations	2001 £m	2000 £m
The net operating assets referred to in note 1 comprise the following:		
Intangible fixed assets	**174**	91
Tangible fixed assets	**1,585**	1,508
Stocks	**394**	347
Debtors – amounts falling due within one year	**385**	359
Debtors – amounts falling due after more than one year	**21**	22
Creditors – amounts falling due within one year	**(483)**	(428)
Creditors – amounts falling due after more than one year	**(2)**	(4)
Provisions	**(481)**	(478)
	1,593	1,417

Creditors exclude loans and overdrafts, taxation on profits, finance leases and dividends. Debtors exclude taxation and deferred taxation recoverable. Provisions include post-retirement healthcare benefits but exclude deferred taxation.

7 Exceptional items	2001 Continuing £m	2000 Continuing £m	2000 Discontinued £m	2000 Total £m
Operating exceptional items				
Redundancy and restructuring costs charged to operating profit	**(30)**	(108)	(1)	(109)
Litigation	**(9)**	(6)	–	(6)
Total charged to operating profit	**(39)**	(114)	(1)	(115)
Non-operating exceptional items				
Loss on disposal of fixed assets and investments (net)	**–**	(4)	–	(4)
Loss on disposal/termination of operations:				
Continuing operations	**(5)**	(1)	–	(1)
Discontinued operations	**–**	–	(1)	(1)
Goodwill written back	**–**	–	(2)	(2)
	(5)	(1)	(3)	(4)
Total non-operating exceptional items	**(5)**	(5)	(3)	(8)
Taxation (note 11)	**3**			3
Attributable to minority interests	**–**			17
	(41)			(103)

The taxation credit and the amount attributable to minorities relate to operating exceptional items in continuing operations.

7 Exceptional items continued	2001 Continuing £m	2000 Continuing £m	2000 Discontinued £m	2000 Total £m
Operating exceptional items – segmental and geographical analysis				
Building products	**(10)**	(24)	–	(24)
Automotive products	**(18)**	(81)	–	(81)
Technical products	**–**	–	(1)	(1)
Group operations and technology management	**(11)**	(9)	–	(9)
	(39)	(114)	(1)	(115)
Europe	**(24)**	(31)	(1)	(32)
North America	**–**	(71)	–	(71)
Rest of the world	**(4)**	(3)	–	(3)
Group operations and technology management	**(11)**	(9)	–	(9)
	(39)	(114)	(1)	(115)

In 2001, charges were made against the Group's operating profit from continuing operations of £18 million in respect of redundancy costs, £12 million in respect of other restructuring costs, and £9 million in respect of litigation.

In 2000, charges were made against the Group's operating profit from continuing operations of £46 million in respect of redundancy costs, £36 million in respect of provisions against fixed and current assets, £6 million in respect of litigation and £26 million in respect of other restructuring costs. A charge of £1 million in discontinued operations related to redundancy costs.

	2001 Continuing £m	2000 Continuing £m	2000 Discontinued £m	2000 Total £m
Non-operating exceptional items – segmental and geographical analysis				
Building products	**(5)**	(5)	–	(5)
Technical products	**–**	–	(3)	(3)
	(5)	(5)	(3)	(8)
Europe	**(5)**	(5)	(5)	(10)
North America	**–**	–	2	2
	(5)	(5)	(3)	(8)

In 2001, the loss on disposal and termination of operations arose from the cessation of the thin glass business in the UK and the sale of Pilkington Optical Lens Limited in Hong Kong.

In 2000, the loss on disposal and termination of operations in continuing operations arose from the disposal of the remaining German downstream Building products businesses and related investments, and in discontinued operations related to the sale of the Technical products businesses referred to in note 2.

8 Statutory information	2001 Continuing £m	2000 Continuing £m	2000 Discontinued £m	2000 Total £m
Turnover	**2,507**	2,382	81	2,463
Cost of sales	**(1,811)**	(1,817)	(67)	(1,884)
Gross profit	**696**	565	14	579
Net operating expenses:				
Distribution costs	**(207)**	(214)	(4)	(218)
Administrative expenses	**(293)**	(282)	(7)	(289)
Operating profit after exceptional items charged against operating profit	**196**	69	3	72

The 2001 figures for continuing operations include £39 million of exceptional items, of which £22 million is charged against cost of sales, £1 million against distribution costs and £16 million against administrative expenses, as detailed in note 7.

The 2000 figures for continuing operations included £114 million and for discontinued operations included £1 million of exceptional items charged against cost of sales.

	2001 £m	2000 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets – normal	**156**	149
– exceptional	**3**	32
Amortisation of intangible fixed assets	**6**	7
Net profit on disposal of tangible fixed assets	**–**	(1)
Operating lease costs – plant and machinery	**21**	28
– property	**27**	22
Total research and development expenditure	**33**	37
– financed directly by customers	**(4)**	(2)
Costs incurred in respect of the introduction of the euro	**–**	–
Auditors' remuneration:		
Audit – PricewaterhouseCoopers (Audit of the company £161,000 (2000 £165,000))	**1**	1
Other services – PricewaterhouseCoopers, relating principally to taxation and corporate transactions. These costs were split into £1,356,000 (2000 £1,145,000) incurred in the UK and £1,490,000 (2000 £1,233,000) incurred outside the UK.	**3**	2

9 Investment income	2001 £m	2000 £m
Listed marketable investments	**1**	1

10 Net interest payable and similar charges	2001 £m	2000 £m
Interest payable on bank loans and overdrafts	**19**	18
Interest payable on other loans	**34**	35
Interest payable on finance leases	**4**	4
Less interest receivable	**(7)**	(6)
	50	51
Other interest and similar charges	**14**	7
Share of joint ventures' interest	**–**	1
Share of associates' interest and similar charges	**9**	5
	73	64

The increase of £7 million in other interest and similar charges relates principally to foreign exchange impacts in Brazil and Chile of £5 million and the non-occurrence of a £2 million gain in Poland recognised in 2000.

The increase in share of associates' interest arises from increased borrowings and the non-occurrence of a foreign currency exchange gain of £2 million in 2000 in Vitro Plan SA de CV.

Interest payable includes the results of financial instruments used to manage the interest rate exposure.

11 Taxation	2001 £m	2000 £m
Profit and loss account		
The taxation charge in the Group profit and loss account comprises:		
UK corporation tax at 30% (2000 – 30%)	**14**	–
Less double taxation relief	**(13)**	–
	1	–
Overseas taxation	**32**	29
Deferred taxation	**5**	2
	38	31
Under/(over) provision in respect of prior years – Corporation tax	**9**	(2)
– Overseas taxation	**5**	–
– Deferred taxation	**(13)**	–
	39	29
Share of joint ventures' taxation	**8**	6
Share of associates' taxation	**10**	10
	57	45

The taxation charge includes a credit of £3 million in respect of taxation on exceptional items (2000 £3 million) (note 7).

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
Balance sheets				
Assets (notes 22 and 23)				
Debtors – amounts falling due within one year				
Overseas taxation recoverable	**13**	**–**	14	–
Debtors – amounts falling due after more than one year				
Deferred taxation on post-retirement healthcare benefits	**59**	**–**	54	–
Deferred taxation on other timing differences	**13**	**–**	–	–
	72	**–**	54	–
Liabilities (note 25)				
UK corporation tax	**16**	**3**	7	–
Overseas taxation	**41**	**–**	42	–
	57	**3**	49	–
Provisions (note 30)				
Deferred taxation	**6**	**–**	2	–

No provision has been made for additional taxation which would arise on the distribution of profits retained by overseas subsidiary undertakings, joint ventures or associates, because there is no current intention to remit such profits to the UK.

At 31st March 2001 certain UK and overseas subsidiary undertakings have accumulated taxation losses estimated at £336 million (2000 £355 million) which are available for offset against future taxable profits in those companies. Advance corporation tax written off to date amounts to £8 million (2000 £26 million). The future benefit of these losses and advance corporation tax has not been accounted for in the provision for deferred taxation (note 30).

The taxation credit to profits for the current year arising from deferred taxation, calculated on a full liability basis, would amount to £8 million (2000 charge £4 million).

12 Minority interests (profit and loss account)	2001 £m	2000 £m
Equity	**10**	(7)
Non-equity	**16**	16
Share of associate's equity minority interest	**2**	2
	28	11

13 Dividends

	Net paid/payable per ordinary share 2001 pence	Net paid/payable per ordinary share 2000 pence	Net paid/payable 2001 £m	Net paid/payable 2000 £m
Equity shares:				
Interim paid on 9th February 2001	1.75	1.75	22	19
Final payable on 10th August 2001	3.25	3.25	40	36
	5.00	5.00	62	55

14 Earnings per share

	2001	2000
Average number of shares for basic earnings per share calculation	1,183m	1,093m
Average number of shares for fully diluted earnings per share calculation	1,203m	1,104m
	£m	£m
Profit/(loss) for the financial year attributable to shareholders of Pilkington plc	87	(4)
Add exceptional items (note 7)	41	103
Profit for the financial year attributable to shareholders of Pilkington plc after adjusting for exceptional items	128	99
	pence	pence
Earnings/(loss) per share	7.4	(0.4)
Fully diluted earnings/(loss) per share	7.2	(0.4)
Adjusted earnings per share excluding exceptional items	10.8	9.1
Fully diluted adjusted earnings per share excluding exceptional items	10.6	9.0

The fully diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares for the dilution arising from the exercise of share options where the exercise price is less than the average market price of the company's ordinary shares during the year.

The adjusted earnings per share are disclosed as an alternative figure for earnings/(loss) per share. This measurement of earnings per share is considered by the directors to be a more meaningful indication of the Group's underlying performance.

15 Intangible fixed assets

	Positive goodwill – associate (note 19) £m	Negative goodwill – associate (note 19) £m	Total goodwill – associate (note 19) £m	Positive goodwill – subsidiary undertakings £m
At cost				
At beginning of the year	–	(8)	(8)	110
Exchange rate adjustments	–	–	–	3
Additions	1	(1)	–	88
At end of the year	1	(9)	(8)	201
Accumulated amortisation				
At beginning of the year	–	–	–	19
Exchange rate adjustments	–	–	–	1
Amortisation for the year	–	(1)	(1)	7
At end of the year	–	(1)	(1)	27
Written down value at beginning of the year	–	(8)	(8)	91
Written down value at end of the year (per balance sheet)				174
Written down value at end of the year (note 19)	1	(8)	(7)	

The goodwill arising on the acquisitions in the year, principally arising from the acquisition of a further 20% holding in Pilkington North America Inc and Pilkington Polska Sp. z o.o. is being amortised on a straight line basis over 20 years. The goodwill arising on the additional shareholding in Shanghai Yaohua Pilkington Glass Co Limited is being amortised over 10 years. The negative goodwill arising on the acquisition of Shanghai Yaohua Pilkington Autoglass Co Limited is being amortised over 10 years. These amortisation periods are the periods over which the directors estimate that the values of the underlying businesses acquired are expected to match the value of the underlying assets.

16 Tangible fixed assets

	Group Land and buildings £m	Group Plant, machinery and vehicles £m	Group Total £m	Company Land and buildings £m	Company Plant, machinery and vehicles £m	Company Total £m
At cost						
At beginning of the year	729	2,278	3,007	6	5	11
Exchange rate adjustments	27	88	115	–	–	–
Changes in composition of the Group	–	(1)	(1)	–	–	–
Additions during the year	12	178	190	–	1	1
Transfers	11	(11)	–	–	–	–
Assets sold or scrapped during the year	(20)	(48)	(68)	(1)	(2)	(3)
At end of the year	759	2,484	3,243	5	4	9
Accumulated depreciation						
At beginning of the year	324	1,175	1,499	1	5	6
Exchange rate adjustments	12	45	57	–	–	–
Changes in composition of the Group	–	(1)	(1)	–	–	–
Depreciation for the year	20	139	159	–	–	–
Assets sold or scrapped during the year	(11)	(45)	(56)	–	(2)	(2)
At end of the year	345	1,313	1,658	1	3	4
Written down value at beginning of the year	405	1,103	1,508	5	–	5
Written down value at end of the year	414	1,171	1,585	4	1	5
Land and buildings at net book value comprise:						
Freehold	399			4		
Long leasehold	1			–		
Short leasehold	14			–		
	414			4		

Tangible fixed assets include the cost of assets in the course of construction and payments on account amounting to £13 million (2000 £8 million).

Plant, machinery and vehicles include items acquired under finance leases comprising cost of £86 million (2000 £106 million), accumulated depreciation of £47 million (2000 £45 million) and written down value of £39 million (2000 £61 million). Depreciation charged in the year on these assets amounted to £7 million (2000 £7 million).

Interest capitalised in 2000 and 2001 was nil. The cumulative interest capitalised and included in the cost of tangible fixed assets amounts to £12 million.

Additions during the year to tangible fixed assets are analysed into the following business lines:

	2001 £m	2000 £m
Building products	116	101
Automotive products	64	72
Technical products – discontinued operations in 2000	–	5
Group operations and technology management	10	16
	190	194

17 Investments – subsidiary undertakings (company)

	Shares £m	Loans £m	Total £m
Cost			
At beginning of the year	538	526	1,064
Additions	105	648	753
Loans repaid	–	(488)	(488)
At end of the year	643	686	1,329

The additional investment of £105 million was made in Pilkington Italy Limited during the year. This subsidiary undertaking owns the Group's principal Italian businesses.

Principal subsidiary undertakings are listed on page 53.

18 Investments – joint ventures

	2001 Group £m	2000 Group £m
Cost		
At beginning of the year	**45**	46
Exchange rate adjustments	**(4)**	(1)
Additions	**16**	–
	57	45
Share of post-acquisition profits less losses		
At beginning of the year	**40**	38
Exchange rate adjustments	**(3)**	1
Retained (losses)/profits	**(1)**	1
	36	40
At end of the year	**93**	85

The Group's principal joint ventures are as follows:

	Proportion of issued shares held	Accounting date	Activity	Country of operation and incorporation
Cebrace Cristal Plano Limitada (Cebrace)	50%	31.3.2001	Glass manufacturing	Brazil
Pilkington Glass France SAS	51%	31.3.2001	Glass manufacturing	France
Interpane Glass Coating France SAS	49%	31.3.2001	Glass processing	France
Flovetro SpA	50%	31.12.2000	Glass manufacturing	Italy

In addition, there are a further three joint ventures at 31st March 2001.

Pilkington Glass France SAS and Interpane Glass Coating France SAS, in which Pilkington respectively owns 51% and 49% of the shares, are treated as Joint Ventures under FRS 9 as both companies are jointly controlled with the other shareholder.

No significant additional taxation would be payable if the joint ventures were sold at the carrying value.

At 31st March 2001 the share of profits less losses retained by joint ventures included within the Group's profit and loss account balance amounted to £36 million (2000 £40 million) of which £11 million (2000 £8 million) is considered to be distributable, the remainder being subject to restriction within the countries in which the joint ventures operate.

The Group's share of net assets of joint ventures comprises:

	2001 £m	2000 £m
Fixed assets	**88**	93
Current assets	**31**	20
Liabilities due within one year	**(11)**	(12)
Liabilities due after more than one year	**(15)**	(16)
	93	85

19 Investments – associates

	2001 Group £m	2000 Group £m
Cost or valuation		
At beginning of the year	**116**	82
Exchange rate adjustments	**3**	14
Additions	**5**	12
Transfer from trade investments	**–**	8
	124	116
Share of post-acquisition profits less losses		
At beginning of the year	**17**	2
Exchange rate adjustments	**1**	–
Retained (losses)/profits	**(1)**	15
	17	17
Goodwill (note 15)		
At beginning of the year	**(8)**	–
Additions	**–**	(8)
Amortisation for the year	**1**	–
	(7)	(8)
At end of the year	**134**	125

The Group's principal associates are as follows:

	Proportion of issued shares held	Accounting date	Activity	Country of operation and incorporation
Vitro Plan SA de CV+	35%	31.12.2000	Glass manufacturing and processing	Mexico
Shanghai Yaohua Pilkington Glass Co Limited	19%	31.12.2000	Glass manufacturing	China
Shanghai Yaohua Pilkington Autoglass Co Limited+	25%	31.12.2000	Glass processing	China
Wuhan Yaohua Pilkington Safety Glass Limited+	46%	31.12.2000	Glass processing	China
Holding Concorde SA+	49%	31.12.2000	Glass manufacturing	Colombia

+Audited by a firm other than PricewaterhouseCoopers.

Pilkington acquired an additional 2% holding in Shanghai Yaohua Pilkington Glass Co Limited (SYP) between 27th November 2000 and 19th February 2001. The acquisition gave rise to positive goodwill (note 15).

SYP is quoted on the Shanghai Stock Exchange. The market value of the Group's 19% holding amounts to £60 million (2000 £10 million).

Pilkington acquired 51% of Shanghai Yaohua Pilkington Autoglass Co Limited (formerly Shanghai FuHua Glass Company) on 5th September 2000 and immediately disposed of 26% to Shanghai Yaohua Pilkington Glass Co Limited leaving Pilkington with a direct holding of 25%. Shanghai Yaohua Pilkington Glass Co Limited owns 40% of Shanghai Yaohua Pilkington Autoglass Co Limited, leaving Pilkington with a direct and indirect holding of 33%. The acquisition by Pilkington of the 25% direct shareholding gave rise to negative goodwill (note 15) and in accordance with FRS 9 this is offset against the carrying value of associates.

No significant additional taxation would be payable if the associates were sold at the carrying value.

At 31st March 2001, the share of profits less losses retained by associates included within the Group's profit and loss account balance amounted to £17 million (2000 £17 million) of which £20 million of the profits (2000 £21 million) are considered to be distributable.

The Group's share of net assets of associates comprises:

	2001 £m	2000 £m
Fixed assets	**165**	150
Current assets	**112**	68
Liabilities due within one year	**(80)**	(44)
Liabilities due after more than one year	**(63)**	(49)
	134	125

19 Investments – associates continued

Additional disclosures are given in respect of the Group's share of Vitro Plan SA de CV which exceeds certain thresholds under FRS 9, as follows:

	2001 £m	2000 £m
Turnover	**239**	195
Profit before taxation	**24**	33
Taxation	**(9)**	(10)
Profit after taxation	**15**	23
Fixed assets	**142**	128
Current assets	**96**	62
Liabilities due within one year	**(67)**	(43)
Liabilities due after more than one year	**(63)**	(49)
Net assets	**108**	98

20 Investments – trade investments

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
Cost				
At beginning of the year	**15**	**1**	29	–
Exchange rate adjustments	**–**	**–**	(3)	–
Additions	**5**	**1**	2	1
Disposals	**(3)**	**–**	(4)	–
Amounts written off	**(2)**	**–**	(1)	–
Transfer to associates	**–**	**–**	(8)	–
At end of the year	**15**	**2**	15	1
Trade investments at end of the year				
Listed investments at cost	**5**	**2**	3	1
Unlisted investments at cost	**10**	**–**	12	–
	15	**2**	15	1

No significant additional taxation would be payable if the investments were sold at the carrying value.

Listed investments include 7,744,938 (2000 – 3,776,483) shares in Pilkington plc held by an employee trust under the deferred bonus plan and the Pilkington North America Long-Term Incentive Plan, of which 5,744,938 (2000 – 2,776,483) are accounted for by a subsidiary undertaking and 2,000,000 (2000 – 1,000,000) are accounted for by Pilkington plc.

The cost of these shares is being written off over three years. The market value of these shares at 31st March 2001 was £8 million (2000 £3 million), of which £2 million is recorded in Pilkington plc.

21 Stocks

	2001 Group £m	2000 Group £m
Raw materials	**73**	68
Stores	**34**	33
Work in progress	**54**	38
Finished goods	**233**	208
	394	347

22 Debtors – amounts falling due within one year

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
Trade debtors	**295**	**1**	273	–
Amounts owed by – subsidiary undertakings	**–**	**16**	–	45
– joint ventures	**1**	**–**	4	–
Other debtors	**47**	**4**	46	2
Overseas taxation recoverable	**13**	**–**	14	–
Prepayments and accrued income	**21**	**1**	14	–
	377	**22**	351	47
Trade debtors subject to factoring arrangements	**112**	**–**	105	–
Less non-returnable amounts received	**(91)**	**–**	(83)	–
Total debtors falling due within one year	**398**	**22**	373	47

Certain trade debtors, subject to factoring arrangements, are discounted, whereby 75% or 90% of the outstanding balance is discounted without recourse by banks in the ordinary course of business. The non-returnable amount of the factoring arrangement is deducted from the trade debtors concerned. The Group is not obliged to support any losses on the portion of the debt factored, nor does it intend to do so, and the relevant banks have confirmed their agreement to this position in writing.

The factoring charge in the year, in respect of the above transactions, amounted to £5 million (2000 £5 million) and is included in other interest and similar charges in note 10.

23 Debtors – amounts falling due after more than one year

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
Other debtors	**21**	**–**	22	1
Deferred taxation	**72**	**–**	54	–
	93	**–**	76	1

24 Investments – marketable

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
Other listed investments at cost:				
– London Stock Exchange	**9**	**7**	9	6
Unlisted investments at cost (including term deposits)	**29**	**–**	8	–
	38	**7**	17	6

The market value of the listed investments at 31st March 2001 amounted to £10 million (2000 £10 million).

25 Creditors – amounts falling due within one year	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
Bank overdrafts	**96**	**–**	72	–
Current portion of – long-term bank loans	**10**	**–**	25	–
– other long-term loans	**11**	**–**	82	–
Loans and overdrafts	**117**	**–**	179	–
Payments received on account	**20**	**11**	1	–
Trade creditors	**246**	**4**	223	1
Amounts owed to – subsidiary undertakings	**–**	**5**	–	3
– joint ventures	**5**	**–**	4	–
Social security	**11**	**–**	12	–
Taxation – on profits	**57**	**3**	49	–
– other than on profits	**24**	**–**	23	1
Amounts owed under finance leases	**10**	**–**	22	–
Other creditors	**69**	**5**	55	3
Accruals	**108**	**5**	110	3
Dividends	**40**	**40**	36	36
	590	**73**	535	47
	707	**73**	714	47
Amounts secured on certain assets of undertakings in the Group	**19**	**–**	31	–

Pilkington plc has guaranteed £7 million (2000 £4 million) of the Group's bank overdrafts, £2 million (2000 nil) of the Group's bank loans, £10 million (2000 £63 million) of the Group's other long-term loans and £9 million (2000 £21 million) of the Group's amounts owed under finance leases.

26 Creditors – amounts falling due after more than one year	2001 Group £m	2001 Company £m	2000 Group £m
Bank loans	**204**	**–**	71
Other loans	**376**	**–**	344
Loans – amounts owed to Group undertakings	**–**	**148**	–
Loans	**580**	**148**	415
Amounts owed under finance leases – within five years	**35**	**–**	36
– over five years	**1**	**–**	10
Other creditors	**2**	**–**	4
	38	**–**	50
	618	**148**	465
Amounts secured on certain assets of undertakings in the Group	**63**	**–**	76

Pilkington plc has guaranteed £189 million (2000 £67 million) of the Group's bank loans, drawn principally under the Group's £260 million revolving credit facility, £373 million (2000 £344 million) of the Group's other loans and £33 million (2000 £42 million) of the Group's amounts owed under finance leases.

27 Analysis of financial liabilities and assets

(a) Financial liabilities

An analysis of interest bearing financial liabilities is set out below. This analysis excludes non-interest bearing creditors of £2 million (2000 £4 million) and non-interest bearing provisions of a contractual nature totalling £44 million (2000 £45 million):

	2001 Total £m	2001 Floating rate financial liabilities £m	2001 Fixed rate financial liabilities £m	2001 Fixed rate financial liabilities – weighted average interest rate %	2001 Weighted average period for which rate is fixed Months	2000 Total £m	2000 Floating rate financial liabilities £m	2000 Fixed rate financial liabilities £m	2000 Fixed rate financial liabilities – weighted average interest rate %	2000 Weighted average period for which rate is fixed Months
Currency										
Sterling	**38**	**38**	**–**	**–**	**–**	121	121	–	–	–
US dollar	**96**	**(96)**	**192**	**9.14**	**76**	90	(42)	132	9.26	88
Euro	**390**	**205**	**185**	**4.86**	**35**	281	55	226	4.70	34
Australian dollar	**46**	**44**	**2**	**6.73**	**42**	26	23	3	6.73	54
Swedish kroner	**82**	**53**	**29**	**4.90**	**57**	78	78	–	–	–
Polish zloty	**36**	**8**	**28**	**12.75**	**57**	25	25	–	–	–
Argentinian peso	**39**	**39**	**–**	**–**	**–**	15	15	–	–	–
Other currencies	**16**	**16**	**–**	**–**	**–**	26	26	–	–	–
Financial liabilities excluding non-equity shares	**743**	**307**	**436**	**7.26**	**56**	662	301	361	6.39	54
Non-equity minority shares	**240**	**218**	**22**	**3.54**		219	197	22	3.54	
	983	**525**	**458**	**7.08**	**56**	881	498	383	6.23	54

The disclosures made in notes 27 and 28 should be read in conjunction with the finance and liquidity, treasury and hedging policies and currency and interest rate risk sections of the Financial Review on pages 16 and 17.

Floating rates are based on LIBOR and EURIBOR.

The financial liabilities include non-equity minority interests of £218 million, which relate to the preference shareholders in Pilkington Channel Islands Limited, who have a right to a fixed dividend of 6.55% per annum, fixed for 23 months. This fixed dividend has been swapped into floating rate using financial instruments. These preference shares can be redeemed after 4th March 2003. The remaining non-equity minority shares of £22 million relate to Pilkington Deutschland AG and Dahlbusch AG with rights to a dividend of 3.65% and 3.09% respectively. These rates remain fixed in perpetuity and, in consequence, the average periods for which the rates are fixed are excluded from the figures noted in the above table.

The maturity profile of the Group's interest bearing financial liabilities is as follows:

	2001 Group £m	2000 Group £m
Loans and overdrafts		
Due for repayment within one year or on demand	**117**	179
Due for repayment between one and two years	**50**	19
Due for repayment between two and five years	**286**	157
Due for repayment in more than five years	**244**	239
	697	594

27 Analysis of financial liabilities and assets continued	2001 Group £m	2000 Group £m
Finance leases		
Due for repayment within one year or on demand	**10**	22
Due for repayment between one and two years	**8**	10
Due for repayment between two and five years	**27**	26
Due for repayment in more than five years	**1**	10
	46	68
Total interest bearing financial liabilities	**743**	662

The maturity profile of the Group's non-interest bearing financial liabilities is as follows:

	2001 Group £m	2000 Group £m
Creditors and contractual provisions		
Due for repayment within one year or on demand	**6**	14
Due for repayment between one and two years	**7**	4
Due for repayment between two and five years	**13**	11
Due for repayment in more than five years	**20**	20
Total non-interest bearing financial liabilities	**46**	49

The analysis of non-interest bearing liabilities by currency and the weighted average period until maturity have not been disclosed on the grounds of materiality.

	2001 £m	2000 £m
(b) Financial assets		
The Group held the following financial assets as part of the financing arrangements of the Group:		
Cash and bank balances	**49**	49
Marketable investments including term deposits of £26 million (2000 £2 million)	**38**	17
Debtors – amounts falling due after more than one year (non-interest bearing)	**21**	22
	108	88

The cash and bank balances comprise £42 million (2000 £42 million) in respect of balances earning interest at floating rates and £7 million (2000 £7 million) in respect of balances which are non-interest bearing. The weighted average interest rate on the interest bearing cash balances is 3.76% (2000 – 3.70%). The majority of these cash and bank balances are either denominated in sterling or have been swapped into sterling.

The term deposits of £26 million are principally denominated in US dollars and have a weighted average period until maturity of one month. The weighted average interest rate is 5.83% (2000 – 7.85%).

The remaining financial assets have not been further analysed on the grounds of materiality.

28 Financial instrument disclosures

(a) Currency exposures

The Group's objectives in managing the currency exposures arising from its overseas investments are set out in the Financial Review on page 17. Gains and losses arising from these currency exposures are recognised in the statement of total recognised gains and losses.

The following summary shows the Group's currency exposures that give rise to currency gains and losses recognised in the profit and loss account, arising from exposures where monetary assets and liabilities of the Group are not denominated in the operating currency of the subsidiary undertaking concerned. (Bracketed figures represent liabilities and unbracketed figures represent assets.)

28 Financial instrument disclosures continued	2001				
	Sterling £m	US$ £m	Euro £m	Other £m	Total £m
Functional currency of Group operation					
Sterling	**–**	**9**	**16**	**(15)**	**10**
US dollar	**–**	**–**	**–**	**1**	**1**
Euro	**1**	**1**	**–**	**2**	**4**
Other	**–**	**28**	**(14)**	**–**	**14**
	1	**38**	**2**	**(12)**	**29**

	2000				
	Sterling £m	US$ £m	Euro £m	Other £m	Total £m
Functional currency of Group operation					
Sterling	–	(6)	(7)	2	(11)
US dollar	(2)	–	–	(1)	(3)
Euro	–	1	–	1	2
Other	(4)	(7)	(12)	2	(21)
	(6)	(12)	(19)	4	(33)

The amounts disclosed above take into account the effect of currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

(b) Borrowing facilities

The Group has various available borrowing facilities. The undrawn committed facilities available in respect of which all conditions precedent had been met at 31st March 2001, were as follows:

	2001 £m	2000 £m
Expiring in one year or less	**–**	31
Expiring in more than two years	**186**	338
	186	369

(c) Fair values of financial assets and liabilities

The fair values of the financial instruments are the amounts at which the instruments could be exchanged in a current transaction between willing parties. Market values have been used to determine the fair value of all swaps and forward foreign currency contracts. The fair value of all other items has been calculated by discounting expected future cash flows at prevailing interest rates. The following summarises the carrying amounts and fair values of the Group's financial assets and liabilities:

Financial assets – cash deposits and marketable investments

The book value and the fair value equate due to the short-term nature of the investments.

Financial liabilities

The book value of long-term borrowings amounts to £580 million (2000 £415 million) whereas the fair value amounts to £607 million (2000 £444 million). The movement from last year is mainly due to the refinancing of short-term debt. The difference between fair value and book value is due to the fixed rates of interest paid on long-term debt.

The book values and the fair values of all other financial liabilities, including non-interest bearing creditors and contractual provisions, are not materially different.

Derivative financial instruments

The fair value of interest rate and cross currency swaps is £2 million (2000 £8 million) compared to a book value of nil (2000 nil). This is the amount the Group would expect to receive on the termination of the agreement after taking current interest rates into consideration.

The fair value of the forward foreign exchange contracts equated with the book value in both 2001 and 2000.

Included in long-term borrowings above are cross currency swaps with a book value of £49 million (2000 £22 million) and fair value of £50 million (2000 £8 million). The fair value of interest rate swaps is £1 million (2000 nil). These are not recognised in the financial statements in 2001 and 2000.

28 Financial instrument disclosures continued

(d) Hedges

The Group's policy is to hedge the following exposures within the parameters set out in the Financial Review:

Interest rate risk – using interest rate swaps, cross currency swaps and forward foreign currency contracts.

Foreign currency transaction exposures – using forward foreign currency contracts.

Gains or losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Unrecognised gains or losses on instruments used for hedging and the movements therein, assuming that interest rates and exchange rates are frozen at the relevant reference dates, are as follows:

	Gains £m	Losses £m	Total net (losses)/gains £m
Gains and losses on hedges at 31st March 2000	**3**	**(17)**	**(14)**
Gains and losses arising in previous years recognised in 2000/2001	**(2)**	**3**	**1**
Gains arising in 2000/2001 that were not recognised in that year	**3**	**12**	**15**
Unrecognised gains and losses on hedges at 31st March 2001	**4**	**(2)**	**2**
Expected to be recognised in 2001/2002	**2**	**(1)**	**1**
Expected to be recognised in 2002/2003 to 2009/2010	**2**	**(1)**	**1**
	4	**(2)**	**2**

The gains and losses on hedges at 31st March 2001 arose as a result of the use of financial instruments to manage the interest rate risk. These gains and losses will be matched by the gains or losses on the underlying instrument.

29 Provisions for liabilities and charges

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
(a) Post-retirement healthcare				
At beginning of the year	**157**	**2**	156	2
Exchange rate adjustments	**18**	**–**	2	–
Charged to profit and loss account during the year	**12**	**–**	13	–
Utilised during the year	**(16)**	**–**	(14)	–
At end of the year	**171**	**2**	157	2
Maturity profile:				
Within one year	**4**	**–**	5	–
Between one and two years	**5**	**–**	4	–
Between two and five years	**19**	**–**	18	–
Over five years	**143**	**2**	130	2
	171	**2**	157	2

Accounting for unfunded post-retirement healthcare and life insurance benefits of approximately 1,300 employees and 7,100 retirees and their dependants of Pilkington North America Inc in the USA, and 2,800 employees, retirees and their dependants in the United Kingdom, accords with UITF 6.

The Group's obligation for these benefits at Pilkington North America Inc was assessed by independent qualified actuaries at 1st April 2000 using the projected unit credit method. The underlying assumptions used in this actuarial review were healthcare costs increasing by 4% per annum and the discount rate to determine the liability of 7.75%.

29 Provisions for liabilities and charges continued

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
(b) Pensions				
At beginning of the year	**142**	**8**	156	7
Exchange rate adjustments	**7**	**–**	(10)	–
Changes in composition of the Group	**–**	**–**	(9)	–
Charged to profit and loss account during the year	**12**	**2**	16	2
Released to profit and loss account during the year	**(5)**	**–**	(1)	–
Utilised during the year	**(10)**	**(1)**	(10)	(1)
At end of the year	**146**	**9**	142	8
Maturity profile:				
Within one year	**15**	**1**	15	1
Between one and two years	**14**	**1**	12	1
Between two and five years	**38**	**1**	34	1
Over five years	**79**	**6**	81	5
	146	**9**	142	8

Pension provisions principally relate to the pensions payable to employees and former employees of Pilkington Deutschland AG in Germany and Pilkington North America Inc in the USA where pensions are ultimately paid from assets held within the companies rather than from separately administered pension funds.

Further details on pensions are disclosed in note 40.

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
(c) Warranty and litigation				
At beginning of the year	**49**	**1**	57	9
Exchange rate adjustments	**1**	**–**	(4)	–
Changes in composition of the Group	**–**	**–**	(1)	–
Charged to profit and loss account during the year	**9**	**3**	10	1
Released to profit and loss account during the year	**(6)**	**–**	(1)	–
Utilised during the year	**(7)**	**–**	(12)	(9)
At end of the year	**46**	**4**	49	1
Maturity profile:				
Within one year	**17**	**4**	21	1
Between one and two years	**10**	**–**	8	–
Between two and five years	**9**	**–**	8	–
Over five years	**10**	**–**	12	–
	46	**4**	49	1

Warranty provisions are created where the Group has given a guarantee to cover the reliability and performance of products over an extended period.

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
29 Provisions for liabilities and charges continued				
(d) Redundancies and restructuring				
At beginning of the year	**76**	**–**	77	–
Exchange rate adjustments	**3**	**–**	(3)	–
Charged to profit and loss account during the year	**22**	**–**	98	–
Released to profit and loss account during the year	**(1)**	**–**	(1)	–
Utilised during the year	**(41)**	**–**	(95)	–
At end of the year	**59**	**–**	76	–
Maturity profile:				
Within one year	**41**	**–**	48	–
Between one and two years	**7**	**–**	12	–
Between two and five years	**7**	**–**	13	–
Over five years	**4**	**–**	3	–
	59	**–**	76	–

The redundancy and restructuring provisions relate to the ordinary and exceptional provisions set up in Building products (£24 million), Automotive products (£29 million) and Group operations and technology management (£6 million).

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
(e) Other provisions				
At beginning of the year	**56**	**1**	70	1
Exchange rate adjustments	**4**	**–**	(1)	–
Changes in composition of the Group	**–**	**–**	(1)	–
Charged to profit and loss account during the year	**17**	**–**	12	–
Released to profit and loss account during the year	**(1)**	**–**	(3)	–
Utilised during the year	**(11)**	**–**	(21)	–
At end of the year	**65**	**1**	56	1
Maturity profile:				
Within one year	**14**	**1**	8	–
Between one and two years	**8**	**–**	5	–
Between two and five years	**15**	**–**	18	1
Over five years	**28**	**–**	25	–
	65	**1**	56	1

The closing balance on other provisions at 31st March 2001 principally includes cumulative leave and payroll obligations amounting to £31 million (2000 £32 million) and environmental provisions amounting to £18 million (2000 £14 million).

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
(f) Total all provisions				
At beginning of the year	**480**	**12**	516	19
Exchange rate adjustments	**33**	**–**	(16)	–
Changes in composition of the Group	**–**	**–**	(11)	–
Charged to profit and loss account during the year	**72**	**5**	149	3
Released to profit and loss account during the year	**(13)**	**–**	(6)	–
Utilised during the year	**(85)**	**(1)**	(152)	(10)
At end of the year	**487**	**16**	480	12
Maturity profile:				
Within one year	**91**	**6**	97	2
Between one and two years	**44**	**1**	41	1
Between two and five years	**88**	**1**	91	2
Over five years	**264**	**8**	251	7
	487	**16**	480	12

30 Deferred taxation	2001 Group £m	2000 Group £m
The balances included in other provisions (note 29 (e)) relate to:		
Capital allowances in excess of related depreciation	**2**	1
Other timing differences	**4**	1
	6	2
Deferred taxation which has not been provided amounted to:		
Capital allowances in excess of related depreciation	**182**	173
Other timing differences	**(119)**	(90)
	63	83

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
31 Deferred income				
At beginning of the year	**19**	**9**	21	12
Exchange rate adjustments	**–**	**–**	(2)	–
Investment grants receivable	**3**	**–**	2	–
	22	**9**	21	12
Released to profit and loss account in the year:				
Other deferred income	**(3)**	**(3)**	(2)	(3)
At end of the year	**19**	**6**	19	9

	2001 Group £m	2001 Company £m	2000 Group £m	2000 Company £m
32 Commitments and contingent liabilities				
(a) Capital expenditure				
Contracts placed but not provided for in the financial statements	**43**	**–**	44	–

	2001 Property £m	2001 Other £m	2000 Property £m	2000 Other £m
(b) Operating lease commitments				
The Group's operating lease commitments for the following financial year are as follows:				
For leases expiring				
Within one year	**3**	**4**	4	3
Between two and five years	**10**	**14**	11	11
After five years	**12**	**1**	11	2
	25	**19**	26	16

Pilkington plc has guaranteed the operating leases of subsidiary undertakings amounting to £14 million (2000 nil).

(c) Minority interests in German subsidiary undertakings

In 1989 Pilkington Holding GmbH (formerly Pilkington Deutschland GmbH) made an offer to acquire the minority interests in Pilkington Deutschland AG (formerly Flachglas AG) and Dahlbusch AG. If the remaining minority shareholders in these companies as at 31st March 2001 accept such offer, the cost will be €38 million (£23 million) in addition to the €143 million (£89 million) paid to those who accepted the offer prior to 31st March 2001.

Certain minority shareholders have legally challenged the offer as insufficient.

In the case related to Pilkington Deutschland AG, the court has decided that the offer price should be increased from €295 per €26 share to €350. The effect of this decision is to increase the amount payable to those shareholders of Pilkington Deutschland AG, who have already accepted the offer to purchase, by €9 million (£6 million), and to increase the amount payable to the remaining minority shareholders by €6 million (£4 million). The court also decided that the guaranteed dividend, which was an alternative offered by Pilkington Holding GmbH to the minority shareholders, should not be increased. The decision of the court is being appealed by Pilkington Holding GmbH and the minority shareholders and it is expected that there will be no decision by the appeal court before the end of 2001.

32 Commitments and contingent liabilities continued

The court dealing with the Dahlbusch AG case has not yet issued its judgement. A court appointed valuer has proposed an increase in the offer price of approximately 19% and an increase in the guaranteed dividend of approximately 14%. These valuation opinions do not constitute rulings and are not binding on the court, which has asked the parties to review and comment on them. Indeed similar opinions were presented in the Pilkington Deutschland AG case, and rejected by the court in that case. The court in this case is unlikely to issue its decision before the end of 2001, and any such decision would be capable of being the subject of an appeal.

(d) Class action complaints

Since July 1997 Pilkington and Pilkington North America Inc (PNAI) (formerly Libbey-Owens-Ford Co), together with four other major glass companies, unrelated to Pilkington, have received class action complaints filed in US Federal, California, Kansas, Oregon, Tennessee and Wisconsin state courts alleging violation of the US anti-trust laws by conspiring to fix US float glass prices and to allocate customers amongst themselves.

In June 1999 Pilkington and PNAI entered into a settlement agreement with the plaintiffs in the US Federal case under which Pilkington and PNAI paid an aggregate amount of US$17 million (£12 million). Pilkington and PNAI deny that they violated any anti-trust legislation and believe that they have good defences against these allegations. The settlement was entered into in order to avoid the expense, inconvenience and burden of continued and protracted litigation.

The cases commenced in the state courts are continuing, but the anticipated costs of settlement are not expected to be material.

(e) Other guarantees and contingent liabilities

At 31st March 2001 the Group has guaranteed, in the ordinary course of business, bank loans of £4 million to third parties (2000 £6 million). The Group had other contingent liabilities incurred in the ordinary course of business arising out of guarantees and other transactions, some of which are the subject of litigation. In the opinion of the directors, the outcome of such litigation will not have a material effect on the Group's consolidated financial position.

33 Called up share capital

	2001 Company £m	2000 Company £m
Ordinary shares of 50p each		
Authorised – 1,500,000,000 shares (2000 – 1,500,000,000)	**750**	750
Allotted, called up and paid		
At beginning of the year – 1,100,003,677 shares (2000 – 1,091,960,551 shares)	**550**	546
Allotted under share option schemes – 568,345 shares (2000 – 49,492 shares) and allotted in respect of non-executive directors' remuneration – 272,520 shares (2000 – nil shares)	**1**	–
Allotted in respect of acquisitions made during the year – 122,222,630 shares (2000 – nil shares)	**61**	–
Allotted in lieu of cash dividends – 10,583,825 shares (2000 – 7,993,634 shares)	**5**	4
At end of the year – 1,233,650,997 shares (2000 – 1,100,003,677 shares)	**617**	550

Options

Under the company's savings-related share option scheme, options were outstanding on a total of 12,240,018 ordinary shares at prices between 81p and 159p, exercisable between 2001 and 2007.

Under the company's senior executives' share option schemes, options were outstanding on a total of 27,570,133 ordinary shares at prices between 65.4p and 197.0p, exercisable between 2001 and 2010. There are currently 221 executives with outstanding options, of whom 69 are overseas.

Under the company's worldwide share option scheme, options were outstanding on a total of 1,179,151 ordinary shares at a price of 145.88p, exercisable in 2001. There are currently 1,109 employees with these options, of whom 410 are overseas.

Of the 40,989,302 options outstanding under the company's various option schemes, 16,394,594 had an exercise price above the share price of 106p at 31st March 2001.

34 Movements on share premium account and reserves

	Share premium account £m	Other Reserves: Special reserve £m	Other Reserves: Other reserves £m	Profit and loss account £m	Total £m
Group					
At beginning of the year	**4**	**105**	**85**	**(77)**	**117**
Retained profit for the year	–	–	–	**25**	**25**
Premium on shares issued	**60**	–	–	–	**60**
Exchange rate adjustments	–	**6**	**14**	**(22)**	**(2)**
Transfers between reserves	–	**(60)**	–	**60**	–
At end of the year	**64**	**51**	**99**	**(14)**	**200**
Company					
At beginning of the year	**4**	**339**	**31**	**136**	**510**
Retained profit for the year	–	–	–	**(46)**	**(46)**
Premium on shares issued	**60**	–	–	–	**60**
Transfer between reserves	–	**(60)**	**(31)**	**91**	–
At end of the year	**64**	**279**	–	**181**	**524**

The total of other reserves on the Group's consolidated balance sheet on page 26 comprises the special reserve of £51 million and other reserves of £99 million; and the company's balance sheet on page 26 comprises the special reserve of £279 million.

The special reserve arose in 1999 as a result of the cancellation and transfer of the company's share premium account. In the Group's financial statements at 31st March 2001 the special reserve is shown net of £228 million of goodwill, which arose on acquisitions occurring in the period from 1986 to 1995. Arising from the court order in 1999, on the creation of new share premium, an amount equal to this may be transferred from the special reserve to the profit and loss account.

The profit and loss account includes exchange differences previously included in revaluation reserve amounting to £229 million (2000 £206 million). The deficit balance on profit and loss reserve of £14 million at 31st March 2001 includes £229 million of unrealised profits; the residue of £243 million represents realised losses.

The profit for the year attributable to shareholders of the company was £16 million (2000 £55 million). As permitted by Section 230 of the Companies Act 1985 (as amended), the profit and loss account of the company has not been included in these financial statements.

The total net exchange gains on foreign currency borrowings less deposits amounted to a profit of £10 million (2000 £21 million), of which £15 million (2000 £19 million) was offset in reserves and £5 million was charged to the profit and loss account for the year (2000 £2 million credited to profit and loss account).

	2001 £m	2000 £m
Group		
Analysis of the retained profit/(loss) for the year		
Retained by:		
Pilkington plc	**(46)**	–
Subsidiary undertakings	**73**	(75)
	27	(75)
Joint ventures	**(1)**	1
Associates	**(1)**	15
	25	(59)

The distributable reserves of the parent company amount to £181 million. The balance of the special reserve will remain undistributable until the company has paid off all its liabilities, guarantees and contingent liabilities as at 26th February 1999, as required by the High Court when it approved the cancellation of the company's share premium account.

35 Minority interests (balance sheet)

	2001 £m	2000 £m
Equity minority interests	**85**	122
Non-equity minority interests	**240**	219
	325	341

Details of the non-equity minority interests are referred to in note 27.

36 Reconciliation of operating profit to net cash inflow from operating activities before exceptional items

	2001 £m	2001 £m	2000 £m	2000 £m
Operating profit		**196**		72
Exceptional items (included in operating profit)		**39**		115
Operating profit before exceptional items		**235**		187
Depreciation		**156**		149
Amortisation of goodwill		**6**		7
Loss on disposal of tangible fixed assets (included in operating profit)		**–**		1
Others (net)		**3**		(4)
Cash (outflow)/inflow arising from changes in working capital:				
Stocks	**(31)**		(4)	
Debtors	**(17)**		7	
Creditors	**38**	**(10)**	16	19
Provisions		**(9)**		(14)
Net cash inflow from operating activities before exceptional items		**381**		345

Changes in working capital and provisions exclude balances relating to dividends, finance leases, taxation on profits and exceptional items.

37 Acquisitions and disposals

There were no material fair value adjustments attributable to the acquisition of subsidiary undertakings in the year.
The acquisitions in the year are analysed as follows:

	Acquisition of minority interests in Pilkington North America Inc, L-N Safety Glass SA de CV, L-N of America Inc and Pilkington Automotive Ltd £m	Acquisition of minority interest in Pilkington Polska Sp. z o.o. (formerly Pilkington Sandoglass Sp. z o.o.) £m	Other acquisitions £m	Total £m
Tangible fixed assets	–	–	(1)	(1)
Minority interests	(40)	(6)	–	(46)
Goodwill on acquisitions	(74)	(14)	–	(88)
	(114)	(20)	(1)	(135)
Satisfied by cash	4	(20)	(1)	(17)
Issue of Pilkington shares	(118)	–	–	(118)
	(114)	(20)	(1)	(135)

The amount shown as cash received on the acquisition of Pilkington North America Inc, L-N Safety Glass SA de CV, L-N of America Inc and Pilkington Automotive Limited of £4 million is represented by £5 million received less expenses of the transaction of £1 million.

	Acquisitions 2001 £m	Disposals 2001 £m
Other investments purchased and sold comprised:		
Joint ventures	(16)	–
Associates	(5)	–
Trade investments	(5)	3
Satisfied by cash	(26)	3

38 Analysis of changes in net debt

	Cash £m	Overdrafts £m	Marketable investments £m	Bank and other loans £m	Finance leases £m	Net debt £m
At beginning of the year	49	(72)	17	(522)	(68)	(596)
Net cash movement	(1)	(18)	22	(66)	22	(41)
Exchange rate adjustments	1	(6)	(1)	(13)	–	(19)
At end of the year	49	(96)	38	(601)	(46)	(656)

Marketable investments are liquid resources and consist of:	
Government bonds	9
Term deposits	26
Other investments	3
	38

The net cash movement of £1 million of cash and £18 million of overdrafts, noted above, equates with the total decrease in cash of £19 million shown on the cash flow statement on page 27.

39 Employee pay and numbers

	2001 £m	2000 £m
UK		
Remuneration – aggregate for the year		
Wages and salaries	**119**	120
Social security costs	**9**	10
Pension costs	**8**	9
	136	139

	2001 £m	2000 £m
Overseas		
Remuneration – aggregate for the year		
Wages and salaries	**440**	459
Social security costs	**61**	67
Pension costs	**32**	32
	533	558

Details of directors' emoluments amounting to £2,852,000 (2000 £3,087,000) and pension costs of £813,000 (2000 £381,000) are disclosed in the Report on Directors' Remuneration on pages 8 to 14.

	2001 Number	2000 Number
Average number employed – by location		
UK	**5,000**	5,600
Europe (excluding UK)	**12,000**	13,900
North America	**6,100**	6,500
Australasia/Rest of the world	**2,500**	2,900
South America	**2,000**	2,000
	27,600	30,900

	2001 Number	2000 Number
Average number employed – by business line		
Building products	**12,100**	13,500
Automotive products	**14,600**	14,900
Technical products	**–**	1,400
Group operations and technology management	**900**	1,100
	27,600	30,900

At 31st March 2001 total numbers employed were: UK 4,800 (2000 – 5,500), and overseas 22,600 (2000 – 23,000).

Notes on the financial statements

40 Pensions and similar obligations

The Group operates a number of pension schemes throughout the world. The total pension cost for the Group in 2001 was £40 million (2000 £41 million). Almost two-thirds of employees in the UK are members of the Pilkington Superannuation Scheme which is in the nature of a defined contribution scheme. The pension cost charge for the year in respect of this scheme amounted to £8 million (2000 £9 million) and represents contributions payable to the fund for the year. The rest of the schemes operated by the Group are generally defined benefit schemes under which benefits are based on employees' years of service and average final remuneration. With the exception of schemes in Germany and the USA, assets of the schemes are held in separate trustee administered funds. The method of accounting for pensions is set out under the accounting policies on page 21.

Independent actuarial valuations of the Group's main plans are undertaken at least triennially on varying dates. The actuarial assumptions used to calculate the projected benefit obligation of the Group's pension plans vary according to the economic conditions of the country in which they are situated. The actuarial valuations, based on the projected unit method, assume, on a weighted average basis, that the investment return will exceed the increase in the future earnings by 5.2% (2000 – 4.9%). The actuarial value of the fund assets of these plans was sufficient to cover 104% (2000 – 111%) of the benefits that had accrued to members. This surplus is net of a £5 million deficit on the unfunded German pension arrangements, which is being charged over the remaining service lives of the German employees at £1 million per annum. In Germany, the annual charge to the profit and loss account amounted to £8 million (2000 £8 million). The charge is based on an assumed 6% investment return which is fixed by law but salary and pension increase assumptions are not permitted.

The market value of the assets of the major defined benefit plans in the Group at the date of the latest valuations was £403 million (2000 £415 million). Accrued pension costs amounted to £4 million (2000 £3 million) and are included in other creditors (note 25). Provisions for the benefit obligation of the unfunded plans mentioned above amounted to £146 million (2000 £142 million) and are included in provisions (note 29(b)).

41 Related party transactions

	2001		2000	
	Joint ventures £m	**Associates £m**	Joint ventures £m	Associates £m
Sales by Pilkington Group	**–**	**6**	–	18
Purchases by Pilkington Group	**31**	**3**	22	2
Interest received by Pilkington Group	**–**	**–**	1	–
Interest paid by Pilkington Group	**–**	**–**	–	1

The Group's related party transactions with joint ventures are principally with Cebrace, and with associates are principally with Vitro Plan SA de CV.

Amounts owed by and owed to joint ventures and associates are shown in notes 22 and 25.

The Group has taken advantage of the FRS 8 exemption not to disclose any transactions or balances between Group undertakings that have been eliminated on consolidation.

Principal subsidiaries in the Pilkington Group

The following list of subsidiary undertakings comprises those companies that principally affect the financial statements of the Group. The Group's percentage beneficial holding in subsidiary undertakings relates to equity shares unless otherwise specified. All holdings are through Pilkington Brothers Limited, Pilkington Italy Limited, or Pilkington Channel Islands Holdings Limited, all of which are direct subsidiaries of the parent company, unless otherwise stated. Undertakings indicated + are audited by professional accountants other than PricewaterhouseCoopers, and, added to the joint ventures and associates appearing in notes 18 and 19, represent approximately 2% of the Group's assets employed. All subsidiary undertakings account to 31st March 2001.

Subsidiary undertakings	**Country of operation and incorporation**	**% Equity held**	**Product or activity**
Europe			
Pilkington United Kingdom Limited	UK	100	Glass manufacturing and processing
Pilkington Automotive Limited	UK	100	Safety glass
Pilkington Deutschland AG	Germany	95	Glass manufacturing and processing
Pilkington Automotive Deutschland GmbH	Germany	95	Safety glass
Pilkington Austria AG	Austria	100	Glass processing
Pilkington Norge AS	Norway	100	Glass processing
Pilkington Schweiz AG	Switzerland	100	Glass processing
Pilkington Floatglas AB	Sweden	100	Glass manufacturing and processing
Pilkington Automotive Sweden AB	Sweden	100	Safety glass
Pilkington Lamino OY	Finland	100	Safety glass
Pilkington Lahden Lasitehdas OY	Finland	100	Glass manufacturing
Pilkington France SA	France	100	Glass processing
Pilkington Danmark A/S	Denmark	100	Glass processing
Pilkington Aerospace Limited	UK	100	Aircraft transparencies
Pilkington International Glass Poland SA	Poland	100	Glass processing
Pilkington Polska Sp. z o.o.	Poland	100	Glass manufacturing
SIV SpA	Italy	100	Glass manufacturing and safety glass
North America			
Pilkington North America Inc	USA	100	Glass manufacturing and processing
Libbey-Nippon Holdings Inc	USA	50	Safety glass
L-N Safety Glass SA de CV	Mexico	100	Safety glass
Pilkington Aerospace Inc	USA	100	Aircraft transparencies
Rest of the world			
Pilkington (Australia) Limited	Australia	100	Glass manufacturing and processing
Vidrieria Argentina SA	Argentina	51	Glass manufacturing
Vidrios Lirquen SA*	Chile	26	Glass manufacturing
Pilkington Automotive Argentina S.A.	Argentina	100	Safety glass
Pilkington Brasil Limitada	Brazil	100	Glass processing and safety glass
Pilkington (New Zealand) Limited	New Zealand	100	Glass processing
Guilin Pilkington Safety Glass Co Limited+	China	60	Safety glass
Changchun Pilkington Safety Glass Co Limited+	China	51	Safety glass
Holding and finance companies			
Pilkington Holdings Inc	USA	100	Holding company
Pilkington Nederland Holdings BV	Netherlands	100	Holding company
Pilkington International Holdings BV	Netherlands	100	Holding company
Pilkington Nederland (No 2) BV	Netherlands	100	Holding company
Pilkington Finance Limited	UK	100	Finance management
Pilkington (Forex) Limited	UK	100	Finance management
Pilkington Channel Islands Limited	Jersey	66	Finance management
Pilkington Channel Islands Limited preference shares	Jersey	16	
Pilkington Holding GmbH	Germany	100	Holding company
Pilkington Holding GmbH preference shares	Germany	99	
Dahlbusch AG	Germany	99	Investment and property company

*Vidrios Lirquen SA is owned 51% by a wholly owned subsidiary of Vidrieria Argentina SA, which is itself owned 51% by Pilkington International Holdings BV.

Pilkington results expressed in euros

Group profit and loss account for the year ended 31st March 2001	**2001 €m**	2000 €m
Turnover		
Group turnover – continuing	**4,087**	3,716
Group turnover – discontinued	**–**	126
Share of joint ventures' and associates' turnover	**510**	381
Turnover including joint ventures and associates	**4,597**	4,223
Operating profit		
Group – continuing	**383**	285
Group – discontinued	**–**	6
Share of joint ventures' and associates' operating profit	**86**	80
Group operating profits before exceptional items	**469**	371
Exceptional items	**(63)**	(179)
Operating profit	**406**	192
Non-operating exceptional items	**(8)**	(13)
Profit before investment income and interest	**398**	179
Investment income	**2**	2
Net interest payable and similar charges	**(120)**	(100)
Profit on ordinary activities before taxation	**280**	81
Taxation	**(93)**	(70)
Profit on ordinary activities after taxation	**187**	11
Minority interests	**(45)**	(17)
Profit/(loss) attributable to shareholders	**142**	(6)
Dividends	**(101)**	(86)
Retained profit/(loss) of the Group	**41**	(92)
Earnings/(loss) per share (eurocent)	**12.1**	(0.6)
Fully diluted earnings/(loss) per share (eurocent)	**11.7**	(0.6)
Dividends per share (eurocent)	**8.2**	7.8

Profit before exceptional items and taxation	**351**	273
Earnings per share excluding exceptional items (eurocent)	**17.6**	14.2

Summary Group balance sheet as at 31st March 2001	**2001 €m**	2000 €m
ASSETS EMPLOYED		
Fixed assets		
Intangible fixed assets – goodwill	**280**	151
Tangible fixed assets	**2,552**	2,503
Joint ventures, associates and trade investments	**389**	374
	3,221	3,028
Current assets		
Stocks	**634**	576
Debtors	**791**	745
Investments – marketable	**61**	28
Cash at bank and in hand	**79**	81
	1,565	1,430
Creditors – amounts falling due within one year	**(1,138)**	(1,185)
Net current assets	**427**	245
Total assets less current liabilities	**3,648**	3,273
FINANCED BY		
Creditors – amounts falling due after more than one year	**995**	772
Provisions for liabilities and charges	**784**	797
	1,779	1,569
Deferred income	**31**	31
	1,810	1,600
Capital and reserves		
Called up share capital	**993**	913
Reserves	**322**	194
Total equity shareholders' funds	**1,315**	1,107
Minority interests (including non-equity)	**523**	566
	3,648	3,273

Summary Group cash flow		
Net cash inflow from operating activities before exceptional costs	**621**	539
Exceptional items – restructuring and disposal of operations	**(98)**	(115)
Net cash inflow from operating activities	**523**	424
Dividends received from joint ventures and associates	**42**	14
Net cash outflow from returns on investments and servicing of finance	**(132)**	(111)
Taxation paid	**(62)**	(23)
Net cash outflow from capital expenditure	**(296)**	(242)
Net cash (outflow)/inflow from acquisitions and disposals	**(65)**	38
Net cash inflow before dividends, management of liquid resources and financing	**10**	100
Equity dividends paid by parent company	**(77)**	(101)
Management of liquid resources	**(36)**	(2)
Net cash inflow/(outflow) from financing – loans and finance leases	**72**	(22)
Decrease in cash	**(31)**	(25)

Group financial record

For the years ended 31st March	**2001 £m**	2000 £m	1999 £m	1998 £m	1997 £m
Turnover	**2,820**	2,707	2,709	2,991	3,096
Profits					
Operating profit – Group companies	**235**	187	160	130	152
Operating profit – joint ventures and associates	**53**	51	54	56	28
Exceptional items	**(44)**	(123)	(17)	(225)	(55)
Group profit/(loss) – before taxation and exceptionals	**216**	175	135	120	132
– before taxation and after exceptionals	**172**	52	118	(105)	77
– after taxation and after exceptionals	**115**	7	76	(167)	28
Group profit/(loss) attributable to shareholders of Pilkington plc	**87**	(4)	54	(186)	2
Dividends	**62**	55	55	54	52
Assets employed					
Intangible fixed assets	**174**	91	103	101	–
Tangible fixed assets	**1,585**	1,508	1,601	1,566	1,596
Investments in joint ventures, associates and other undertakings	**242**	225	197	182	181
Net current assets	**265**	148	259	267	445
Total assets less current liabilities	**2,266**	1,972	2,160	2,116	2,222
Financed by					
Total shareholders' funds	**817**	667	742	660	837
Minority interests	**325**	341	355	347	286
Creditors over one year, provisions and deferred income	**1,124**	964	1,063	1,109	1,099
Funds invested	**2,266**	1,972	2,160	2,116	2,222
Cash flow from					
Operating activities	**321**	271	195	184	288
Dividends from joint ventures and associates	**26**	9	17	17	13
Returns on investments and servicing of finance	**(81)**	(71)	(79)	(84)	(38)
Taxation paid	**(38)**	(15)	(29)	(42)	(44)
Capital expenditure (net)	**(182)**	(154)	(180)	(186)	(130)
Acquisitions and disposals	**(40)**	24	18	56	51
Dividends	**(47)**	(65)	(35)	(51)	(50)
Liquid resources	**(22)**	(1)	16	7	(1)
Financing	**44**	(14)	32	71	(107)
Decrease in cash	**(19)**	(16)	(45)	(28)	(18)
Key figures					
Capital expenditure on tangible assets	**190**	194	193	211	186
Operating profit before goodwill amortisation and exceptional items to total turnover	**10.4%**	9.0%	8.1%	6.4%	5.8%
Earnings/(loss) per share	**7.4p**	(0.4p)	5.0p	(18.0p)	0.2p
Earnings per share excluding exceptional items	**10.8p**	9.1p	6.5p	4.1p	5.8p
Dividends per share – declared	**5.0p**	5.0p	5.0p	5.0p	5.0p
Dividend cover	**1.4**	(0.1)	1.0	(3.4)	0.04
Share price – high	**130p**	118p	148p	167p	219p
– low	**65p**	63p	50p	104p	120p
– as at 31st March	**106p**	73p	83p	122p	120p

The 1998 figures have been amended to reflect the capitalisation and amortisation of goodwill arising after 1st April 1995. Also the EPS figures have been adjusted in that year and subsequently for FRS 14.