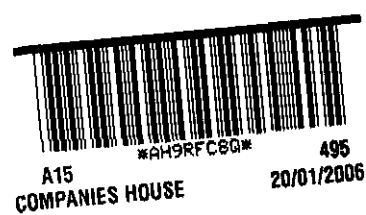


NORCROS (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2005



Report for the year ended 31st March 2005

	Pages
Directors and advisers	2
Directors' report	3-5
Report of the auditors	6
Financial Statements	7-26
Principal subsidiary and associated companies	27

Directors and advisers

Directors

Alan Lewis	-	Non-executive Chairman
Michael Black	-	Non-executive (resigned 10 th November 2004)
Hamish Grant	-	Non-executive (appointed 10 th November 2004)
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
One Bunhill Row
London EC1Y 8YY

Bankers

Lloyds TSB Bank plc
25 Gresham Street
London
EC2V 7HN

Registered Auditors

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

Directors' report**for the year ended 31st March 2005**

The Directors present their report and the audited financial statements for the year ended 31st March 2005.

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.

As previously reported the Group has entered into a conditional contract to dispose of surplus land released for disposal following the consolidation of its UK tile operations onto one site. As at 31st March 2005 the related sale conditions had not been satisfied and no disposal has therefore been recognised in these financial statements.

The development of the Group's businesses was satisfactory in the year and the directors believe that further progress will be made in the year to 31st March 2006.

Results and Dividends

The consolidated loss for the year after exceptional items and taxation amounts to £4.6m (2004 : loss £0.8m).

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 2005	31st March 2004
	Number of 'A' Ordinary	Number of 'A' Ordinary
	Shares	Shares
	of 1 pence each	of 1 pence each
J. Matthews	300,000	187,500
D. W. Hamilton	150,000	93,750
N. P. Kelsall	150,000	93,750

Non 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 benefits from 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 £12,000 during the year (2004 : £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 £19.7m (2004: £20.7m) reported in note 16 to the accounts represent 54 days (2004: 64 days) of averaged daily purchases.

Norcros (Holdings) Limited has no trade creditors.

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.

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

A handwritten signature in black ink, appearing to read "David W. Hamilton". The signature is written in a cursive, flowing style.

D W Hamilton
Director and Company Secretary

3rd June 2005

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

We have audited the financial statements which comprise the group profit and loss account, the balance sheets, the group cashflow statement, the statement of total recognised gains and losses, the movement in equity shareholders' funds and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 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.

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 2005 and of the loss and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Manchester

3rd June 2005

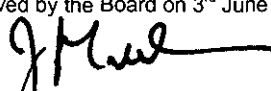
Group profit and loss account

For the year ended 31st March

	Note	Continuing Operations 2005 £m	Acquired Operations 2005 £m	Total 2005 £m	Total 2004 £m
Turnover	2	184.3	10.5	194.8	180.4
Operating profit before exceptional items and pension costs	2	18.7	0.1	18.8	19.2
Pension costs		(4.0)	(0.1)	(4.1)	(3.4)
Exceptional operating items	3	(4.4)	(1.2)	(5.6)	(1.5)
Operating profit/(loss)	4	10.3	(1.2)	9.1	14.3
Share of associated companies' profits		0.6	-	0.6	0.7
Income from fixed asset investments		0.8	-	0.8	1.2
Profit on ordinary activities before interest				10.5	16.2
Net interest	5			(14.5)	(14.7)
Exceptional interest costs	5			-	(1.1)
Total interest	5			(14.5)	(15.8)
(Loss)/Profit on ordinary activities before taxation	6			(4.0)	0.4
Taxation	7			(0.6)	(1.2)
Loss for the financial year	19			(4.6)	(0.8)

Balance sheets

At 31 st March	Note	Group		Norcross (Holdings) Limited	
		2005 £m	2004 £m	2005 £m	2004 £m
Fixed Assets					
Goodwill	11	27.7	27.1	-	-
Tangible assets	10	65.5	69.4	-	-
Investments	12	12.7	12.7	123.4	128.0
		<u>105.9</u>	<u>109.2</u>	<u>123.4</u>	<u>128.0</u>
Long term debtors					
Pension fund prepayment	14/22	18.6	19.8	-	-
Current assets					
Stocks	13	31.5	26.8	-	-
Debtors	14	40.1	46.0	11.5	12.0
Cash at bank and in hand		7.6	10.3	-	-
		<u>79.2</u>	<u>83.1</u>	<u>11.5</u>	<u>12.0</u>
Creditors: amounts falling due within one year					
Borrowings - bank and other loans	15	(13.5)	(12.5)	(6.9)	(7.4)
Shareholder loans	15	-	(2.0)	-	(2.0)
Other	16	(37.6)	(38.8)	(0.5)	(0.5)
		<u>(51.1)</u>	<u>(53.3)</u>	<u>(7.4)</u>	<u>(9.9)</u>
Net current assets		<u>28.1</u>	<u>29.8</u>	<u>4.1</u>	<u>2.1</u>
Total assets less current liabilities		<u>152.6</u>	<u>158.8</u>	<u>127.5</u>	<u>130.1</u>
Financed by:					
Creditors: amounts falling due after more than one year					
Borrowings - bank and other loans	15	67.9	75.8	56.3	64.4
Shareholder loans	15	82.5	75.0	82.5	75.0
Other	16	0.8	1.2	-	-
		<u>151.2</u>	<u>152.0</u>	<u>138.8</u>	<u>139.4</u>
Provisions for liabilities and charges	17	15.0	16.5	-	-
		<u>166.2</u>	<u>168.5</u>	<u>138.8</u>	<u>139.4</u>
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	(19.2)	(15.3)	(16.9)	(14.9)
Total shareholders' funds		<u>(13.6)</u>	<u>(9.7)</u>	<u>(11.3)</u>	<u>(9.3)</u>
		<u>152.6</u>	<u>158.8</u>	<u>127.5</u>	<u>130.1</u>

Approved by the Board on 3rd June 2005

 J. Matthews, Group Chief Executive


 N.P. Kelsall, Group Finance Director

Group cash flow statement

For the year ended 31st March

	Note	2005 £m	2004 £m
Cash inflow from operating activities			
Net cash inflow from operating activities before operating exceptional items	23	23.2	22.2
Outflow related to exceptional operating items	17	(4.1) 19.1	(3.1) 19.1
Dividends from associates and fixed asset investment		0.9	1.3
Returns on investments and servicing of finance			
Interest received		0.7	0.7
Interest paid		(7.1) (6.4)	(6.9) (6.2)
Taxation			
Overseas taxation paid		(1.6) (1.6)	(0.9) (0.9)
Capital expenditure and financial investment			
Cash expenditure on fixed assets		(4.2)	(10.5)
Proceeds from disposal of fixed assets		0.7	-
Investments in associated undertakings		0.4	(0.3)
Net proceeds from sale of properties held for disposal		0.4 (2.7)	0.5 (10.3)
Acquisitions and disposals			
Costs of acquisition	24	(0.2) (0.2)	- -
Net cash inflow before financing		9.1	3.0
Financing			
New long term loans		4.2	83.0
Net repayment of loans and bank overdrafts		(15.0) (10.8)	(80.4) 2.6
(Decrease)/Increase in cash in the year		(1.7)	5.6

	2005 £m	2004 £m
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash in the year	(1.7)	5.6
Balances acquired on acquisition	(2.1)	-
Net cash flow from debt financing	10.8	(2.6)
Interest rolled up into shareholder loans	(7.5)	(8.1)
Amortisation of costs of raising debt finance	(0.7)	(1.9)
Effect of foreign exchange differences	(0.1)	0.2
Movement in net debt in the year	(1.3)	(6.8)
Opening net debt	(155.0)	(148.2)
Closing net debt	23 (156.3)	(155.0)

Statement of total recognised gains and lossesFor the year ended 31st March

	2005 £m	2004 £m
Loss for the financial year	(4.6)	(0.8)
Foreign currency translation and other adjustments	0.7	0.5
Total recognised (losses) relating to the year	(3.9)	(0.3)

Movement in equity shareholders' fundsFor the year ended 31st March

	2005 £m	2004 £m
Opening equity shareholders' funds	(9.7)	(9.4)
Loss for the financial year	(4.6)	(0.8)
Currency and other adjustments	0.7	0.5
Closing equity shareholders' funds	(13.6)	(9.7)

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 3rd April 2005.

Accounting convention

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, 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 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.

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 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 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

Contributions to group defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the expected working lives of the members of the schemes. Contributions in respect of defined contribution schemes are charged to the profit and loss account in the year when they arise.

Variations from the regular cost are spread over the remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of independent qualified actuaries and accounted for in accordance with SSAP24.

The transitional disclosures required by FRS17, "Retirement Benefits" are included in note 22.

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

<i>By business</i>	Turnover 2005 £m	Operating Profit Before Exceptionals & Pension Costs 2005 £m	Total Assets less Current Liabilities 2005 £m	Turnover 2004 £m	Operating Profit Before Exceptionals and Pension Costs 2004 £m	Total Assets less Current Liabilities 2004 £m
Building Products	146.9	14.2	76.5	133.9	13.5	81.3
Speciality Chemicals	47.9	4.6	23.3	46.5	5.7	23.0
Total continuing operations	194.8	18.8	99.8	180.4	19.2	104.3
Goodwill			27.7			27.1
Investments			12.7			12.7
Pension fund prepayment			18.6			19.8
Cash and borrowings under one year			(5.9)			(4.2)
Deferred tax			1.3			1.1
Corporation tax			(1.6)			(2.0)
			152.6			158.8
<i>By geographical origin</i>			Turnover 2005 £m			Turnover 2004 £m
UK			120.3			116.2
Rest of Europe			2.9			2.8
North America			15.7			16.4
Australasia			9.9			12.8
Rest of World			46.0			32.2
			194.8			180.4
<i>By destination</i>						
UK			95.9			92.3
Rest of Europe			23.7			22.5
North America			15.7			16.3
Australasia			10.6			13.2
Rest of world			48.9			36.1
			194.8			180.4

Notes to the accounts

	2005 £m	2004 £m
3 Exceptional items		
Operating costs relating to rationalisation of manufacturing (mainly Building Products)	(4.6)	(1.5)
Profit in stock in acquired company at year end	(0.7)	-
Finalisation of development contract (Speciality Chemicals)	(0.3)	-
	<u>(5.6)</u>	<u>(1.5)</u>

4 Group operating profit

	Continuing Operations 2005 £m	Acquired operations 2005 £m	Total 2005 £m	Total 2004 £m
Turnover	184.3	10.5	194.8	180.4
Cost of sales	(119.3)	(7.9)	(127.2)	(116.6)
Exceptional cost of sales	(4.4)	(0.7)	(5.1)	(1.0)
Total cost of sales	<u>(123.7)</u>	<u>(8.6)</u>	<u>(132.3)</u>	<u>(117.6)</u>
Gross profit	60.6	1.9	62.5	62.8
Distribution and marketing	(30.5)	(0.3)	(30.8)	(28.2)
Administrative expenses	(12.9)	(2.3)	(15.2)	(12.1)
Development expenses	(3.9)	-	(3.9)	(3.7)
Pension fund prepayment amortisation	(1.2)	-	(1.2)	(2.2)
Goodwill amortisation	(1.8)	-	(1.8)	(1.8)
Exceptional administrative expenses	-	(0.5)	(0.5)	(0.5)
Total administrative expenses	<u>(19.8)</u>	<u>(2.8)</u>	<u>(22.6)</u>	<u>(20.3)</u>
	<u>10.3</u>	<u>(1.2)</u>	<u>9.1</u>	<u>14.3</u>

Notes to the accounts

5	Interest	2005 £m	2004 £m
	Interest on loans and bank overdrafts	6.8	6.4
	Interest on shareholder loans	7.5	8.1
	Amortisation of costs of raising debt finance	0.7	0.6
	Discount on leasehold property provision	0.2	0.2
	Less: interest receivable	(0.7)	(0.6)
		<u>14.5</u>	<u>14.7</u>
	Exceptional interest charges arising from writing off costs of providing bank finance	<u>-</u>	<u>1.1</u>

6	(Loss)/Profit on ordinary activities before taxation	2005 £m	2004 £m
	Profit/(Loss) on ordinary activities before taxation is stated after charging:		
	Depreciation - owned assets	7.9	7.2
	Goodwill amortisation	1.8	1.8
	Operating lease rentals - property	3.4	2.5
	- equipment	1.5	1.4
	Auditors' remuneration, including expenses (Company: £0.1m both periods)	0.3	0.2
	Hire of plant and machinery	0.2	0.1
	Research and development expenditure	3.6	3.3

Fees paid to PricewaterhouseCoopers LLP UK for other non-audit services amounted to £0.03m (2004: £0.05m), principally relating to taxation advice and due diligence work related to the acquisition.

7	Taxation	2005 £m	2004 £m
	Overseas taxation	(1.4)	(1.3)
	Associates taxation	(0.1)	(0.2)
	Current taxation	<u>(1.5)</u>	<u>(1.5)</u>
	Deferred taxation	0.5	0.3
	Over provision re prior years	0.4	-
		<u>(0.6)</u>	<u>(1.2)</u>

	2005 £m	2004 £m
Profit/(Loss) before taxation	<u>(4.0)</u>	<u>0.4</u>
Tax at 30% (2004 : 30%)	1.2	(0.1)
Goodwill amortisation	(0.5)	(0.5)
Sundry disallowed expenses	(0.3)	(0.5)
Losses not recognised	(1.3)	(0.2)
Differences in overseas tax rates	(0.1)	-
Origination and reversal of timing differences	<u>(0.5)</u>	<u>(0.2)</u>
Current taxation charge for the year	<u>(1.5)</u>	<u>(1.5)</u>

8	Directors and Employees	2005	2004
	The average number of persons employed by the Group during the year was:		
	United Kingdom	1,191	1,186
	Overseas	<u>808</u>	<u>694</u>
		<u>1,999</u>	<u>1,880</u>
		£m	£m
	Staff costs for the year :		
	Wages and salaries	40.1	37.6
	Social security costs	3.4	3.7
	Other pension costs (see note 22)	4.1	3.4
		<u>47.6</u>	<u>44.7</u>

Notes to the accounts

9	Directors' emoluments	2005 £'000	2004 £'000
	Aggregate emoluments (including benefits in kind)	690	752
	Pension contributions	43	33
		<u>733</u>	<u>785</u>
	Highest Paid Director		
	Emoluments (including benefits in kind)	271	299
	Pension contributions	-	-
		<u>271</u>	<u>299</u>

Directors' emoluments include fees of £89,000 (2004 : £88,000) accrued to third parties. Pension contributions relate to retirement benefits accruing to one director under a money purchase scheme (2004 : one director) and one director under a personal pension scheme (2004 : no directors).

10	Tangible fixed assets	Group			Total
		<i>Land and buildings held for disposal</i>	<i>Land and buildings group occupied</i>	<i>Plant and vehicles</i>	
		£m	£m	£m	£m
	Cost				
	At 31 st March 2004	6.3	26.8	89.8	122.9
	Currency translation and other adjustments	-	0.1	0.2	0.3
	Acquisition	-	-	1.8	1.8
	Additions	-	0.1	4.3	4.4
	Disposals	-	-	(4.3)	(4.3)
	At 31 st March 2005	6.3	27.0	91.8	125.1
	Depreciation				
	At 31 st March 2004	0.4	4.0	49.1	53.5
	Charge for the year	0.1	0.8	7.0	7.9
	Disposals	-	-	(1.8)	(1.8)
	Currency translation and other adjustments	-	-	-	-
	At 31 st March 2005	0.5	4.8	54.3	59.6
	Net book value				
	At 31 st March 2005	5.8	22.2	37.5	65.5
	Net book value				
	At 31 st March 2004	5.9	22.8	40.8	69.4
		<i>Freehold</i>	<i>Long Leases</i>	<i>Short Leases</i>	<i>Total</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
	Land and buildings comprise:				
	Group				
	At cost	31.3	0.1	1.9	33.3
	Depreciation	(4.5)	-	(0.8)	(5.3)
	At 31 st March 2005	26.8	0.1	1.1	28.0

Notes to the accounts

11	Goodwill	Note	Total £m
	Cost		
	At 31 st March 2004		34.9
	Additions	24	2.4
			<hr/>
	At 31 st March 2005		37.3
	Amortisation		
	At 31 st March 2004		7.8
	Charge for the year		1.8
			<hr/>
	At 31 st March 2005		9.6
	Net book value		
	At 31 st March 2005		27.7
			<hr/>
	At 31 st March 2004		27.1
			<hr/>

	Associated companies	Loans to associated companies	Trade Investments	Total	
12	Investments	£m	£m	£m	£m
	Group				
	At 31 st March 2004	3.6	4.7	4.4	12.7
	Currency transactions & other adjustments	0.1	-	-	0.1
	Loans repaid to Holding Company	-	(0.4)	-	(0.4)
	Profit after tax	0.4	-	-	0.4
	Dividends received	(0.1)	-	-	(0.1)
	At 31 st March 2005	4.0	4.3	4.4	12.7

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 £3.1m (2004 : £3.1m) in the year, with sales to Philkeram-Johnson SA being £0.5m (2004 : £0.4m).

In the Group accounts associated companies are held at attributable net asset value together with loans to those companies, their original cost being £1.8m (2004 : £1.8m).

	Shares in subsidiaries £m	Loans to subsidiaries £m	Loans from subsidiaries £m	Total £m
Norcros (Holdings) Ltd.				
At 31 st March 2004	177.3	0.7	(50.0)	128.0
Movements during the year	-	(0.7)	(3.9)	(4.6)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 st March 2005	177.3	-	(53.9)	123.4

In the Company's accounts, investments in subsidiary undertakings are stated at cost together with loans to and from those companies.

Details of the principal subsidiary undertakings and associated companies, are set out on page 27.

Notes to the accounts

13	Stocks	2005 £m	2004 £m
	<i>Group</i>		
	Raw materials and consumables	8.2	7.6
	Work-in-progress	2.0	2.2
	Finished stock	21.3	17.0
		<u>31.5</u>	<u>26.8</u>

		Group		Norcross (Holdings) Ltd	
		2005	2004	2005	2004
14	Debtors	£m	£m	£m	£m
	Trade debtors	30.5	36.4	-	-
	Group relief receivable	-	-	2.5	4.0
	Amounts owed by associated undertakings	0.1	0.1	-	-
	Other debtors	3.3	3.6	-	-
	Dividend receivable from subsidiary undertakings	-	-	9.0	8.0
	Deferred tax asset (note 17)	1.3	1.1	-	-
	Prepayments and accrued income	4.9	4.8	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		40.1	46.0	11.5	12.0

Included within the deferred tax asset is an amount of £1.3m (2004 : £0.8m) which is recoverable after more than one year.

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 2005, 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 £46.7m (2004 : £49.6m).

Notes to the accounts

15	Borrowings	Group		Norcros (Holdings) Ltd.	
		2005	2004	2005	2004
		£m	£m	£m	£m
	Loans and bank overdrafts – secured	83.4	90.9	65.2	74.4
	Shareholder loans – unsecured	82.5	77.0	82.5	77.0
	Costs of raising finance	(2.0)	(2.6)	(2.0)	(2.6)
		<u>163.9</u>	<u>165.3</u>	<u>145.7</u>	<u>148.8</u>
	Repayable:				
	Within one year	14.0	15.1	7.4	10.0
	Costs of raising finance	(0.5)	(0.6)	(0.5)	(0.6)
		<u>13.5</u>	<u>14.5</u>	<u>6.9</u>	<u>9.4</u>
	After more than one year:				
	Between one and two years	11.6	9.9	7.5	8.0
	Between two and five years	29.2	34.0	25.3	28.5
	Over five years by instalments	111.1	108.9	107.5	104.9
	Cost of raising finance	(1.5)	(2.0)	(1.5)	(2.0)
		<u>150.4</u>	<u>150.8</u>	<u>138.8</u>	<u>139.4</u>
		<u>163.9</u>	<u>165.3</u>	<u>145.7</u>	<u>148.8</u>

Loans and bank overdrafts are secured on the group's assets (note 20) and principally carry interest based on LIBOR. Loans and bank overdrafts are repayable in instalments with the final payment on 31st March 2011.

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		Norcros (Holdings) Ltd.	
		2005	2004	2005	2004
		£m	£m	£m	£m
	Amounts falling due within one year:				
	Trade creditors	19.7	20.7	-	-
	Amounts owed to associated undertakings	0.5	0.3	-	-
	Corporation tax	1.6	2.0	-	-
	Other taxation and social security payable	1.8	1.7	-	-
	Other creditors	2.0	1.8	-	-
	Accruals and deferred income	12.0	12.3	0.5	0.5
		<u>37.6</u>	<u>38.8</u>	<u>0.5</u>	<u>0.5</u>
	Amounts falling due after more than one year:				
	Other creditors	0.8	1.2	-	-

Notes to the accounts

	Deferred taxation	Warranty provision	Reorganisation and restructuring provisions	Total
	£m	£m	£m	£m
17 Provisions for liabilities and charges				
Group				
At 31 st March 2004	4.8	1.4	9.2	15.4
Profit and loss account	(0.5)	0.9	5.1	5.5
Amortisation of discount	-	-	0.2	0.2
Transferred to creditors	-	(0.5)	-	(0.5)
Utilisation – cash	-	(0.9)	(4.1)	(5.0)
Utilisation – other	-	-	(1.9)	(1.9)
At 31 st March 2005	4.3	0.9	8.5	13.7
Dealt with as follows:				
At 31 st March 2005				
Provisions for liabilities and charges	5.6	0.9	8.5	15.0
Debtors (note 14)	(1.3)	-	-	(1.3)
	4.3	0.9	8.5	13.7
At 31 st March 2004				
Provisions for liabilities and charges	5.9	1.4	9.2	16.5
Debtors (note 14)	(1.1)	-	-	(1.1)
	4.8	1.4	9.2	15.4

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.

	Group	
Deferred taxation	2005 £m	2004 £m
The amount of deferred taxation dealt with above is made up as follows:		
Pension fund prepayment	5.6	5.9
Accelerated capital allowances	2.2	1.9
Other timing differences	(0.3)	(0.3)
Tax losses	(3.2)	(2.7)
	<u>4.3</u>	<u>4.8</u>
The full potential (asset)/liability for deferred taxation is as follows:		
Accelerated capital allowances	0.7	(0.9)
Other timing differences	(11.9)	(10.5)
Tax losses	(12.3)	(11.8)
Pension fund prepayment	5.6	5.9
ACT offset	(6.7)	(6.7)
	<u>(24.6)</u>	<u>(24.0)</u>

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	2005 £'000	2004 £'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 (2004 :375,000)	6	4
	5,250,000 'B' Redeemable Ordinary Shares of 1p each	52	52
		58	56
		'A' Ordinary Shares of 1p each No.	'A' Ordinary Shares of 1p each No.
	'A' Ordinary shares in issue	600,000	375,000

During the year 225,000 'A' Ordinary shares were issued for cash. Both the nominal value and the consideration for these shares was £2,250.

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 31 st March 2004 as previously reported	5.5	(15.3)
	Currency translation and other adjustments	-	0.7
	Loss for the year	-	(4.6)
	At 31 st March 2005	5.5	(19.2)
		Share premium £m	Profit and loss account £m
	Norcros (Holdings) Ltd.		
	At 31 st March 2004	5.5	(14.9)
	Result for the year	-	(2.0)
	Exchange differences on Inter group loans	-	-
	At 31 st March 2005	5.5	(16.9)

The result after taxation of Norcros (Holdings) Ltd. for the year was a loss of £2.0m (2004 : £2.8m).

20 Contingent liabilities

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 £1.6m (2004: £0.8 m).

	2005		2004	
	Property £m	Equipment £m	Property £m	Equipment £m
Operating leases				
Gross annual rentals payable on leases which expire:				
Within one year	0.3	0.2	0.1	0.3
Two to five years	1.0	1.3	0.6	1.1
Over five years	7.6	-	6.1	-
	<u>8.9</u>	<u>1.5</u>	<u>6.8</u>	<u>1.4</u>

22 Pension commitments

The Group has continued to account for pension costs in accordance with SSAP24 and the information provided at (a) is in accordance with that standard.

FRS17 - "Retirement Benefits" was issued in November 2000 and, when fully implemented, requires a different calculation of the cost of defined benefit schemes and a different balance sheet treatment. Prior to full implementation the new standard requires transitional disclosures which are set out at (b) below.

(a) Pension Costs

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

	2005 £m	2004 £m
Norcros Security Plan	3.0	2.9
Other UK and overseas schemes	<u>1.1</u>	<u>0.5</u>
Net pension cost	<u>4.1</u>	<u>3.4</u>

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 2003 at which date the market value of the scheme assets was £286,690,000. 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 106%.

The main financial assumptions used (for non-pensioner liabilities) in the valuation were:

- Pension increases - 3%
- 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 70% UK equities, 30% overseas equities.

The experience deficit at 31st March 2003 was £2.0m. In light of this deficit the Group's Pension Fund Prepayment is now being amortised over the average expected remaining service lives of the present scheme members in line with SSAP 24. In addition the Group recommenced contributions to the Norcros Security Plan in December 2003 at a rate of 11.8% of pensionable earnings. Accordingly, the employer expense in respect of the Norcros Security Plan for UK employees has been shown as £3.0m in the year (£2.9m in year to 31st March 2004).

Defined contribution pension schemes

Contributions are made to these schemes on the basis of local independent advice and amounted to £0.6m (2004: £0.5m).

Notes to the accounts

(b) FRS 17 Retirement Benefits

Norcross 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 Aon Consulting to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31st March 2005. Scheme assets are stated at their market value at 31st March 2005.

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 2005.

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

	2005	2004	2003
Valuation method	Projected Unit	Projected Unit	Projected Unit
Discount rate - Norcross Security Plan	5.50%	5.50%	5.50%
- Other	8.50%	9.00%	11.00%
Inflation rate - Norcross Security Plan	3.00%	3.00%	2.50%
- Other	4.00%	4.50%	6.00%
Increase to deferred benefits during deferment - Norcross Security Plan (non GMP liabilities)	3.00%	3.00%	2.50%
- Other	4.00%	3.81%	6.00%
Increases to pensions in payment - Norcross Security Plan (other than pre 1988 GMP liabilities)	3.00%	3.00%	2.50%
- Other	4.00%	3.81%	6.00%
Salary increases - Norcross Security Plan	4.50%	4.50%	4.50%
- Other	5.50%	6.00%	7.50%

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

	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	Long term rate of return expected at 31 March 03	Value at 31 March 03 £m
Equities - Norcross Security Plan	7.75%	119.1	7.75%	145.4	7.50%	152.7
- Other	11.50%	4.3	12.00%	3.4	13.00%	2.8
Bonds - Norcross Security Plan	5.50%	187.5	5.25%	177.5	5.00%	134.8
- Other	8.50%	1.0	9.00%	0.8	11.00%	0.8
Cash - Norcross Security Plan	4.75%	28.6	4.00%	0.6	3.75%	0.4
- Other	6.50%	0.5	7.00%	0.5	9.00%	0.6
Property - Other	11.50%	0.9	12.00%	0.6	13.00%	0.6
Total market value of scheme assets		341.9		328.8		292.7
Present value of scheme liabilities		(348.2)		(342.6)		(334.1)
Deficit in scheme		(6.3)		(13.8)		(41.4)
Related deferred tax asset		1.9		4.1		12.4
Net pension liability		(4.4)		(9.7)		(29.0)
Comprising						
Norcross Security Plan		(9.2)		(16.6)		(44.0)
Other		2.9		2.8		2.6
Deficit in schemes		(6.3)		(13.8)		(41.4)
Related deferred tax asset		1.9		4.1		12.4
Net pension liability		(4.4)		(9.7)		(29.0)

FRS 17 Retirement Benefits – continued

(iii) Movement on scheme deficit in the year	2005 £m	2004 £m
Deficit at the beginning of the year	(13.8)	(41.4)
Contributions	1.9	0.6
Currency translation and other adjustments	(0.1)	-
Current Service Cost	(2.3)	(2.2)
Interest cost	(18.4)	(18.0)
Expected return on scheme assets	20.2	18.2
Net financial income	1.8	0.2
Actuarial gain	6.2	29.0
Deficit at the end of the year	(6.3)	(13.8)

	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	8.9	2.6%	34.1	10.4%	(79.6)	27.2%
Experience (losses)/gains on scheme liabilities	(2.7)	0.8%	14.5	4.2%	6.3	1.9%
Effect of changes in actuarial assumptions on scheme liabilities	-		(19.6)		(10.9)	
Total actuarial gain / (loss) for the year	6.2	1.8%	29.0	8.5%	(84.2)	25.2%

(v) If the above amounts had been recognised in the accounts, the group's net liabilities and profit and loss reserve would be as follows:

	Group 2005 £m	Group 2004 £m
Net Liabilities		
Net liabilities excluding FRS 17 pension liability	(13.6)	(9.7)
FRS 17 pension liability	(4.4)	(9.7)
Pension fund prepayment (net of deferred tax)	(13.1)	(13.9)
	(17.5)	(23.6)
Net liabilities including FRS 17 pension liability	(31.1)	(33.3)
Reserves		
Profit and loss reserve excluding FRS 17 pension liability	(19.2)	(15.3)
FRS 17 Pension liability	(4.4)	(9.7)
Pension fund prepayment (net of deferred tax)	(13.1)	(13.9)
	(17.5)	(23.6)
Profit and loss reserve including FRS 17 pension liability	(36.7)	(38.9)

Notes to the accounts

23 Cash flow statement

2005
£m2004
£m

(a) Reconciliation of operating profit to operating cash flows

Operating profit from operations	9.1	14.3
Operating exceptional items within operating profit	5.6	1.5
Operating profit from operations before operating exceptional items	14.7	15.8
Depreciation	7.9	7.2
Amortisation of goodwill	1.8	1.8
Amortisation of pension fund prepayment	1.2	2.2
(Increase)/decrease in stocks	1.2	(3.4)
(Increase)/decrease in debtors	0.9	(3.8)
Increase/(decrease) in creditors	(4.4)	2.5
Exchange movement	(0.1)	(0.1)
Net cash inflow from operating activities before operating exceptional items	23.2	22.2

(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 31 st March 2004 £m	Cashflow £m	Other non cash movements £m	Balances acquired £m	Exchange Movement £m	At 31 st March 2005 £m
Cash at bank and in hand	10.3	(2.8)	-	0.1	-	7.6
Bank overdraft	(3.5)	1.1	-	(2.2)	(0.1)	(4.7)
Net cash	6.8	(1.7)	-	(2.1)	(0.1)	2.9
Debt:						
Debt due within one year	(11.0)	11.0	(8.8)	-	-	(8.8)
Debt due after one year	(150.8)	(0.2)	0.6	-	-	(150.4)
Debt	(161.8)	10.8	(8.2)	-	-	(159.2)
Net debt	(155.0)	9.1	(8.2)	(2.1)	(0.1)	(156.3)

24 Acquisitions

The Group purchased the assets of Tile Afrika on 10 December 2004. From this date the acquisition contributed a net outflow of £0.8m to net operating cashflows, paid £0.1m in respect of interest and utilised £0.3m of capital expenditure. In the period from the beginning of the financial year to the date of acquisition the Group made sales to Tile Afrika of £9.7m. The results of Tile Afrika for its previous financial year and the subsequent period to the date of acquisition are not publicly available. The fair value adjustments shown below are provisional and comprise of adjustments to comply with Norcros (Holdings) Limited's accounting policies.

	<i>Acquired Book value £m</i>	<i>Fair value adjustments £m</i>	<i>Net cost £m</i>
Assets Acquired :			
Intangible fixed assets	0.1	(0.1)	-
Tangible fixed assets	1.8	-	1.8
Stocks	6.4	(0.3)	6.1
Debtors	3.1	-	3.1
Cash	0.1	-	0.1
Creditors	(10.7)	(0.4)	(11.1)
Loans & Overdrafts	(2.2)	-	(2.2)
	(1.4)	(0.8)	(2.2)
Goodwill			2.4
Satisfied by Cash			0.2

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.*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

TAL (Pty) Ltd. *¹

Incorporated in South Africa

Tile Afrika Group (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

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.