Registered No. 3691883

NORCROS (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2006

NORCROS (HOLDINGS) LIMITED Registered No. 3691883

Report for the year ended 31st March 2006

Pages

Directors and advisers

Directors

Alan Lewis	-	Non-executive Chairman
Hamish Grant	-	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
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Bankers
Barclays Bank Plc
7th Floor
1 Marsden Street
Manchester
M2 1HW

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

Directors' report

for the year ended 31st March 2006

The Directors present their report and the audited financial statements for the year ended 31st March 2006.

Principal Activities

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).

Review of Business

The speciality chemicals division was disposed of during the year to allow the group to focus on the remaining building products division. The disposal generated net cash of £48.7m and this has been a significant factor in reducing the Group's total net debt from £156.3m at 31st March 2005 to £111.0m at 31st March 2006.

The development of the building products division during the year was pleasing with turnover *increasing by 8% and operating profit before exceptional items and pension costs increasing by 15%.* This was despite experiencing some difficult trading conditions in a number of our markets. The directors believe that further progress will be made in the year to 31st March 2007.

Results and Dividends

The consolidated retained profit for the financial year to 31 March 2006 was £25.2m (2005 : loss £2.3m).

No dividend is proposed (2005:£nil)

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 2006 Number of 'A' Ordinary Shares of 1 pence each	**31st March 2005 Number of 'A' Ordinary Shares of 1 pence each**
J. Matthews	300,000	300,000
D. W. Hamilton	150,000	150,000
N. P. Kelsall	150,000	150,000

None of the Directors had interests 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 arranges directors' and officers' liability insurance.

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.

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 donations for charitable purposes of £7,000 during the year (2005 : £12,000). There were no political donations.

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. Group trade creditors amounting to £19.3m (2005: £19.7m) reported in note 16 to the accounts represent 65 days (2005: 54 days) of averaged daily purchases.

Norcros (Holdings) Limited has no trade creditors (2005:£nil).

Financial Risk management

The Group's operations expose it to a variety of financial risks that include the effect of changes in interest rate risk, credit risk, liquidity risk and exchange rate risk. The Group actively seeks to limit the adverse effects on the financial performance of the Group of these risks.

Interest rate risk

The Group seeks to secure a substantial proportion of its bank loans at fixed rates via interest rate swap facilities. At the year end these facilities had a fair value of £0.1m.

Credit risk

The Group's maintains a credit insurance policy for all it's operations which together with appropriate internal procedures ensure credit risks are well managed.

Liquidity risk

The Group's mix of long and short term debt finance is designed to ensure there are sufficient funds available for the current operations and the Group's further development plans.

Exchange rate risk
The Group's exchange exposure policy ensures the majority of all material foreign currency transaction exposures are hedged using appropriate instruments such as forward contracts. At the year end these contracts had a fair value of £0.1m.

Energy price risk
The Group seeks to secure a significant proportion of its key energy requirements using forward purchase contracts. At the year end these contracts had nil fair value.

Statement of Directors' Responsibilities

The Board of Directors is required each year to prepare financial statements which give a true and fair view of the results of the Group and state of affairs of the Company and the Group. 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.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors the following applies :

a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware ; and

b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By Order of the Board

David L. Hamilton

D W Hamilton
Director and Company Secretary

13th June 2006

Independent auditors' report to the members of Norcros (Holdings) Limited

We have audited the group and parent company financial statements (the "financial statements") of Norcros (Holdings) Limited for the year ended 31st March 2006 which comprise the group profit and loss account, the balance sheets, the group cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31st March 2006 and of the group's profit and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- *the information given in the directors' report is consistent with the financial statements.*

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
13th June 2006

Group profit and loss account

For the year ended 31st March

	Note	*Continuing Operations 2006* £m	*Discont'd Operations 2006* £m	*Total 2006* £m	*Continuing Operations 2005* £m	*Discont'd Operations 2005* £m	*Total (Restated) 2005* £m
Turnover	2	158.9	8.2	167.1	146.9	47.9	194.8
Operating profit before exceptional items and pension costs	2	16.4	0.8	17.2	14.2	4.6	18.8
Pension costs		(0.4)	(0.1)	(0.5)	(2.4)	(0.9)	(3.3)
Exceptional operating items	3	(1.2)	-	(1.2)	(5.3)	(0.3)	(5.6)
Operating profit	4	14.8	0.7	15.5	6.5	3.4	9.9
Share of associated companies' profits		0.2	-	0.2	0.6	-	0.6
Income from fixed asset investments		0.1	-	0.1	0.8	-	0.8
Exceptional Items:							
Profit on sale of businesses	3,23	-	19.8	19.8	-	-	-
Profit on sale of surplus land	3	0.8	-	0.8	-	-	-
Profit on ordinary activities before interest		15.9	20.5	36.4	7.9	3.4	11.3
Net interest	5			(11.1)			(14.5)
Exceptional interest costs	5			(0.9)			-
Total interest				(12.0)			(14.5)
Other finance income – FRS 17	22			1.6			1.8
Profit/(Loss) on ordinary activities before taxation	6			26.0			(1.4)
Taxation	7			(0.8)			(0.9)
Profit/(Loss) for the financial year	19			25.2			(2.3)

Balance sheets

At 31st March	Note	Group 2006 £m	Group (Restated) 2005 £m	Norcros (Holdings) Limited 2006 £m	Norcros (Holdings) Limited 2005 £m
Fixed assets					
Goodwill	11	20.3	27.7	-	-
Tangible assets	10	52.7	65.5	-	-
Investments	12	12.5	12.7	177.3	177.3
		85.5	105.9	177.3	177.3
Current assets					
Stocks	13	28.9	31.5	-	-
Debtors	14	35.1	40.1	25.5	11.5
Cash at bank and in hand		5.8	7.6	2.0	-
		69.8	79.2	27.5	11.5
Creditors: amounts falling due within one year					
Borrowings - bank and other loans	15	(10.5)	(13.5)	(2.2)	(6.9)
Other	16	(38.2)	(37.6)	(96.3)	(54.4)
		(48.7)	(51.1)	(98.5)	(61.3)
Net current assets/(liabilities)		21.1	28.1	(71.0)	(49.8)
Total assets less current liabilities		106.6	134.0	106.3	127.5
Financed by:					
Creditors: amounts falling due after more than one year					
Borrowings – bank and other loans	15	73.6	67.9	71.1	56.3
Shareholder loans	15	32.7	82.5	32.7	82.5
Other	16	2.4	0.8	-	-
		108.7	151.2	103.8	138.8
Provisions for liabilities and charges	17	9.0	9.4	-	-
Net pension liability	22	-	6.4	-	-
		117.7	167.0	103.8	138.8
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	(16.7)	(38.6)	(3.1)	(16.9)
Total shareholders' funds		(11.1)	(33.0)	2.5	(11.3)
		106.6	134.0	106.3	127.5

The principal statements on pages 8 to 29 were approved on 13th June 2006 and signed on behalf of the board by :

J. Matthews, Group Chief Executive

N. P. Kelsall, Group Finance Director

Registered No. 3691883

Group cash flow statement

For the year ended 31st March	Note	2006 £m	2005 £m
Cash inflow from operating activities			
Net cash inflow from operating activities before operating exceptional items	23	14.8	23.2
Outflow related to exceptional operating items		(3.1)	(4.1)
		11.7	19.1
Dividends from associates and fixed asset investment		0.2	0.9
Returns on investments and servicing of finance			
Interest received		0.6	0.7
Interest paid		(4.9)	(7.1)
		(4.3)	(6.4)
Taxation			
Overseas taxation paid		(0.6)	(1.6)
		(0.6)	(1.6)
Capital expenditure and financial investment			
Cash expenditure on fixed assets		(4.7)	(4.2)
Proceeds from disposal of fixed assets		3.1	0.7
Investments in associated undertakings		-	0.4
Net proceeds from sale of properties held for disposal		-	0.4
		(1.6)	(2.7)
Acquisitions and disposals			
Disposal of businesses	23	48.7	-
Costs of acquisition		-	(0.2)
		48.7	(0.2)
Net cash inflow before financing		54.1	9.1
Financing			
New long term loans		81.4	4.2
Net repayment of loans and bank overdrafts		(133.3)	(15.0)
		(51.9)	(10.8)
Increase/(Decrease) in cash in the year		2.2	(1.7)

Reconciliation of net cash flow to movement in net debt		*2006 £m*	*2005 £m*
Increase/(Decrease) in cash in the year		2.2	(1.7)
Balances acquired on acquisition		-	(2.1)
Net cash flow from debt financing		51.9	10.8
Interest rolled up into shareholder loans		(6.4)	(7.5)
Amortisation of costs of raising debt finance		(1.4)	(0.7)
Effect of foreign exchange differences		(1.0)	(0.1)
Movement in net debt in the year		45.3	(1.3)
Opening net debt		(156.3)	(155.0)
Closing net debt	23	(111.0)	(156.3)

Statement of total recognised gains and losses

For the year ended 31st March	2006 £m	(Restated) 2005 £m
Profit/(Loss) for the financial year	25.2	(2.3)
Actuarial (loss)/gain on pension schemes	(2.4)	6.0
Movement on deferred tax relating to actuarial gain	(2.8)	(2.2)
Foreign currency translation and other adjustments	1.9	0.7
Total recognised gains relating to the year	21.9	2.2
Prior year adjustment	(19.4)	
Total gains recognised since the last Annual Report	2.5	

Movement in equity shareholders' funds

For the year ended 31st March	2006 £m	(Restated) 2005 £m
Opening equity shareholders' deficit	(33.0)	(35.2)
Profit/(Loss) for the financial year	25.2	(2.3)
Actuarial gain/(loss) on pension schemes	(2.4)	6.0
Movement on deferred tax relating to actuarial gain	(2.8)	(2.2)
Currency and other adjustments	1.9	0.7
Closing equity shareholders' deficit	(11.1)	(33.0)

Notes to the accounts

1 Accounting policies of the Group

Norcros (Holdings) Limited and its subsidiary undertakings prepare their accounts on the historical cost basis of accounting and in accordance with both applicable Accounting Standards in the United Kingdom and the Companies Act 1985. A summary of the most important accounting polices is set out below together with an explanation of where changes have been made to previous policies on the adoption of new standards in the year.

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 2nd April 2006.

Changes in accounting policy

The Group has adopted FRS17, 'Retirement benefits', FRS21, 'Events after the balance sheet date', FRS25,'Financial instruments: Disclosure and presentation', and FRS28,'Corresponding amounts', in these financial statements. The adoption of each of these standards represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of the prior year adjustments are given in note 24.

Turnover

Turnover represents the total amount invoiced by the Group for services rendered to third parties and goods despatched prior to the year end net of value added and other sales based taxes.

Research and development

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 on a straight line basis over the lease term.

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.

Foreign currency transactions

Monetary 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.

Notes to the accounts

1 *Accounting policies of the Group – continued*

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.

Fixed assets

Fixed assets are held at cost less depreciation and provisions for impairment.

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 on a straight line basis over the useful economic life estimated by the Directors.

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 has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is recognised only when the transfer of economic benefits is more likely than not to occur. Deferred tax assets and liabilities have not been discounted.

Pensions

The Group operates a number of defined benefit pension and post-retirement healthcare schemes, and a number of employees are members of defined contribution pension schemes.

Full actuarial valuations of the Group's main defined benefit schemes are carried out every three years with interim reviews in the intervening years; these valuations are updated to 31 March each year by qualified independent actuaries. For the purposes of these annual updates, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. The post-retirement benefit surplus or deficit is included on the Group's balance sheet, net of the related amount of deferred tax. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the profit and loss account within operating expenses and the expected return on the schemes' assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the statement of total recognised gains and losses.

Notes to the accounts

1 *Accounting policies of the Group – continued*

The costs of the Group's defined contribution pension schemes are charged to the profit and loss account in the period in which they fall due.

Government grants

Government revenue grants relating to job retention received during the year have been recognised in the profit and loss account to offset expenditure on wages as it is incurred. The element of the grant in respect of future wages has been included within deferred income in the balance sheet.

Warranty provisions

Provision is made for the estimated liability on products under warranty. Revenue received in respect of extended warranties is recognised over the period of the warranty.

Notes to the accounts

2 Segmental analysis

By business	*Turnover 2006 £m*	*Operating Profit Before Exceptional items and Pension Costs 2006 £m*	*Total Assets less Current Liabilities 2006 £m*	*Turnover 2005 £m*	*Operating Profit Before Exceptional items and Pension Costs 2005 £m*	*Total Assets less Current Liabilities 2005 £m*
Continuing operations	158.9	16.4	77.8	146.9	14.2	76.5
Discontinued operations	8.2	0.8	-	47.9	4.6	23.3
	167.1	17.2	77.8	194.8	18.8	99.8
Goodwill			20.3			27.7
Investments			12.5			12.7
Cash and borrowings under one year			(4.7)			(5.9)
Deferred tax			2.2			1.3
Corporation tax			(1.5)			(1.6)
			106.6			134.0

By geographical origin	*Turnover 2006 £m*	*Turnover 2005 £m*
UK	98.4	120.3
Rest of Europe	0.4	2.9
North America	2.6	15.7
Australasia	7.5	9.9
Rest of World	58.2	46.0
	167.1	194.8
By destination		
UK	82.3	95.9
Rest of Europe	13.7	23.7
North America	2.8	15.7
Australasia	7.6	10.6
Rest of World	60.7	48.9
	167.1	194.8

Notes to the accounts

3 Exceptional items

	2006 £m	2005 £m
Operating costs relating to rationalisation of manufacturing (Building Products)	(0.8)	(4.6)
Marketing development	(0.4)	-
Profit in stock in acquired company at year end	-	(0.7)
Finalisation of development contract (Speciality Chemicals)	-	(0.3)
Profit on sale of business	19.8	-
Profit on businesses disposed of in prior years	1.0	-
Release of provision for loss on sale of businesses	(1.0)	-
Profit on sale of surplus land	0.8	-
	19.4	(5.6)

4 Group operating profit

	Continuing Operations 2006 £m	Discont'd operations 2006 £m	Total 2006 £m	Continuing Operations 2005 £m	Discont'd operations 2005 £m	Total 2005 £m
Turnover	158.9	8.2	167.1	146.9	47.9	194.8
Cost of sales	(99.7)	(5.2)	(104.9)	(96.3)	(30.9)	(127.2)
Exceptional cost of sales	(0.8)	-	(0.8)	(4.8)	(0.3)	(5.1)
Total cost of sales	(100.5)	(5.2)	(105.7)	(101.1)	(31.2)	(132.3)
Gross profit	58.4	3.0	61.4	45.8	16.7	62.5
Distribution and marketing	(24.0)	(1.4)	(25.4)	(22.9)	(7.9)	(30.8)
Administrative expenses	(15.8)	(0.6)	(16.4)	(12.5)	(3.1)	(15.6)
Development expenses	(1.9)	(0.3)	(2.2)	(2.1)	(1.8)	(3.9)
Goodwill amortisation	(1.5)	-	(1.5)	(1.3)	(0.5)	(1.8)
Exceptional administrative expenses	(0.4)	-	(0.4)	(0.5)	-	(0.5)
Total administrative expenses	(19.6)	(0.9)	(20.5)	(16.4)	(5.4)	(21.8)
	14.8	0.7	15.5	6.5	3.4	9.9

Notes to the accounts

5 Interest

	2006 £m	2005 £m
Interest on loans and bank overdrafts	4.4	6.8
Interest on shareholder loans	6.4	7.5
Amortisation of costs of raising debt finance	0.5	0.7
Discount on leasehold property provision	0.4	0.2
Less: interest receivable	(0.6)	(0.7)
	11.1	14.5
Exceptional interest charges arising from writing off costs incurred in providing previous bank finance	0.9	-

6 Profit/(Loss) on ordinary activities before taxation

	2006 £m	2005 £m
Profit/(Loss) on ordinary activities before taxation is stated after charging:		
Depreciation - owned assets	6.3	7.9
Goodwill amortisation	1.5	1.8
Operating lease rentals - property	4.0	3.4
- equipment	1.2	1.5
Auditors' remuneration, including expenses (Company: £0.1m both periods)	0.3	0.3
Hire of plant and machinery	1.3	1.4
Research and development expenditure	1.9	3.6

Fees paid to PricewaterhouseCoopers LLP UK for other non-audit services amounted to £0.26m (2005: £0.03m), principally relating to taxation advice and due diligence work.

7 Taxation

	2006 £m	(Restated) 2005 £m
Overseas taxation	(1.0)	(1.4)
Associates taxation	(0.1)	(0.1)
Current taxation	(1.1)	(1.5)
Deferred taxation	0.3	0.2
Over provision in respect of prior years	-	0.4
	(0.8)	(0.9)

	2006 £m	2005 £m
Profit/(Loss) on ordinary activities before taxation	26.0	(1.4)
Tax at 30% (2005 : 30%)	(7.8)	0.4
Goodwill amortisation	(0.4)	(0.5)
Sundry disallowed expenses	-	(0.3)
Gains on disposals not taxable	5.9	-
Profits and losses not recognised	3.9	(0.9)
Differences in overseas tax rates	(0.2)	(0.1)
Origination and reversal of timing differences	(2.5)	(0.1)
Current taxation charge for the year	(1.1)	(1.5)

8 Directors and Employees

	2006	(Restated) 2005
The average number of persons employed by the Group during the year was:		
United Kingdom	915	1,191
Overseas	1,091	808
	2,006	1,999
	£m	£m
Staff costs for the year :		
Wages and salaries	35.1	40.1
Social security costs	2.4	3.4
Other pension costs	0.5	3.3
	38.0	48.0

Notes to the accounts

9 Directors' emoluments	2006 £'000	2005 £'000
Aggregate emoluments (including benefits in kind)	2,370	690
Pension contributions	298	43
	2,668	733
Highest Paid Director		
Emoluments (including benefits in kind)	1,247	271
Pension contributions	43	-
	1,290	271

Directors' emoluments include fees of £90,000 (2005 : £89,000) accrued to third parties. Pension contributions relate to retirement benefits accruing to one director under a money purchase scheme (2005 : one director) and two directors under a personal pension scheme (2005 : one director).

10 Tangible fixed assets	Note	Group Land and buildings held for disposal £m	Land and buildings group occupied £m	Plant and vehicles £m	Total £m
Cost					
At 31st March 2005		6.3	27.0	91.8	125.1
Currency translation and other adjustments		-	0.4	2.1	2.5
Additions		-	1.3	3.8	5.1
Disposals		-	(2.6)	(1.3)	(3.9)
Disposal of businesses	23	-	(1.0)	(32.6)	(33.6)
At 31st March 2006		6.3	25.1	63.8	95.2
Depreciation					
At 31st March 2005		0.5	4.8	54.3	59.6
Charge for the year		-	0.8	5.5	6.3
Disposals		-	(0.2)	(1.2)	(1.4)
Disposal of businesses	23	-	(0.4)	(22.6)	(23.0)
Currency translation and other adjustments		-	-	1.0	1.0
At 31st March 2006		0.5	5.0	37.0	42.5
Net book value					
At 31st March 2006		5.8	20.1	26.8	52.7
Net book value					
At 31st March 2005		5.8	22.2	37.5	65.5

	Freehold £m	Long Leases £m	Short Leases £m	Total £m
Land and buildings comprise:				
Group				
At cost	30.4	0.1	0.9	31.4
Depreciation	(5.0)	(0.1)	(0.4)	(5.5)
Net book value at 31st March 2006	25.4	-	0.5	25.9

Notes to the accounts

11 Goodwill

	Note	Total £m
Cost		
At 31st March 2005		37.3
Adjustments to prior years		1.3
Currency adjustments		0.3
Disposal of businesses	23	(10.4)
At 31st March 2006		28.5
Amortisation		
At 31st March 2005		9.6
Charge for the year		1.5
Disposal of businesses	23	(2.9)
At 31st March 2006		8.2
Net book value		
At 31st March 2006		20.3
At 31st March 2005		27.7

12 Investments

	Note	Associated companies £m	Loans to associated companies £m	Trade investments £m	Total £m
Group					
At 31st March 2005		4.0	4.3	4.4	12.7
Disposal of businesses	23	(0.2)	-	-	(0.2)
Profit after tax		0.1	-	-	0.1
Dividends received		(0.1)	-	-	(0.1)
At 31st March 2006		3.8	4.3	4.4	12.5

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 Philkeram-Johnson SA (Greek tile associate) totalled £3.4m (2005 : £3.1m) in the year, with sales to Philkeram-Johnson SA being £0.5m (2005 : £0.5m).

In the Group accounts associated companies are held at attributable net asset value together with loans to those companies, their original cost being £1.5m (2005 : £1.8m).

	Shares in subsidiaries £m
Norcros (Holdings) Ltd.	
At 31st March 2005	177.3
Movements during the year	-
At 31st March 2006	177.3

Details of the principal subsidiary undertakings and associated companies, are set out on page 29.

Notes to the accounts

13 Stocks	2006 £m	2005 £m
Group		
Raw materials and consumables	6.4	8.2
Work-in-progress	1.0	2.0
Finished stock	21.5	21.3
	28.9	31.5

	Group		Norcros (Holdings) Ltd	
14 Debtors	2006 £m	2005 £m	2006 £m	2005 £m
Trade debtors	24.9	30.5	-	-
Group relief receivable	-	-	3.0	2.5
Amounts owed by group undertakings	-	-	0.5	-
Amounts owed by associated undertakings	0.1	0.1	-	-
Other debtors	4.2	3.3	-	-
Dividend receivable from subsidiary undertakings	-	-	22.0	9.0
Deferred tax asset (note 17)	2.2	1.3	-	-
Prepayments and accrued income	3.7	4.9	-	-
	35.1	40.1	25.5	11.5

Included within the deferred tax asset is an amount of £2.2m (2005 : £1.3m) which is recoverable after more than one year.

Notes to the accounts

15 Borrowings

	Group 2006 £m	Group 2005 £m	Norcros (Holdings) Ltd 2006 £m	Norcros (Holdings) Ltd 2005 £m
Loans and bank overdrafts – secured	89.7	83.4	78.3	65.2
Shareholder loans – unsecured	32.7	82.5	32.7	82.5
Costs of raising finance	(5.6)	(2.0)	(5.0)	(2.0)
	116.8	163.9	106.0	145.7
Repayable:				
Within one year	11.8	14.0	3.3	7.4
Costs of raising finance	(1.3)	(0.5)	(1.1)	(0.5)
	10.5	13.5	2.2	6.9
After more than one year:				
Between one and two years	4.6	11.6	4.4	7.5
Between two and five years	20.5	29.2	19.7	25.3
Over five years by instalments	85.5	111.1	83.6	107.5
Cost of raising finance	(4.3)	(1.5)	(3.9)	(1.5)
	106.3	150.4	103.8	138.8
	116.8	163.9	106.0	145.7

Loans and bank overdrafts are secured on the group's assets (note 20) and principally carry interest based on LIBOR. Bank loans are repayable in instalments with the final payment on 31st March 2014.

Shareholder loans comprise interest bearing loan stock which is redeemable at par between 1st April 2009 and 30th September 2009. *Interest is currently rolled up, annually, and is payable on redemption.*

16 Creditors

	Group 2006 £m	Group 2005 £m	Norcros (Holdings) Ltd. 2006 £m	Norcros (Holdings) Ltd. 2005 £m
Amounts falling due within one year:				
Trade creditors	19.3	19.7	-	-
Amounts owed to group undertakings	-	-	95.6	53.9
Amounts owed to associated undertakings	0.8	0.5	-	-
Corporation tax	1.5	1.6	-	-
Other taxation and social security payable	2.1	1.8	-	-
Other creditors	1.9	2.0	0.7	0.5
Accruals and deferred income	12.6	12.0	-	-
	38.2	37.6	96.3	54.4
Amounts falling due after more than one year:				
Other creditors	2.4	0.8	-	-

Notes to the accounts

17 Provisions for liabilities and charges

	Deferred taxation £m	*Warranty provision* £m	*Reorganisation and restructuring provisions* £m	***Total*** £m
Group				
At 31st March 2005	(1.3)	0.9	8.5	8.1
Profit and loss account	(0.3)	0.9	2.2	2.8
Amortisation of discount	-	-	0.4	0.4
Transferred from creditors	-	-	0.1	0.1
Utilisation – cash	-	(0.9)	(3.1)	(4.0)
Utilisation - other	(0.6)	-	-	(0.6)
At 31st March 2006	(2.2)	0.9	8.1	6.8
Dealt with as follows:				
At 31st March 2006				
Provisions for liabilities and charges	-	0.9	8.1	9.0
Debtors (note 14)	(2.2)	-	-	(2.2)
	(2.2)	0.9	8.1	6.8
At 31st March 2005				
Provisions for liabilities and charges	-	0.9	8.5	9.4
Debtors (note 14)	(1.3)	-	-	(1.3)
	(1.3)	0.9	8.5	8.1

The warranty provision has been recognised for expected claims on products which remain under warranty. It is expected that this expenditure will be incurred within five years of the balance sheet date.

The reorganisation and restructuring provision has been recognised for expected liabilities arising from company disposals and reorganisations in prior years. Most of the provision relates to lease shortfalls on surplus group properties and so future expenditure is expected to be spread over several years.

Deferred taxation	**Group** ***2006*** ***£m***	***(Restated)*** ***2005*** ***£m***
The amount of deferred taxation dealt with above is made up as follows:		
Accelerated capital allowances	2.4	2.2
Other timing differences	(1.4)	(0.3)
Tax losses	(3.2)	(3.2)
	(2.2)	(1.3)
The full potential (asset)/liability for deferred taxation is as follows:		
Accelerated capital allowances	1.7	0.7
Other timing differences	(12.9)	(11.9)
Tax losses	(16.0)	(12.3)
ACT offset	(5.0)	(6.7)
	(32.2)	(30.2)

Tax losses and other timing differences are available to carry forward and offset future trading profits of the Group and the Company.

Notes to the accounts

18 Share capital

	2006 £'000	2005 £'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:		
600,000 'A' Ordinary Shares of 1p each	6	6
5,250,000 'B' Redeemable Ordinary Shares of 1p each	52	52
	58	58

	'A' Ordinary Shares of 1p each No.	'B' Redeemable Ordinary Shares of 1p each No.
In issue at 31st March 2006 and 31st March 2005	**600,000**	**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 account £m	*Profit and loss account £m*
Group		
At 31st March 2005 as previously reported	5.5	(19.2)
Prior year adjustment		(19.4)
At 31st March 2006 as restated		(38.6)
Actuarial gain on pension schemes	-	(2.4)
Movement on deferred tax relating to actuarial gain	-	(2.8)
Currency translation and other adjustments	-	1.9
Profit/(Loss) for the year	-	25.2
At 31st March 2006	5.5	(16.7)

The profit and loss account includes nil (2005:loss £6.4m), stated after deferred taxation of nil (2005: £2.8m), in respect of pension scheme liabilities of the group pension funds.

	Share premium account £m	*Profit and loss account £m*
Norcros (Holdings) Limited		
At 31st March 2005	5.5	(16.9)
Profit/(Loss) for the year	-	13.8
Exchange differences on Inter group loans	-	-
At 31st March 2006	5.5	(3.1)

The result after taxation of Norcros (Holdings) Ltd. for the year was a profit of £13.8m (2005 : loss £2.0m).

Notes to the accounts

20 Contingent liabilities

Norcros (Holdings) Limited
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.

21 Future capital expenditure and operating lease commitments

Group
Capital expenditure
Outstanding contracts for capital expenditure not provided for in these accounts amount to £0.4m (2005: £1.6m).

	2006		2005	
Operating leases	*Property £m*	*Equipment £m*	*Property £m*	*Equipment £m*
Gross annual rentals payable on leases which expire:				
Within one year	0.3	0.3	0.3	0.2
Two to five years	1.8	0.9	1.0	1.3
Over five years	5.7	-	7.6	-
	7.8	1.2	8.9	1.5

22 Pension commitments

The Group has adopted FRS17 - "Retirement Benefits" during the year to 31st March 2006. The impact of the change in policy is detailed in note 24.

(a) Pension Costs

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. Norcros (Holdings) Limited itself has no employees and so has no liabilities in respect of these pension schemes.

Defined contribution pension schemes
Contributions are made to these schemes on the basis of local independent advice and amounted to £0.9m (2005: £1.0m).

Notes to the accounts

(b) FRS 17 Retirement Benefits

Norcros Security Plan

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31st March 2003 and updated by Mercer Human Resource Consulting to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31st March 2006. Scheme assets are stated at their market value at 31st March 2006.

Other Pension Schemes

The Actuarial valuation of the Group's South African defined benefit pension schemes, carried out in April 2000, have been updated, by Alexander Forbes Financial Services to take account of the requirements of FRS17. Scheme assets are stated at their market value at 31st March 2006.

(i) The financial assumptions used to calculate the respective scheme liabilities under FRS 17 are:

	2006	2005	2004
Valuation method	Projected Unit	Projected Unit	Projected Unit
Discount rate - Norcros Security Plan	5.10%	5.50%	5.50%
- Other	7.50%	8.50%	9.00%
Inflation rate - Norcros Security Plan	2.75%	3.00%	3.00%
- Other	2.38%	4.00%	4.50%
Increase to deferred benefits during deferment - Norcros Security Plan (non GMP liabilities)	2.75%	3.00%	3.00%
- Other	2.38%	4.00%	3.81%
Increases to pensions in payment - Norcros Security Plan (other than pre 1988 GMP liabilities)	2.75%	3.00%	3.00%
- Other	2.38%	4.00%	3.81%
Salary increases - Norcros Security Plan	4.25%	4.50%	4.50%
- Other	5.50%	5.50%	6.00%

(ii) The assets in the scheme and the expected rates of return were:

	Long term rate of return expected at 31 March 06	Value at 31 March 06 £m	Long term rate of return expected at 31 March 05	Value at 31 March 05 £m	Long term rate of return expected at 31 March 04	Value at 31 March 04 £m
Equities - Norcros Security Plan	7.35%	140.6	7.75%	119.1	7.75%	145.4
- Other	10.50%	5.8	11.50%	4.3	12.00%	3.4
Bonds - Norcros Security Plan	5.10%	220.8	5.50%	187.5	5.25%	177.5
- Other	7.50%	1.0	8.50%	1.0	9.00%	0.8
Cash - Norcros Security Plan	4.35%	15.7	4.75%	28.6	4.00%	0.6
- Other	5.50%	1.1	6.50%	0.5	7.00%	0.5
Property - Other	10.50%	1.5	11.50%	0.9	12.00%	0.6
Total market value of scheme assets		386.5		341.9		328.8
Present value of scheme liabilities		(379.5)		(348.2)		(342.6)
Surplus/(Deficit) in scheme		7.0		(6.3)		(13.8)
Related deferred tax (liability)/asset		(2.1)		1.9		4.1
Net pension asset/(liability)		4.9		(4.4)		(9.7)
Comprising						
Norcros Security Plan		2.3		(9.2)		(16.6)
Other		4.7		2.9		2.8
Surplus/(Deficit) in schemes		7.0		(6.3)		(13.8)
Related deferred tax asset/(liability)		(2.1)		1.9		4.1
Net pension asset/(liability)		4.9		(4.4)		(9.7)
Amounts not recognised		(4.9)		(2.0)		
Asset/(Liability) recognised		-		(6.4)		

Notes to the accounts

FRS 17 Retirement Benefits – continued

(iii) Movement on scheme deficit in the year	2006 £m	2005 £m
Deficit at the beginning of the year	(6.3)	(13.8)
Contributions	9.6	1.9
Past service credit	2.2	-
Currency translation and other adjustments	0.1	(0.1)
Current Service Cost	(1.8)	(2.3)
Interest cost	(18.7)	(18.4)
Expected return on scheme assets	20.3	20.2
Net financial income	1.6	1.8
Actuarial gain	1.6	6.2
Surplus/(Deficit) at the end of the year	7.0	(6.3)

	2006 £m	% of scheme assets/ (liabilities)	2005 £m	% of scheme assets/ (liabilities)	2004 £m	% of scheme assets/ (liabilities)	2003 £m	% of scheme assets/ (liabilities)
(iv) The actuarial gain/(loss) for the year comprises:								
Difference between expected and actual return on scheme assets	33.2	8.6%	8.9	2.6%	34.1	10.4%	(79.6)	27.2%
Experience (losses)/gains on scheme liabilities	0.1	0.0%	(2.7)	0.8%	14.5	4.2%	6.3	1.9%
Effect of changes in actuarial assumptions on scheme liabilities	(31.7)		-		(19.6)		(10.9)	
Total actuarial gain / (loss) for the year	1.6	0.4%	6.2	1.8%	29.0	8.5%	(84.2)	25.2%

Notes to the accounts

23 Cash flow statement

(a) Reconciliation of operating profit to operating cash flows

	2006 £m	(Restated) 2005 £m
Operating profit from operations	16.3	9.9
Operating exceptional items within operating profit	0.4	5.6
Operating profit from operations before operating exceptional items	16.7	15.5
Depreciation	6.3	7.9
Amortisation of goodwill	1.5	1.8
Exceptional pension contributions	(8.0)	-
(Increase)/Decrease in stocks	(4.9)	1.2
(Increase)/Decrease in debtors	(1.7)	0.9
(Decrease)/Increase in creditors	4.4	(4.0)
Loss on disposal of fixed assets	0.1	-
Exchange movement	0.4	(0.1)
Net cash inflow from operating activities before operating exceptional items	14.8	23.2

(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 2005 £m	Cashflow £m	Other non cash movements £m	Exchange Movement £m	At 31st March 2006 £m
Cash at bank and in hand	7.6	(1.8)	-	-	5.8
Bank overdraft	(4.7)	4.0	-	-	(0.7)
Net cash	2.9	2.2	-	-	5.1
Debt:					
Debt due within one year	(8.8)	0.5	(0.6)	(0.9)	(9.8)
Debt due after one year	(150.4)	51.4	(7.2)	(0.1)	(106.3)
Debt	(159.2)	51.9	(7.8)	(1.0)	(116.1)
Net debt	(156.3)	54.1	(7.8)	(1.0)	(111.0)

(d) Effect of disposal of businesses

	2006 £m
Goodwill	7.5
Tangible fixed assets	10.6
Investments	0.2
Stocks	8.0
Debtors	8.5
Creditors	(5.9)
	28.9
Profit on disposal	19.8
Consideration (net of costs)	48.7

Notes to the accounts

(e) Cash flow movements arising from businesses disposed of during the year.	2006 £m	2005 £m
Net cash inflow from operating activities	1.0	6.8
Returns on investments and servicing of finance	(0.1)	(0.8)
Taxation received/(paid)	-	(0.9)
Capital expenditure and financial investment	(0.2)	(1.7)
	0.7	3.4

24 Prior year adjustment

The Group policy for accounting for retirement benefits was changed during the year to comply in full with FRS17 "Retirement Benefits". Previously the Group policy was compliant with SSAP24 "accounting for Pension costs" and disclosed the impact of adopting FRS17. The comparative figures in the primary statements have been restated to reflect this policy change. The adoption of other new standards has had no prior year impact on the financial statements.

The adoption of FRS17 has resulted in an increase in operation profit of £11.4m (2005 : £0.8m), increase in other finance income of £1.6m (2005 : £1.8m) and increase in the tax charge £0.4m (2005 : £0.3m) thereby giving an increase in profits for the year of £12.6m (2005 : £2.3m). In addition the effect on total recognised gains and losses has been a decrease of £12.0m (2005 : £19.4m).

	£m
Adjustment to opening reserves at 1 April 2004	(25.5)
Adjustment to profit and loss for the year ended 31 March 2005	2.3
Adjustment to statement of total recognised gains and losses for the year ended 31 March 2005	3.8
	19.4

25 Significant shareholdings

The total issued share capital of Norcros (Holdings) Limited are held 57.4% by Bridgepoint Capital Limited, 23.9% by Botts Nominees (Jersey) Limited, 8.4% by Gresham Private Equity Limited and 10.3% 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.
Triton Limited

Overseas
Johnson Tiles Pty. Ltd. *
Incorporated in Australia
Philkeram-Johnson SA *
Associated company - 50%, Incorporated in Greece
Norcros SA (Pty) Ltd. trading as Johnson Tiles (Pty) Ltd. *
Incorporated in South Africa
TAL (Pty) Ltd. *
Incorporated in South Africa
Tile Africa Group (Pty) Ltd. *
Incorporated in South Africa

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.

* 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.