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Registered No. 3691883

# *NORCROS (HOLDINGS) LIMITED*

(formerly Stormgrange Limited)

## REPORT AND FINANCIAL STATEMENTS

## FOR THE PERIOD ENDED 31$^{ST}$ MARCH 2000

**NORCROS (HOLDINGS) LIMITED** Registered No. 3691883

# Report for the period ended 31st March 2000

# Directors and advisers

**Directors**

| | | |
|---|---|---|
| David Shaw | - | Non-executive Chairman |
| Alastair Gibbons | - | Non-executive |
| Julian Knights | - | Non-executive |
| Andrew Haining | - | Non-executive |
| Joseph Matthews | - | Group Chief Executive |
| David W. Hamilton | - | Group Commercial Director |
| Nicholas P. Kelsall | - | Group Finance Director |

**Secretary and Registered Office**
David W. Hamilton
Norcros (Holdings) Limited
Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU

**Solicitors**
Slaughter & May
35 Basinghall Street
London EC2V 5DB

**Bankers**
CIBC World Markets
Cottons Centre
Cottons Lane
London SE1 2QL

**Registered Auditors**
PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

# Directors' report

# for the period ended 31st March 2000

The directors present their first report and the audited financial statements for the period ended 31st March 2000.

The Company was incorporated on 5th January 1999 and on 16th November 1999, it acquired the whole of the share capital of Norcros plc and subsequently changed its name from Stormgrange Limited to Norcros (Holdings) Limited. The profit and loss account therefore covers the period since the acquisiiton.

## PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Company acts as holding company for the Norcros Group.

The Group's principal activities for the period were the development, manufacture and marketing of building products (ceramic tiles, adhesives and showers) and speciality chemicals.

The development of the businesses was satisfactory in the period and the directors believe that further progress will be made in the year to 31st March 2001.

### Results and Dividends

The consolidated loss for the period after exceptional items and taxation amounts to £8.3m.

No dividend is proposed.

### Directors and Directors' Interests

Details of the directors are contained on page 2. According to the register required to be kept by Section 325 of the Companies Act 1985, the Directors' interests in the shares of the company were as follows:

| | 31st March 2000 Number of 'A' Ordinary Shares of 1 pence each |
|---|---|
| J. Matthews | 187,500 |
| D. W. Hamilton | 93,750 |
| N. P. Kelsall | 93,750 |

At the date prior to the acquisition by the Company of the shares in Norcros plc (now Norcros Limited), the above Directors had interests in the shares of Norcros plc as follows:

| | J. Matthews | D. W. Hamilton | N. P. Kelsall |
|---|---|---|---|
| Ordinary 25p Shares | 30,000 | 100,000 | 30,000 |
| SAYE Scheme Options | 30,803 | 30,803 | 17,410 |
| Executive 1985 Scheme Options | 145,723 | 61,370 | 32,000 |
| Executive 1996 Scheme Options | 370,000 | 290,000 | 260,000 |

The Share Options were subsequently cancelled, for which the directors received amounts as compensation.

No Directors were interested at any time during the period in any other share capital of the Company's subsidiary undertakings.

None of the Directors had or has a beneficial interest in any significant contract to which the Company either directly or indirectly was a party during the period.

The Company benefits from directors' and officers' liability insurance.

## Share Capital

The Company was incorporated on 5th January 1999 with an issued share capital of 2 shares of £1 each.

These were subsequently divided into 200 'B' redeemable Ordinary Shares of 1 pence each and a further 5,249,800 'B' Redeemable Ordinary Shares of 1 pence each were issued during the period, together with 375,000 'A' Ordinary Shares of 1 pence each.

## Employees

The necessity for, and importance of, good relations with all employees is well recognised and accepted throughout the Group. However, because the Group's activities are organised on a de-centralised basis, with each subsidiary company having autonomy over its operations, there is no uniform set of arrangements for employee involvement imposed throughout the Group. Nevertheless, all Group companies are strongly encouraged to devise and adopt whatever means of employee consultation best suit their circumstances.

The Company is fully committed to keeping its employees informed about their work unit and the wider business.

## Employment of Disabled Persons

The Group recognises its responsibilities towards disabled persons and therefore all applications from such persons are fully considered bearing in mind the respective aptitudes and abilities of the applicant. In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

## Charitable Donations

The Group made charitable donations of £11,000 during the period.

## Creditor Payment Policy

Group policy requires all operating units to apply appropriate controls to working capital management, whilst developing relationships with suppliers. In view of the international nature of the Group's activities, no universal code or standard on payment policy is followed, but subsidiary companies are expected to establish payment terms consistent with the above policy, local procedures, custom and practice.

Norcros (Holdings) Limited has no trade creditors. It is therefore not appropriate to provide creditor day statistics for the company.

## Year 2000

The Group did not experience any significant problems relating to the Year 2000 problem. The risks and uncertainties associated with the Year 2000 problem will continue to be monitored throughout the forthcoming year. Neither the revenue nor capital costs that were incurred were material.

### Research and Development

The Group's operating companies carry out on an individual basis such research and development projects, especially in relation to new products, as they deem necessary to ensure the continued development and growth of their businesses.

### Remuneration and Audit Committees

The Directors have implemented the major recommendations of the Committee on the Financial aspects of Corporate Governance published in the Code of Best Practise as appropriate to a private company with institutional shareholders. Accordingly, the Board has established remuneration and audit committees.

### Directors' Responsibilities

The Board of Directors is required each year to provide financial statements which give a true and fair view of the results and state of affairs of the Company. The financial statements must comply with the provisions of the Companies Act 1985 and with applicable Accounting Standards.

In preparing the financial statements, the directors have responsibility for adopting accounting policies appropriate to the Company's business. These policies must be applied consistently, taking a reasonable and prudent view where judgements and estimates are necessary. The Directors must maintain adequate accounting records and take reasonable steps to protect the assets of the Company and to deter and detect fraud and other irregularities.

The Directors confirm their compliance with these requirements and that the financial statements have been prepared on the going concern basis.

### Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

**By Order of the Board**

DWHamilton

D W Hamilton
Director and Company Secretary

21st June 2000

# Auditors' report to the members of Norcros (Holdings) Limited

We have audited the financial statements on pages 7 to 23.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 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.

## 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 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 2000 and of the loss and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

**PricewaterhouseCoopers**
Chartered Accountants and Registered Auditors
Manchester
21st June 2000

# Group profit and loss account

| For the period ended 31st March | Note | Continuing operations Total 2000 £'m |
|---|---|---|
| **Turnover** | 2 | 76.3 |
| **Operating profit** before exceptional items | | 6.4 |
| Exceptional operating items | 3 | (3.5) |
| **Operating profit** | 4 | 2.9 |
| Share of associated companies' profits | | - |
| **Exceptional items:** | | |
| Provision for losses on sale of fixed assets | 3 | (3.2) |
| **Loss on ordinary activities before interest** | | (0.3) |
| Net interest | 5 | (7.8) |
| **Loss on ordinary activities before taxation** | 6 | (8.1) |
| Taxation | 7 | (0.2) |
| **Loss on ordinary activities after taxation** | | (8.3) |
| Minority interests | | - |
| **Loss for the financial period** | 18 | (8.3) |

# Balance sheets

| At 31st March | note | Group 2000 £'m | Norcros (Holdings) Ltd. 2000 £'m |
|---|---|---|---|
| **Fixed Assets** | | | |
| Goodwill | 23 | 36.1 | - |
| Tangible assets | 10 | 75.8 | - |
| Investments | 11 | 11.8 | 190.6 |
| | | 123.7 | 190.6 |
| **Long term debtors** | | | |
| Pension fund prepayment | 13/21 | 40.7 | - |
| **Current assets** | | | |
| Stocks | 12 | 34.7 | - |
| Debtors | 13 | 45.8 | 1.8 |
| Cash at bank and in hand | | 9.5 | - |
| | | 90.0 | 1.8 |
| **Creditors: amounts falling due within one year** | | | |
| Borrowings | 14 | (6.3) | (4.0) |
| Other | 15 | (55.5) | (2.0) |
| | | (61.8) | (6.0) |
| **Net current assets/(liabilities)** | | 28.2 | (4.2) |
| **Total assets less current liabilities** | | 192.6 | 186.4 |
| **Financed by:** | | | |
| **Creditors: amounts falling due after more than one year** | | | |
| Borrowings | 14 | 183.7 | 183.4 |
| Other | 15 | 3.4 | 2.8 |
| **Provisions for liabilities and charges** | 16 | 9.1 | - |
| | | 196.2 | 186.2 |
| **Capital and reserves** | | | |
| Share capital | 17 | 0.1 | 0.1 |
| Share premium account | 18 | 5.5 | 5.5 |
| Profit and loss account | 18 | (9.8) | (5.4) |
| **Total shareholders' funds** | | (4.2) | 0.2 |
| **Equity minority interests** | | 0.6 | - |
| **Total capital and reserves** | | (3.6) | 0.2 |
| | | 192.6 | 186.4 |

Approved by the Board on 21st June 2000

J. Matthews, Group Chief Executive

N. P. Kelsall, Group Finance Director

# Group cash flow statement

| For the period ended 31st March | note | 2000 £'m |
|---|---|---|
| **Cash inflow from operating activities** | | |
| Net cash inflow from continuing operating activities before operating exceptional items | 22 | 16.8 |
| Outflow related to exceptional operating items | 22 | (2.9) |
| | | 13.9 |
| **Returns on investments and servicing of finance** | | |
| Interest received | | 0.2 |
| Interest paid | | (3.1) |
| Costs of raising finance | | (6.0) |
| | | (8.9) |
| **Taxation** | | |
| Overseas taxation paid | | (0.1) |
| | | (0.1) |
| **Capital expenditure and financial investment** | | |
| Cash expenditure on fixed assets | | (4.7) |
| Investments in associated undertakings | | (1.6) |
| Net proceeds from sale of properties for disposal and repayment of associate's loan | | 1.7 |
| | | (4.6) |
| **Acquisitions and disposals** | | |
| Acquisition of businesses | 23 | (176.5) |
| Net debt acquired | 23 | (14.8) |
| | | (191.3) |
| **Net cash outflow before financing** | | (191.0) |
| **Financing** | | |
| Issue of ordinary shares | | 5.6 |
| Gross drawdown of loans | | 194.9 |
| | | 200.5 |
| **Increase in cash and cash equivalents in the period** | | 9.5 |

| **Reconciliation of net cash flow to movement in net debt** | 2000 £'m |
|---|---|
| **Increase in cash and cash equivalents in the period** | 9.5 |
| Cash inflow from debt financing | (194.9) |
| Costs of raising finance offset | 4.9 |
| **Movement in net debt in the period** | (180.5) |
| Opening net debt | - |
| **Closing net debt** | (180.5) |

# Statement of total recognised gains and losses

| For the period ended 31st March | 2000<br>£'m |
|---|---|
| **Loss for the financial period** | (8.3) |
| Foreign currency translation | (1.5) |
| **Total losses relating to the period** | (9.8) |

# Movement in equity shareholders' funds

| For the period ended 31st March | 2000<br>£'m |
|---|---|
| **Loss for the financial period** | (8.3) |
| New share capital | 5.6 |
| Currency and other adjustments | (1.5) |
| **Closing equity shareholders' funds** | (4.2) |

# Notes to the accounts

## 1 Accounting policies of the Group

### Accounting reference date
The Group's year end is stated as 31st March. All Group subsidiary undertakings make up annual accounts to the Sunday nearest to 31st March which, for this period, is 2nd April 2000.

### Accounting convention
Norcros and its subsidiary undertakings prepare their accounts on the historical cost basis of accounting, modified to include the revaluation of certain properties, and in accordance with both applicable Accounting Standards in the United Kingdom and, except for the treatment of the pension fund prepayment, the Companies Act 1985. An explanation of the departure from the requirements of the Act is given in note 13.

### Turnover
Turnover represents the total amount, less value added and other sales based taxes, receivable by the Group for goods and services sold or supplied as principals during the year. Intra Group transactions are excluded.

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

### Operating leases
Annual rentals are charged directly against profits.

### Subsidiaries and associated companies
The results of subsidiary undertakings acquired are included from the date of acquisition; the results of subsidiary undertakings disposed of are included up to the date of disposal. Any excess of purchase price over the fair value of net assets at the date of acquisition is capitalised in accordance with FRS10. The Group share of the profits or losses of associated companies is brought into the Group accounts.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of Norcros (Holdings) Limited is not presented.

### Overseas currencies
Assets and liabilities expressed in foreign currencies are translated into sterling at rates applicable at the period end and trading results at average rates for the period. Exchange gains and losses of a trading nature are dealt with in arriving at the operating profit. Exchange gains and losses arising on the retranslation of overseas net assets and results, after taking into account related foreign currency borrowings, are taken directly to reserves.

Foreign currency contracts are accounted for as hedges, with the instruments' impact on profit deferred until the underlying transaction is recognised in the profit and loss account.

# Notes to the accounts

1 **Accounting policies of the Group – continued**

## Fixed asset properties

*Group occupied properties*

Group occupied freehold properties are carried at their cost.

*Properties for disposal*

Properties held for disposal are presented within tangible fixed assets. All properties for disposal, other than development land, have been valued at 31st March 2000 by the Directors on the basis of advice received from professionally qualified property consultants engaged by the Group. Changes in the value of these properties are disclosed as movements in the revaluation reserve to the extent that the reserve is sufficient, excess deficits being charged to the profit and loss account. Impairments in value below cost are charged to the profit and loss account. Development land is held at the lower of cost and book value net of provisions to reflect the current market conditions relating to this type of property.

## Depreciation

Depreciation and amortisation is calculated by the straight line method having regard to the class and life of the asset concerned. Principal depreciation rates for plant and vehicles are 10% and 25% respectively. Depreciation on freehold buildings and leaseholds is calculated on the basis of each individual property's estimated remaining useful life or the length of the lease, if shorter.

## Goodwill

Goodwill is amortised over the useful life estimated by the directors, normally 20 years.

## Stock and work-in-progress

Stock and work-in-progress is valued at the lower of cost, including a proportion of appropriate manufacturing overheads, and net realisable value.

## Taxation

Deferred taxation is provided only in respect of liabilities that are expected to arise and become payable in the foreseeable future. No provision is made for any tax on capital gains that could arise from the future disposal of any fixed assets shown in the accounts at valuation.

## Pensions

The Group operates a number of pension schemes around the world. The schemes are funded by contributions partly from the employees and partly from the companies at rates determined by independent actuaries. These contributions are invested separately from the Group's assets. Pension costs have been calculated in accordance with SSAP24.

# Notes to the accounts

## 2 Segmental analysis

| *By business* | *Turnover 2000 £'m* | *Operating profit before exceptionals 2000 £'m* | *Total assets less current liabilities 2000 £'m* |
|---|---|---|---|
| Building Products | 59.3 | 4.4 | 81.7 |
| Speciality Chemicals | 17.0 | 2.0 | 20.9 |
| Total continuing businesses | 76.3 | 6.4 | 102.6 |
| Goodwill | | | 36.1 |
| Investments | | | 11.8 |
| Pension fund prepayment | | | 40.7 |
| Cash and borrowings under one year | | | 3.2 |
| Tax | | | (1.8) |
| | | | 192.6 |

| *By geographical origin* | *Turnover 2000 £'m* |
|---|---|
| UK | 48.6 |
| Rest of Europe | 1.3 |
| North America | 8.4 |
| Australasia | 9.8 |
| Rest of World | 8.2 |
| | 76.3 |

## 3 Exceptional items

| | *2000 £'m* |
|---|---|
| Operating costs | 3.5 |
| Provision for losses on sale of fixed assets | 3.2 |
| | 6.7 |

## 4 Group operating profit

| | *Continuing Operations Total 2000 £'m* |
|---|---|
| Turnover | 76.3 |
| Cost of sales | (48.0) |
| Exceptional cost of sales | (2.9) |
| | (50.9) |
| Gross profit | 25.4 |
| Distribution and marketing | (12.6) |
| Exceptional distribution and marketing | (0.3) |
| | (12.9) |
| Administrative expenses | (7.3) |
| Goodwill amortisation | (0.7) |
| Exceptional administrative expenses | (0.3) |
| | (8.3) |
| Other operating costs | (1.3) |
| | 2.9 |

# Notes to the accounts

## 5 Interest

| | 2000 £'m |
|---|---|
| Interest on bank loans and overdrafts | 6.8 |
| Amortisation of costs of raising debt finance | 1.1 |
| Discount on leasehold property provision | 0.1 |
| Less: interest receivable | (0.2) |
| | 7.8 |

## 6 Loss on ordinary activities before taxation

| | 2000 £'m |
|---|---|
| Loss on ordinary activities before taxation is stated after charging: | |
| Depreciation - owned assets | 2.3 |
| Goodwill amortisation | 0.7 |
| Operating lease rentals – property | 0.9 |
| - equipment | 0.5 |
| Auditors' remuneration, including expenses (Company: £0.1m) | 0.1 |
| Hire of plant and machinery | 0.1 |
| Research and development expenditure | 1.0 |

Fees paid to PricewaterhouseCoopers UK for other non-audit services amounted to £0.9m, principally relating to the acquisition of Norcros plc.

## 7 Taxation

| | 2000 £'m |
|---|---|
| Overseas taxation | 0.2 |
| | 0.2 |

## 8 Directors and Employees

| | 2000 |
|---|---|
| The number of persons employed by the Group at 31st March 2000 was: | |
| United Kingdom | 1,742 |
| Overseas | 1,003 |
| | 2,745 |

| | £m |
|---|---|
| Staff costs : | |
| Wages and salaries | 16.6 |
| Social security costs | 1.4 |
| Other pension costs (see note 22) | 0.2 |
| | 18.2 |

## 9 Directors' emoluments

| | 2000 £'000 |
|---|---|
| Aggregate emoluments (including benefits in kind) | 253 |
| Pension contributions | 35 |
| | 288 |
| | |
| Highest paid director (including benefits in kind) | 97 |

Directors' emoluments include fees of £33,000 accrued to third parties in respect of directors' emoluments. Retirement Benefits accrued to three directors under a money purchase scheme.

# Notes to the accounts

## 10 Tangible fixed assets

| | Group<br>Land and Buildings for disposal | Land and buildings Group occupied | Plant and vehicles | Total |
|---|---|---|---|---|
| | £'m | £'m | £'m | £'m |
| **Cost or valuation** | | | | |
| *At incorporation* | - | - | - | - |
| *On acquisition of Norcros plc* | 9.8 | 28.9 | 112.3 | **151.0** |
| Currency translation and other adjustments | - | (0.3) | (1.5) | **(1.8)** |
| Additions | - | - | 5.1 | **5.1** |
| Provision for loss on sale | - | - | (13.8) | **(13.8)** |
| Disposals | (0.3) | - | (0.5) | **(0.8)** |
| *At 31st March, 2000* | 9.5 | 28.6 | 101.6 | **139.7** |
| **Depreciation** | | | | |
| *At incorporation* | - | - | - | - |
| *On acquisition of Norcros plc* | 0.2 | 2.9 | 69.9 | **73.0** |
| Currency translation and other adjustments | - | - | (0.4) | **(0.4)** |
| Charge for the period | - | 0.2 | 2.1 | **2.3** |
| Provision for loss on sale | - | - | (10.6) | **(10.6)** |
| Disposals | - | - | (0.4) | **(0.4)** |
| *At 31st March, 2000* | 0.2 | 3.1 | 60.6 | **63.9** |
| **Net book value** | | | | |
| *At 31st March, 2000* | 9.3 | 25.5 | 41.0 | **75.8** |

| | Freehold | Long Leases | Short Leases | Total |
|---|---|---|---|---|
| | £'m | £'m | £'m | £'m |
| Land and buildings comprise: | | | | |
| ***Group*** | | | | |
| At cost | 26.5 | 0.4 | 1.7 | **28.6** |
| At valuation - 2000 | 9.5 | - | - | **9.5** |
| | 36.0 | 0.4 | 1.7 | **38.1** |
| Depreciation | (2.8) | (0.1) | (0.4) | **(3.3)** |
| *At 31st March, 2000* | 33.2 | 0.3 | 1.3 | **34.8** |

| | 2000<br>£'m |
|---|---|
| If land and buildings had not been revalued they would have been included at: | |
| Cost | 38.1 |
| Aggregate depreciation | (3.3) |
| | 34.8 |

# Notes to the accounts

## 11 Investments

| | Associated companies £'m | Loans to associated companies £'m | Trade investments £'m | **Total £'m** |
|---|---|---|---|---|
| ***Group*** | | | | |
| *At incorporation* | - | - | - | **-** |
| *On acquisition of Norcros plc* | 2.2 | 5.8 | 2.8 | **10.8** |
| Additions | - | - | 1.6 | **1.6** |
| Repayments | - | (0.5) | - | **(0.5)** |
| Currency translation | (0.1) | - | - | **(0.1)** |
| *At 31st March, 2000* | 2.1 | 5.3 | 4.4 | **11.8** |

H & R Johnson (India) Ltd. has been accounted for as a trade investment rather than an associate as, in the opinion of the directors, the Group does not exercise significant influence over the company as required in the definition of an associate in FRS9.

Purchases from the Greek tile associate totalled £1,014,000 in the period, with sales to the Greek associate being £113,000.

Sales to the Indian adhesives associate totalled £49,000 in the period.

In the Group accounts associated companies are held at attributable net asset value together with loans to those companies, their original cost being £2.2m.

| | Shares in subsidiaries £'m | Loans to subsidiaries £'m | Loans from Subsidiaries £'m | **Total £'m** |
|---|---|---|---|---|
| ***Norcros (Holdings) Ltd.*** | | | | |
| *At incorporation* | - | - | - | **-** |
| Movements during the year | 177.3 | 17.9 | (4.6) | **190.6** |
| *At 31st March, 2000* | 177.3 | 17.9 | (4.6) | **190.6** |

In the Company's accounts, investments in subsidiary undertakings are stated at cost together with loans to and from those companies less amounts written off for any impairment in value.

Details of the principal subsidiary undertakings and associated companies, are set out on page 24.

# Notes to the accounts

## 12 Stocks

| | 2000 £'m |
|---|---|
| ***Group*** | |
| Raw materials | 8.7 |
| Work-in-progress | 3.8 |
| Finished stock | 22.2 |
| | 34.7 |

## 13 Debtors

| | *Group* 2000 £'m | *Norcros (Holdings) Ltd.* 2000 £'m |
|---|---|---|
| Trade debtors | 38.5 | |
| Group relief receivable | - | 1.5 |
| Amounts owed by subsidiary undertakings | - | 0.3 |
| Amounts owed by associated companies | 0.2 | - |
| Other debtors | 4.0 | - |
| ACT recoverable | 0.3 | - |
| Prepayments and accrued income | 2.8 | - |
| | 45.8 | 1.8 |

The pension fund prepayment has been presented separately in the Group balance sheet rather than included as part of current assets. In the opinion of the Directors, this departure from the format of Schedule 4 of the Companies Act 1985 is required to give a true and fair view of the state of affairs of the Group at 31st March 2000, since to present the pension fund prepayment as part of current assets would not fairly reflect the true liquidity position of the Group. If the formats included in Schedule 4 of the Companies Act 1985 were adopted the pension fund prepayment would be included as part of current assets resulting in an increase in Group net current assets to £68.9m.

# Notes to the accounts

## 14 Borrowings

| | Group 2000 £'m | Norcros (Holdings) Ltd. 2000 £'m |
|---|---|---|
| Bank loans and overdrafts – secured | 96.7 | 96.5 |
| Loan notes – unsecured | 69.8 | 69.8 |
| Bank loans and overdrafts - unsecured | 28.4 | 26.0 |
| Costs of raising finance | (4.9) | (4.9) |
| | 190.0 | 187.4 |
| Repayable: | | |
| Within one year | 7.3 | 5.0 |
| Costs of raising finance | (1.0) | (1.0) |
| | 6.3 | 4.0 |
| After more than one year: | | |
| Between one and two years | 5.8 | 5.7 |
| Between two and five years | 32.3 | 32.3 |
| Over five years by instalments | 149.5 | 149.3 |
| Costs of raising finance | (3.9) | (3.9) |
| | 183.7 | 183.4 |
| | 190.0 | 187.4 |

Certain loans are secured on the assets of the relevant individual company.

The interest rate on the unsecured loan notes is fixed and on the bank loans and overdrafts are variable rates linked to LIBOR.

## 15 Creditors

| | Group 2000 £'m | Norcros (Holdings) Ltd. 2000 £'m |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade creditors | 27.3 | - |
| Amounts owed to associated companies | 0.3 | - |
| Corporation tax | 2.1 | - |
| Other taxation and social security payable | 2.3 | - |
| Other creditors | 7.4 | 1.2 |
| Accruals and deferred income | 16.1 | 0.8 |
| | 55.5 | 2.0 |
| **Amounts falling due after more than one year:** | | |
| Other creditors | 3.4 | 2.8 |

# Notes to the accounts

| 16 Provisions for liabilities and charges | Deferred taxation £'m | Reorganisation and restructuring provisions £'m | Total £'m |
|---|---|---|---|
| ***Group*** | | | |
| At incorporation | - | - | **-** |
| On acquisition of Norcros plc | 2.4 | 7.1 | **9.5** |
| Utilisation – cash | - | (0.4) | **(0.4)** |
| At 31st March 2000 | 2.4 | 6.7 | **9.1** |

| | **Group 2000 £'m** |
|---|---|
| ***Deferred taxation*** | |
| The amount of deferred taxation dealt with above is made up as follows: | |
| Accelerated capital allowances | 2.4 |
| | 2.4 |
| The full potential (asset)/liability for deferred taxation is as follows: | |
| Accelerated capital allowances | (0.4) |
| Other timing differences | (5.4) |
| Pension fund prepayment | 12.2 |
| ACT offset | (7.2) |
| | (0.8) |

The Company has no potential deferred tax asset or liability.

# Notes to the accounts

## 17 Share capital

| | 2000 £'000 |
|---|---|
| ***Group*** | |
| Authorised: | |
| 781,250 'A' Ordinary Shares of 1p each | 8 |
| 5,468,750 'B' Redeemable Ordinary Shares of 1p each | 55 |
| | 63 |
| Allotted, called up and fully paid: | |
| 375,000 'A' Ordinary Shares of 1p each | 4 |
| 5,250,000 'B' Redeemable Ordinary Shares of 1p each | 52 |
| | 56 |

| | 'A' Ordinary Shares of 1p each No. | 'B' Redeemable Ordindary Shares of 1p each No. |
|---|---|---|
| Shares issued during the period at £1 each | 375,000 | 5,250,000 |
| In issue at 31st March 2000 | **375,000** | **5,250,000** |

The Company's Articles of Association provide that in the event of a sale or listing of the Company, or a sale by it of substantially all of its assets and undertakings, a number of the 'B' Redeemable Ordinary Shares may be redeemed so as to increase the proportion of shareholders' funds attributable to the 'A' Ordinary shareholders. In all other respects the 'A' and 'B' shares rank pari passu and the 'B' shares therefore fall within the definition of equity shares for accounting purposes.

## 18 Reserves

| | *Share premium £'m* | *Profit and loss £'m* |
|---|---|---|
| ***Group*** | | |
| At incorporation | - | - |
| Arising on share issue | 5.5 | - |
| Currency translation and other adjustments | - | (1.5) |
| Transfer from profit and loss account | - | (8.3) |
| *At 31st March 2000* | **5.5** | **(9.8)** |

| | *Share premium £'m* | *Profit and loss £'m* |
|---|---|---|
| ***Norcros (Holdings) Ltd.*** | | |
| On shares issued in the period | 5.5 | - |
| Currency translation and other adjustments | - | - |
| Transfer from profit and loss account | - | (5.4) |
| *At 31st March 2000* | **5.5** | **(5.4)** |

The loss after taxation of Norcros (Holdings) Ltd. for the period was £5.4m.

## 19 Contingent liabilities

***Group***
As at 31st March 2000 the Group had contingent liabilities of £0.7m in respect of rental guarantees relating to the sale of certain of its properties, which expire in September 2008.

***Norcros (Holdings) Ltd.***
The Company's material UK subsidiaries have entered into a guarantee and debenture which effectively means that all of their assets property or otherwise, and undertakings are charged in favour of the security agent acting on behalf of the lending banks to the Company Certain overseas subsidiaries are entering into similar arrangements.

# Notes to the accounts

## 20 *Future capital expenditure and operating lease commitments*

**Group**
**Capital expenditure**
Outstanding contracts for capital expenditure not provided for in these accounts amount to approximately £1.9m.

| Operating leases | *2000* Property £'m | Equipment £'m |
|---|---|---|
| Gross annual rentals payable on leases which expire: | | |
| Within one year | 0.2 | 0.3 |
| Two to five years | 0.6 | 1.1 |
| Over five years | 6.1 | - |
| | 6.9 | 1.4 |

## 21 *Pension commitments*

The Group operates a number of pension schemes covering eligible employees. The net cost in respect of pension schemes comprises:

| | *2000* £'m |
|---|---|
| Norcros Security Plan | - |
| Other UK and overseas schemes | 0.2 |
| Net pension cost | 0.2 |

**Norcros Security Plan**
The Norcros Security Plan, the principal UK defined benefit scheme of Norcros (Holdings) Limited and its subsidiaries, is funded by a separate trust fund. Actuarial valuations of the assets and liabilities of the scheme are carried out triennially by external professional actuaries to determine the financial position of the scheme and to enable the Group to determine the level of contributions to be made to the scheme.

The last valuation was made at 30th November 1997 at which date the market value of the scheme assets was £384,290,000. The valuation was prepared on the projected unit cost method and showed that the level of funding of non-pensioner liabilities (the pensioner liabilities being matched with gilts) at that date was 187%.

The main financial assumptions used (for non-pensioner liabilities) in the valuation were:
Pension increases - 3.8%
Investment returns to be 1.5% above salary increases

Assets were valued based on an average of market values at the valuation date and the four prior anniversaries, assuming investment in the Trustees' benchmark of 60% UK equities, 30% overseas equities and 10% index-linked gilts.

The experience surplus at 30th November 1997 was £91m. The amortisation of the pension fund surplus has been restricted to an amount equal to the regular pension cost. This is 10.4% of pensionable earnings following the valuation at 30th November 1997. Accordingly, the employer expense in respect of the Norcros Security Plan for UK employees has been shown as nil for the period to 31st March 2000.

# Notes to the accounts

## 21 *Pension commitments – continued*

On the basis of advice received from the actuaries, the Trustees of the Norcros Security Plan have agreed an employer contribution holiday with the Board of Norcros (Holdings) Limited which will continue during the year to 31st March 2001.

**Other pension schemes**
Contributions are made to other UK and overseas schemes on the basis of local independent advice and amounted to £0.2m.

## 22 *Cash flow statement*

**(a) Reconciliation of operating profit to operating cash flows**

| | *2000* *£'m* |
|---|---|
| Operating profit from continuing operations | 2.9 |
| Operating exceptional items within operating profit | 3.5 |
| Operating profit from continuing operations before operating exceptional items | 6.4 |
| Depreciation | 2.3 |
| Amortisation of goodwill | 0.7 |
| Decrease in stocks | 2.4 |
| Decrease in debtors | 1.0 |
| Increase in creditors | 4.0 |
| **Net cash inflow from continuing operating activities before operating exceptional items** | 16.8 |

**(b) Outflow related to exceptional items**

This includes expenditure charged to exceptional provisions relating to business rationalisation and restructuring including severance and other employee costs

**(c) Analysis of net debt**

| | *At Incorporation* *£'m* | **Cashflow** *£'m* | **At 31 March 2000** *£'m* |
|---|---|---|---|
| Cash at bank and in hand | - | 9.5 | **9.5** |
| Less: deposits treated as liquid resources | - | - | **-** |
| | - | 9.5 | **9.5** |
| Bank overdraft | - | (2.6) | **(2.6)** |
| Net cash | - | 6.9 | **6.9** |
| Liquid resources: deposits included in cash | - | - | **-** |
| Debt: | | | |
| Debt due within one year | - | (3.7) | **(3.7)** |
| Debt due after one year | - | (183.7) | **(183.7)** |
| Debt | - | (187.4) | **(187.4)** |
| **Net debt** | - | (180.5) | **(180.5)** |

# Notes to the accounts

## 23 *Acquisitions*

On 6 October 1999, the Company made an offer to acquire the whole of the issued share capital of Norcros plc. This offer was declared unconditional in all respects on 16 November 1999.

The assets acquired, with related adjustments, were as follows:

| | £'m | £'m |
|---|---|---|
| | Net assets | |
| **Acquisitions:** | acquired | Fair value |
| Tangible fixed assets | 78.0 | 78.0 |
| Investments | 10.8 | 10.8 |
| Pension prepayment | 40.7 | 40.7 |
| Goodwill | 0.5 | 0.5 |
| Stocks | 38.3 | 38.3 |
| Debtors | 48.4 | 48.4 |
| Creditors | (50.8) | (50.8) |
| Provisions for liabilities and charges | (9.5) | (9.5) |
| Net debt | (14.8) | (14.8) |
| Minority interests | (0.6) | (0.6) |
| Total | 141.0 | 141.0 |
| **Consideration (including costs)*** | | (177.3) |
| Goodwill on acquisition of Norcros plc | | (36.3) |

* **Note** - £0.8m of the costs were still accrued at the year end.

| | |
|---|---|
| Goodwill: | |
| On acquisition of Norcros plc (above) | 36.3 |
| Pre-existing goodwill in Norcros plc group | 0.5 |
| Amortisation in the period | (0.7) |
| **Goodwill carried forward** | 36.1 |

Goodwill on the acquisition of Norcros plc is being amortised over 20 years, its estimated useful life, taking account of the nature of the businesses acquired and other competition considerations.

## 24 *Significant shareholdings*

The total issued share capital of Norcros (Holdings) Limited are held 59.7% by NatWest Ventures (Nominees) Limited, 24.9% by Botts Nominees (Jersey) Limited, 8.7% by Gresham Private Equity Limited and 6.7% by the executive directors of the Company.

The directors consider that the investments of NatWest Ventures (Nominees) Limited are held in its normal course of business as a provider of finance and, therefore, in accordance with FRS8, they should not be regarded as the ultimate controlling party.

# Principal subsidiary and associated companies

***United Kingdom***
Norcros Limited (formerly Norcros plc)
H & R Johnson Tiles Ltd.*[1]
Norcros Adhesives Ltd.*[1]
Triton Plc *[1]
Autotype International Ltd. *[2]

***Overseas***
Johnson Tiles Pty. Ltd. *[1]
Incorporated in Australia
Philkeram-Johnson SA *[1]
Associated company - 50%, Incorporated in Greece
Norcros SA (Pty) Ltd. trading as Johnson Tiles (Pty) Ltd. *[1]
Incorporated in South Africa
Norcros Building Products Pty. Ltd. *[1]
Incorporated in Australia
Norcros Building Products (NZ) Limited *[1]
Incorporated in New Zealand
TAL (Pty) Ltd. *[1]
Incorporated in South Africa
Autotype Americas Inc. *[2]
Incorporated in the state of Delaware, in the United States of America, trading as Autotype USA
CPS Chemical Products Services A/S *[2]
Incorporated in Denmark

***Notes***:
Unless otherwise stated, all companies are 100% owned and all UK companies are incorporated and operate in Great Britain and are registered in England and Wales. Overseas companies operate in the countries in which they are incorporated.

[1] - Building Products business
[2] - Speciality Chemicals business

* The Group interest is owned by Group companies other than Norcros (Holdings) Limited.

Only those subsidiary undertakings and associated companies whose results principally affect the financial statements of the Group are included above.