Registered No. 3691883

NORCROS (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

NORCROS (HOLDINGS) LIMITED

Registered No. 3691883

Report for the year ended 31st March 2001

Pages

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 plc
Cottons Centre
Cottons Lane
London SE1 2QL

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

Directors' report

for the year ended 31st March 2001

The Directors present their report and the audited financial statements for the year ended 31st March 2001.

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 comparative profit and loss account and group cash flow statement therefore covers the period from acquisition to 31st March 2000.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Company acts as a holding company for the Norcros Group.

The Group's principal activities for the year 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 year and the directors believe that further progress will be made in the year to 31st March 2002.

Results and Dividends

The consolidated loss for the year after exceptional items and taxation amounts to £27.3m (2000 : £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 and 2001 Number of 'A' Ordinary Shares of 1 pence each
J. Matthews	187,500
D. W. Hamilton	93,750
N. P. Kelsall	93,750

No Directors were interested at any time during the year in any 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 year.

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

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 £16,000 during the year (2000 : £11,000).

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.

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

D W Hamilton

D W Hamilton
Director and Company Secretary

3 July 2001

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 4, 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 2001 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
3 July 2001

Group profit and loss account

For the year ended 31st March	Note	Continuing operations Total 2001 £m	Continuing operations Total 2000* £m
Turnover	2	220.6	76.3
Operating profit before exceptional items		18.5	6.4
Exceptional operating items	3	(14.6)	(3.5)
Operating profit	4	3.9	2.9
Share of associated companies' profits		0.4	-
Exceptional items:			
Provision for losses on sale of businesses	3	(3.4)	-
Provision for loss on disposal of fixed assets	3	(6.4)	(3.2)
Loss on ordinary activities before interest		(5.5)	(0.3)
Net interest	5	(21.1)	(7.8)
Loss on ordinary activities before taxation	6	(26.6)	(8.1)
Taxation	7	(0.7)	(0.2)
Loss on ordinary activities after taxation		(27.3)	(8.3)
Minority interests		(0.1)	-
Loss for the financial year	19	(27.4)	(8.3)

* The comparative profit and loss account covers the period from 16th November 1999 to 31st March 2000

NORCROS (HOLDINGS) LIMITED

Registered No. 3691883

Balance sheets

At 31st March	note	Group 2001 £m	Group 2000 £m	Norcros (Holdings) Limited 2001 £m	Norcros (Holdings) Limited 2000 £m
Fixed Assets					
Goodwill	11	34.2	36.1	-	-
Tangible assets	10	64.5	75.8	-	-
Investments	12	11.5	11.8	159.8	190.6
		110.2	123.7	159.8	190.6
Long term debtors					
Pension fund prepayment	14/22	22.0	40.7	-	-
Current assets					
Stocks	13	30.2	34.7	-	-
Debtors	14	46.1	44.6	13.0	1.8
Cash at bank and in hand		23.7	9.5	17.4	-
		100.0	88.8	30.4	1.8
Creditors: amounts falling due within one year					
Borrowings	15	(11.3)	(6.3)	(9.1)	(4.0)
Other	16	(45.5)	(54.3)	(2.7)	(2.0)
		(56.8)	(60.6)	(11.8)	(6.0)
Net current assets/(liabilities)		43.2	28.2	18.6	(4.2)
Total assets less current liabilities		175.4	192.6	178.4	186.4
Financed by:					
Creditors: amounts falling due after more than one year					
Borrowings	15	189.8	183.7	183.7	183.4
Other	16	1.0	3.4	0.4	2.8
Provisions for liabilities and charges	17	18.2	9.1	-	-
		209.0	196.2	184.1	186.2
Capital and reserves					
Share capital	18	0.1	0.1	0.1	0.1
Share premium account	19	5.5	5.5	5.5	5.5
Profit and loss account	19	(39.9)	(9.8)	(11.3)	(5.4)
Total shareholders' funds		(34.3)	(4.2)	(5.7)	0.2
Equity minority interests		0.7	0.6	-	-
Total capital and reserves		(33.6)	(3.6)	(5.7)	0.2
		175.4	192.6	178.4	186.4

Approved by the Board on 3 July 2001

J. Matthews, Group Chief Executive

N. P. Kelsall, Group Finance Director

J Matthews

N Kelsall

NORCROS (HOLDINGS) LIMITED

Registered No. 3691883

Group cash flow statement

For the year ended 31st March	note	2001 £m	2000* £m
Cash inflow from operating activities			
Net cash inflow from continuing operating activities before operating exceptional items	23	18.8	16.8
Net pension fund repayment	22	18.7	-
Outflow related to exceptional operating items		(5.6)	(2.9)
		31.9	13.9
Returns on investments and servicing of finance			
Interest received		0.6	0.2
Interest paid		(11.5)	(3.1)
Cost of raising finance		-	(6.0)
		(10.9)	(8.9)
Taxation			
UK taxation refund		0.3	-
Overseas taxation paid		(1.7)	(0.1)
		(1.4)	(0.1)
Capital expenditure and financial investment			
Cash expenditure on fixed assets		(8.6)	(4.7)
Investments in associated undertakings		(0.2)	(1.6)
Net proceeds from sale of properties for disposal		5.6	1.7
		(3.2)	(4.6)
Acquisitions and disposals			
Aborted disposal costs		(0.4)	-
Acquisition of businesses		(0.8)	(176.5)
Net debt acquired		-	(14.8)
		(1.2)	(191.3)
Net cash inflow / (outflow) before financing		15.2	(191.0)
Financing			
Issue of ordinary shares		-	5.6
Net (repayment)/drawdown of loans and bank overdrafts		(1.1)	194.9
		(1.1)	200.5
Increase in cash and cash equivalents in the year		14.1	9.5

Reconciliation of net cash flow to movement in net debt	*2001 £m*	*2000 £m*
Increase in cash and cash equivalents in the year	14.1	9.5
Cash outflow/ (inflow) from debt financing	1.1	(194.9)
Interest rolled up into debt	(10.7)	-
Costs of raising finance offset	-	6.0
Amortisation of costs of raising debt finance	(0.9)	(1.1)
Effect of foreign exchange differences	(0.5)	-
Movement in net debt in the year	3.1	(180.5)
Opening net debt	(180.5)	-
Closing net debt	(177.4)	(180.5)

* The comparative group cash flow covers the period from 16th November 1999 to 31st March 2000

Statement of total recognised gains and losses

For the year ended 31st March	2001 £m	2000 £m
Loss for the financial year	(27.4)	(8.3)
Foreign currency translation	(2.7)	(1.5)
Total recognised losses relating to the year	(30.1)	(9.8)

Movement in equity shareholders' funds

For the year ended 31st March	2001 £m	2000 £m
Opening equity shareholders' funds	(4.2)	-
Loss for the financial year	(27.4)	(8.3)
New share capital	-	5.6
Currency and other adjustments	(2.7)	(1.5)
Closing equity shareholders' funds	(34.3)	(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 year, is 1st April 2001.

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 14.

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 year end and trading results at average rates for the year. 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 held for disposal are presented at their fair value at 16th November 1999. Impairments in the value of these properties 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 2001 £m	Operating Profit Before Exceptionals 2001 £m	Total Assets less Current Liabilities 2001 £m	Turnover 2000 £m	Operating Profit Before Exceptionals 2000 £m	Total Assets less Current Liabilities 2000 £m
Building Products	174.1	15.3	72.3	59.3	4.4	81.7
Speciality Chemicals	46.5	3.2	24.9	17.0	2.0	20.9
Total continuing businesses	220.6	18.5	97.2	76.3	6.4	102.6
Goodwill			34.2			36.1
Investments			11.5			11.8
Pension fund prepayment			22.0			40.7
Cash and borrowings under one year			12.4			3.2
Tax			(1.9)			(1.8)
			175.4			192.6

By geographical origin	Turnover 2001 £m	Turnover 2000 £m
UK	139.1	48.6
Rest of Europe	4.2	1.3
North America	21.8	8.4
Australasia	30.0	9.8
Rest of World	25.5	8.2
	220.6	76.3

3 Exceptional items

	2001 £m	2000 £m
Operating costs relating to rationalisation of manufacturing	14.6	3.5
Provision for losses on sale of businesses	3.4	-
Provision for loss on disposal of fixed assets	6.4	3.2
	24.4	6.7

Provision for losses on sale of businesses relates to a revision to the provision for losses expected to arise on property leases which were retained following the sale of businesses in prior years by Norcros Limited.

4 Group operating profit

	£m	£m
Turnover	220.6	76.3
Cost of sales	(140.8)	(48.0)
Exceptional cost of sales	(13.7)	(2.9)
	(154.5)	(50.9)
Gross profit	66.1	25.4
Distribution and marketing	(39.1)	(12.6)
Exceptional distribution and marketing	(0.2)	(0.3)
	(39.3)	(12.9)
Administrative expenses	(15.7)	(7.3)
Goodwill amortisation	(1.8)	(0.7)
Exceptional administrative expenses	(0.7)	(0.3)
	(18.2)	(8.3)
Other Operating Costs	(4.7)	(1.3)
	3.9	2.9

Notes to the accounts

5 Interest

	2001 £m	2000 £m
Interest on bank loans and overdrafts	20.3	6.8
Amortisation of costs of raising debt finance	0.9	1.1
Discount on leasehold property provision	0.5	0.1
Less: interest receivable	(0.6)	(0.2)
	21.1	7.8

6 Loss on ordinary activities before taxation

	2001 £m	2000 £m
Loss on ordinary activities before taxation is stated after charging:		
Depreciation - owned assets	7.7	2.3
Goodwill amortisation	1.8	0.7
Operating lease rentals - property	2.7	0.9
- equipment	1.5	0.5
Auditors' remuneration, including expenses (Company: £0.1m both periods)	0.3	0.1
Hire of plant and machinery	0.3	0.1
Research and development expenditure	3.2	1.0

Fees paid to PricewaterhouseCoopers UK for other non-audit services amounted to £0.1m, principally relating to taxation advice

7 Taxation

	2001 £m	2000 £m
Overseas taxation	1.8	0.2
Deferred taxation	(0.9)	-
Over provision re prior years	(0.2)	-
	0.7	0.2

Overseas taxation includes a charge of £0.4m arising on the exceptional profit on disposal of fixed assets

8 Directors and Employees

	2001	2000
The number of persons employed by the Group at 31st March was:		
United Kingdom	1,699	1,742
Overseas	1,042	1,003
	2,741	2,745
	£m	£m
Staff costs for the period :		
Wages and salaries	50.0	16.6
Social security costs	4.4	1.4
Other pension costs (see note 22)	0.5	0.2
	54.9	18.2

9 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments (including benefits in kind)	655	253
Pension contributions	108	35
	763	288
Highest paid director (including benefits in kind)	256	97

Directors' emoluments include fees of £85,000 accrued to third parties. Pension contributions relate to retirement benefits accruing to three directors under a money purchase scheme.

Notes to the accounts

10 Tangible fixed assets

	Group Land and Buildings held for disposal	Land and buildings Group occupied	Plant and vehicles	Total
	£m	£m	£m	£m
Cost or valuation				
At 31st March 2000	9.5	28.6	101.6	139.7
Currency translation and other adjustments	-	(0.7)	(1.2)	(1.9)
Additions	0.3	1.6	6.6	8.5
Impairment provision	-	(0.6)	(23.7)	(24.3)
Disposals	(3.2)	(0.4)	(1.4)	(5.0)
At 31st March, 2001	6.6	28.5	81.9	117.0
Depreciation				
At 31st March 2000	0.2	3.1	60.6	63.9
Currency translation and other adjustments	-	-	(0.4)	(0.4)
Charge for the year	-	0.8	6.9	7.7
Impairment provision	-	(0.1)	(17.2)	(17.3)
Disposals	-	(0.1)	(1.3)	(1.4)
At 31st March, 2001	0.2	3.7	48.6	52.5
Net book value				
At 31st March, 2001	6.4	24.8	33.3	64.5
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	26.3	0.5	1.7	28.5
At valuation - 1999	6.6	-	-	6.6
	32.9	0.5	1.7	35.1
Depreciation	(3.3)	(0.1)	(0.5)	(3.9)
At 31st March, 2001	29.6	0.4	1.2	31.2

	2001	2000
	£m	£m
If land and buildings had not been revalued they would have been included at:		
Cost	35.1	38.1
Aggregate depreciation	(3.9)	(3.3)
	31.2	34.8

Notes to the accounts

11 Goodwill

	Total £m
Arising on acquisitions	
At 31st March 2001 and 2000	36.9
Amortisation	
At 31st March 2000	0.8
Charge for the year	1.8
At 31st March 2001	2.6
Net book value	
At 31st March 2001	34.2
At 31st March 2000	36.1

12 Investments

	Associated companies £m	Loans to associated companies £m	Trade Investments £m	Total £m
Group				
At 31st March 2000	2.1	5.3	4.4	11.8
Additions	0.2	-	-	0.2
Repayments and transfers	-	(0.6)	-	(0.6)
Profit retained	0.1	-	-	0.1
At 31st March, 2001	2.4	4.7	4.4	11.5

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 £2.8m in the year, with sales to the Greek associate being £0.2m.

Sales to the Indian adhesives associate totalled £0.1m in the year.

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 31st March 2000	177.3	17.9	(4.6)	**190.6**
Movements during the year	-	-	(30.8)	**(30.8)**
At 31st March, 2001	177.3	17.9	(35.4)	**159.8**

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

13 Stocks	2001 £m	2000 £m
Group		
Raw materials	8.0	8.7
Work-in-progress	2.7	3.8
Finished stock	19.5	22.2
	30.2	34.7

14 Debtors	Group 2001 £m	Group 2000 £m	Norcros (Holdings) Ltd 2001 £m	Norcros (Holdings) Ltd 2000 £m
Trade debtors	38.8	38.5	-	-
Group relief receivable	-	-	-	1.5
Amounts owed by subsidiary undertakings	-	-	-	0.3
Amounts owed by associated undertakings	0.2	0.2	-	-
Other debtors	2.6	2.8	-	-
Dividend receivable from subsidiary undertakings	-	-	13.0	-
ACT recoverable	-	0.3	-	-
Prepayments and accrued income	4.5	2.8	-	-
	46.1	44.6	13.0	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 2001, 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 £65.2m (2000:£68.9m). As a result of the repayment in the year (see note 22) the pension fund prepayment was reduced by £18.7m.

Notes to the accounts

15 Borrowings

	Group 2001 £m	Group 2000 £m	Norcros (Holdings) Ltd. 2001 £m	Norcros (Holdings) Ltd. 2000 £m
Bank loans and overdrafts – secured	97.6	96.7	90.3	96.5
Loan notes – unsecured	79.4	69.8	79.4	69.8
Bank loans and overdrafts – unsecured	28.0	28.4	27.0	26.0
Costs of raising finance	(3.9)	(4.9)	(3.9)	(4.9)
	201.1	190.0	192.8	187.4
Repayable:				
Within one year	12.2	7.3	10.0	5.0
Costs of raising finance	(0.9)	(1.0)	(0.9)	(1.0)
	11.3	6.3	9.1	4.0
After more than one year:				
Between one and two years	8.3	5.8	7.2	5.7
Between two and five years	38.5	32.3	34.6	32.3
Over five years by instalments	146.0	149.5	144.9	149.3
Cost of raising finance	(3.0)	(3.9)	(3.0)	(3.9)
	189.8	183.7	183.7	183.4
	201.1	190.0	192.8	187.4

16 Creditors

	Group 2001 £m	Group 2000 £'m	Norcros (Holdings) Ltd. 2001 £m	Norcros (Holdings) Ltd. 2000 £m
Amounts falling due within one year:				
Trade creditors	20.2	27.3	-	-
Amounts owed to associated undertakings	0.1	0.3	-	-
Corporation tax	1.9	2.1	-	-
Other taxation and social security payable	2.9	2.3	-	-
Other creditors	6.9	7.4	2.3	1.2
Accruals and deferred income	13.5	14.9	0.4	0.8
	45.5	54.3	2.7	2.0
Amounts falling due after more than one year:				
Other creditors	1.0	3.4	0.4	2.8

Notes to the accounts

17 Provisions for liabilities and charges

	Deferred taxation	Reorganisation and restructuring provisions	Total
	£m	£m	£m
Group			
At 31st March 2000	2.4	6.7	9.1
Profit and loss account	(0.9)	18.0	17.1
Utilisation – cash	-	(6.0)	(6.0)
- other	-	(2.0)	(2.0)
At 31st March 2001	1.5	16.7	18.2

	Group 2001 £m	Group 2000 £m
Deferred taxation		
The amount of deferred taxation dealt with above is made up as follows:		
Accelerated capital allowances	1.5	2.4
The full potential (asset)/liability for deferred taxation is as follows:		
Accelerated capital allowances	(1.2)	(0.4)
Other timing differences	(7.7)	(5.4)
Pension fund prepayment	-	12.2
ACT offset	(7.2)	(7.2)
	(16.1)	(0.8)

The Company has no potential deferred tax asset or liability.

Notes to the accounts

18 Share capital

	2001 £'000	2000 £'000
Group		
Authorised:		
781,250 'A' Ordinary Shares of 1p each	8	8
5,468,750 'B' Redeemable Ordinary Shares of 1p each	55	55
	63	63
Allotted, called up and fully paid:		
375,000 'A' Ordinary Shares of 1p each	4	4
5,250,000 'B' Redeemable Ordinary Shares of 1p each	52	52
	56	56

	'A' Ordinary Shares of 1p each No.	'B' Redeemable Ordindary Shares of 1p each No.
In issue at 31st March 2001 and 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.

19 Reserves

	Share premium £m	*Profit and loss account £m*
Group		
At 31st March 2000	5.5	(9.8)
Currency translation and other adjustments	-	(2.7)
Transfer from profit and loss account	-	(27.4)
At 31st March 2001	5.5	(39.9)

	Share premium £m	*Profit and loss account £m*
Norcros (Holdings) Ltd.		
At 31st March 2000	5.5	(5.4)
Transfer from profit and loss account	-	(5.9)
At 31st March 2001	5.5	(11.3)

The loss after taxation of Norcros (Holdings) Ltd. for the year was £5.9m.

20 Contingent liabilities

Group
As at 31st March 2001 the Group had no contingent liabilities (2000: £0.7m) in respect of rental guarantees relating to the sale of certain of its properties.

Norcros (Holdings) Ltd.
The Company's material UK and overseas 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.

Notes to the accounts

21 Future capital expenditure and operating lease commitments

Group
Capital expenditure
Outstanding contracts for capital expenditure not provided for in these accounts amount to approximately £11.2m (2000: £1.9m).

Operating leases	2001 Property £m	2001 Equipment £m	2000 Property £m	2000 Equipment £m
Gross annual rentals payable on leases which expire:				
Within one year	0.3	0.2	0.2	0.3
Two to five years	1.0	1.1	0.6	1.1
Over five years	6.0	-	6.1	-
	7.3	1.3	6.9	1.4

22 Pension commitments

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

	2001 £m	2000 £m
Norcros Security Plan	-	-
Other UK and overseas schemes	0.5	0.2
Net pension cost	0.5	0.2

Norcros Security Plan
The Norcros Security Plan, the principal UK pension scheme of Norcros (Holdings) Limited's subsidiaries, is funded by a separate trust fund. It is predominantly a defined benefit scheme, with a modest element of defined contribution benefits.

Actuarial valuations of the defined benefit assets and liabilities of the scheme are carried out at least triennially by external professional actuaries to determine the level of contributions to be made to the scheme. The last valuation was made at 31st March 2000 at which date the market value of the scheme assets was £437,456,000. 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 assumed to be matched with gilts) at that date was 203%.

The main financial assumptions used (for non-pensioner liabilities) in the valuation were:
Pension increases - 4%
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 31st March 2000 was £107.2m. The amortisation of the pension fund surplus has been restricted to an amount equal to the regular pension cost. This is 11.6% of pensionable earnings following the valuation at 31st March 2000. Accordingly, the employer expense in respect of the Norcros Security Plan for UK employees has been shown as nil for the year to 31st March 2001.

Following a favourable response from the members of the Norcros Security Plan to the proposals for deploying the prescribed surplus, the group received on 15th March 2001 the sum of £18.7m (net after tax) from the surplus. The associated improvements in benefits to the members of the plan were also implemented.

Notes to the accounts

22 Pension commitments – continued

Furthermore 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 2002.

Other pension schemes
Contributions are made to other UK and overseas schemes on the basis of local independent advice and amounted to £0.5m (2000: £0.2m).

23 Cash flow statement

(a) Reconciliation of operating profit to operating cash flows

	2001 £m	2000 £m
Operating profit from continuing operations	3.9	2.9
Operating exceptional items within operating profit	14.6	3.5
Operating profit from continuing operations before operating exceptional items	18.5	6.4
Depreciation	7.7	2.3
Amortisation of goodwill	1.8	0.7
Decrease in stocks	1.0	2.4
(Increase) / Decrease in debtors	(1.8)	1.0
(Decrease)/Increase in creditors	(8.2)	4.0
Exchange movement	(0.2)	-
Net cash inflow from continuing operating activities before operating exceptional items	18.8	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 31st March 2000 £m	Cashflow £m	Other non cash movements £m	Exchange Movement £m	At 31st March 2001 £m
Cash at bank and in hand	9.5	14.1	-	0.1	23.7
Bank overdraft	(2.6)	0.9	-	-	(1.7)
Net cash	6.9	15.0	-	0.1	22.0
Debt:					
Debt due within one year	(3.7)	0.2	(6.1)	-	(9.6)
Debt due after one year	(183.7)	-	(5.5)	(0.6)	(189.8)
Debt	(187.4)	0.2	(11.6)	(0.6)	(199.4)
Net debt	(180.5)	15.2	(11.6)	(0.5)	(177.4)

Notes to the accounts

24 *Significant shareholdings*

The total issued share capital of Norcros (Holdings) Limited are held 59.7% by Bridgepoint Capital 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 Bridgepoint Capital 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
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 International (Asia) Pte Ltd *[2]
Incorporated in Singapore
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
BAL Building Adhesives (India) Private Ltd *[1]
Associated company - 50%, incorporated in India

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.